ASX Announcement

Activities for the Quarter ended 30 September 2015

(ASX: OSH | ADR: OISHY | POMSoX: OSH)
20 October 2015

Highlights

	3Q 2015	2Q 2015	% change
Total production (mmboe)	**7.42**	7.41	-
Total sales (mmboe)	**7.22**	7.41	-3%
Total revenue (US$m)	**379.0**	391.5	-3%

- **Total production in the third quarter of 2015 was 7.42 million barrels of oil equivalent (mmboe). This represented the highest quarterly production in Oil Search's history. The PNG LNG Project contributed 5.56 mmboe (24.1 bcf LNG and 0.83 mmbbl liquids), while production from the base PNG oil and gas business was 1.86 mmboe. Total production for the nine months to 30 September 2015 was 21.74 mmboe, with the Company on track to deliver 2015 full year production at the upper end of the 27 – 29 mmboe guidance range.**
- **Total revenue for the quarter was US$379.0 million, compared to US$391.5 million in the second quarter of 2015. The average realised LNG and gas price was US$8.90 per mmBtu, 10% higher than in the previous quarter, while the average realised oil and condensate price declined 19%, to US$49.89 per barrel.**
- **The PNG LNG Project operated at an annualised rate of approximately 7.4 MTPA during the quarter, 7% above nameplate capacity, delivering high-value incremental volumes of LNG and condensate to the joint venture.**
- **During the quarter, the Antelope 4 ST1 appraisal well in PRL 15 tagged the top of the target reservoir 32 metres high to prognosis. Further production testing of this world scale gas field is planned once the well reaches total depth. The Antelope 6 appraisal well is expected to spud in the fourth quarter of 2015, targeting the eastern margin of the field.**
- **In preparation for the award of a Petroleum Development Licence (PDL), planning by the PNG Government, landowners and PRL 3 joint venture partners for P'nyang gas field landowner development forums commenced.**
- **The PPL 402 joint venture (ExxonMobil and Oil Search) confirmed that the Muruk 1 exploration well will be drilled in early 2016. Muruk is a multi-tcf exploration prospect on-trend with the Hides field and is part of a coordinated Highlands drilling campaign, aimed at sourcing gas to support PNG LNG Project expansion.**

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- **Preparatory work commenced for appraisal in 2016/17 of the existing gas discoveries in PRLs 8, 9 and 10 in the Forelands/Gulf region. Based on the Company's re-assessment of the discoveries, the proposed appraisal activities could result in a material increase in the 2C contingent resources presently booked in these licences.**
- **At the end of September 2015, Oil Search had cash of US$866.9 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$1,616.9 million.**
- **A range of initiatives identified by a Business Optimisation Programme, designed to improve the Company's operating efficiency and drive down costs, were implemented during the period.**
- **During the quarter, Oil Search rejected a non-binding, conditional indicative all scrip proposal from Woodside Petroleum on the basis that the terms significantly undervalued the Company.**

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

"Third quarter production of 7.42 mmboe was the highest quarterly production ever achieved by the Company, being marginally higher than the record production reached last quarter. This reflected continued strong production from both the PNG LNG Project and from our operated oil fields.

The PNG LNG Project performed well above the nameplate capacity of 6.9 MTPA, operating at an annualised rate of approximately 7.4 MTPA during the quarter and reaching higher daily rates on test. Demand for the Project's spot volumes remained robust, reflecting the proven reliability of the plant and the high heating value of the gas relative to LNG projects globally, making it well suited to regional Asian reticulation networks. Since start-up, the Project's contract customers have purchased more than 80% of the Project's available spot cargoes.

Given the PNG LNG plant's exceptional performance in the nine months to 30 September 2015, Oil Search is confident the Project can sustainably achieve annualised production of at least 7.3 MTPA over the balance of 2015 and into 2016. Production optimisation and potential debottlenecking provide opportunities to deliver significant additional value and returns to Oil Search and its co-venturers and, together with a potential third LNG train, remain a key focus for the operator.

A constructive dialogue continued during the quarter between the Government and local landowners, aimed at finalising the PNG LNG Project benefits sharing arrangements for landowners' equity. A land ownership review, led by an eminent PNG judge, to resolve the few landownership issues that remain, is proceeding well and the Project retains strong support from the local community.

Gas commercialisation activities in the Highlands and Gulf Province in PNG continued to make good progress, with PNG LNG Project expansion and the Papua LNG Project among the most competitive and commercially attractive in a global context. With interests in both projects, the Company is well positioned to participate in the next phase of LNG development in PNG.

Following a comprehensive review, during the quarter, the Company implemented a number of changes to its organisational structure and internal processes, to ensure that Oil Search can continue to deliver superior returns to its shareholders in the current lower oil price environment. By operating more efficiently, improving our production planning processes and re-prioritising work programmes, we are aiming to reduce costs and enhance production while continuing to move forward with our high-value growth opportunities. With a solid balance sheet and strong operating cash flows from our producing assets, the Company is in an excellent position to withstand sustained low oil prices and capitalise from an oil price recovery."

Rejection of Woodside's non-binding, conditional indicative proposal by Oil Search's Board

"In September, Oil Search received a non-binding, conditional indicative all scrip proposal from Woodside Petroleum under which Woodside would acquire all the shares in Oil Search for a consideration of one Woodside share for every four Oil Search shares held. The proposal was highly conditional, being subject to the completion by Woodside of satisfactory due diligence on Oil Search, the execution of a mutually acceptable confidentiality agreement, Oil Search granting an agreed period of exclusivity, Oil Search obtaining support from key stakeholders and shareholders and Woodside being satisfied that the transaction was likely to be supported by the PNG Government on acceptable terms.

Following a detailed evaluation of the proposal, substantial shareholder engagement and dialogue between the respective companies' Chairmen, the Oil Search Board unanimously rejected the approach. This decision was made on the grounds that the proposal was highly opportunistic, grossly undervalued the Company and diluted the growth profile available to Oil Search shareholders. In addition, the Board saw very few synergies, given there is no asset overlap. Oil Search is in a robust financial position and has access to competitively priced project finance for its LNG growth opportunities, which are operated by highly regarded global majors, ExxonMobil and Total.

Oil Search remains committed to acting in the best interests of our shareholders at all times. As highlighted in the Chairman's letter to shareholders on 15 September 2015, the Board remains open and willing to engage with and assess any proposals tabled in the future that reflect compelling value for Oil Search shareholders.

The Company is operating on a 'business as usual' basis and continues to focus on creating long-term value for our shareholders from our top tier PNG assets."

PNG LNG Project expansion activities

"As highlighted by the ongoing excellent production performance from PNG LNG Trains 1 and 2, the potential upside in the production capacity of the foundation project is now thought to be materially higher than initial expectations. During the quarter, work continued on sourcing gas to support the expansion of the PNG LNG Project through production optimisation, debottlenecking and a potential third LNG train.

It is anticipated that a substantial proportion of the gas for expansion will come from the P'nyang field, augmenting reserves at Hides and our oil fields. At least one, and potentially two, wells are planned to be drilled on P'nyang in 2016. This activity is designed to move some of the existing 2C resources into the 1C contractable category, as well as to confirm current modelling which suggests the field contains considerably more 2C resources than the 2.6 tcf (gross) presently booked. Oil Search is confident that this will result in a lift in proven resources at P'nyang and we continue to target the end of 2017 for a final investment decision on the development of P'nyang and PNG LNG expansion, in line with the Memorandum of Understanding (MoU) signed in January 2015.

The 2016 Highlands drilling campaign will also include the Muruk 1 well in PPL 402. This large anticline is a highly regarded, multi-tcf exploration prospect, located north-east of the Juha and Juha North pools and on-trend with the Hides field. Operated by Oil Search in co-venture with Esso PNG Wren Ltd, an ExxonMobil affiliate, the Muruk prospect is well positioned to be developed as a new source of gas for PNG LNG expansion, should it be successful. Due to logistical and licencing considerations, the Muruk well is now planned to be drilled ahead of the first P'nyang well, with an expected spud date in the first quarter of 2016.

During the quarter, the PNG Government, supported by the PRL 3 joint venture, made significant progress in planning landowner development forums, which are a prerequisite for the issuing of a Petroleum Development Licence (PDL) over P'nyang. Engagement with the PNG Government on the formal award of the PDL continued, with both Government and the PRL 3 joint venture already delivering on commitments made under the January MoU, including the supply of electricity from the PNG LNG plant to PNG Power, which commenced in early July. As highlighted in the first half results, the intention is to integrate P'nyang into the PNG LNG Project once the PDL has been awarded."

Papua LNG (Elk-Antelope) development activities

"Appraisal of the Elk-Antelope field continued during the quarter with the spudding of Antelope 4 ST1. The well is presently at a depth of 1,940 metres and is preparing to run casing prior to drilling ahead into the reservoir. An extensive testing programme is planned once it reaches total depth. Antelope 6, to be located in the eastern part of the field and operated by Total, is expected to spud in the fourth quarter of 2015.

Joint venture discussions continued on the financing structure for the Papua LNG Project and preparations are underway for more detailed geotechnical surveys at the selected facility sites. During the quarter, Oil Search seconded community affairs personnel to the Project, to support Total in engagement with the local communities.

Preparations for an independent gas certification, as required under the sales and purchase agreement between Oil Search and Pacific LNG, have commenced, with completion targeted for the second quarter of 2016. Confirmation of the resource size will enable the selection of the final development concept, including the decision on a one or two train development, to take place."

Power solutions in PNG

"In September, the Company signed a statement of intent with PNG Power Limited (PPL) on future phases of the Ramu Power Project (RPP), which is a long-term multi-phased project aimed at connecting up to one million people to a larger and improved electricity grid by 2030, through the provision of modular, low cost power supply. This followed the commencement of continuous 24-hour power generation and supply to Tari in April.

A number of projects have been identified to provide clean and sustainable biomass-fired and gas-fired power, which could see the delivery of up to 100 MW of additional electricity generating capacity in the Morobe, Highlands and Tari provinces. We are working towards signing Power Purchase Agreements for these projects by the end of the year."

Taza oil field, Kurdistan

"Testing of the Kirkuk, Euphrates and Jeribe intervals in the Taza 3 ST1 appraisal well was completed during the quarter. All zones flowed water with minor volumes of oil. One zone, the Euphrates, showed significantly higher flow rates than seen previously, indicating the importance of intersecting natural fractures in achieving significant productivity. A licence extension is currently being negotiated with the Kurdistan authorities, to allow a detailed review of the well results and seismic to be conducted, ahead of a decision on the forward programme."

2015 Business Optimisation Programme

"As highlighted in the 2015 first half results, following a comprehensive review of all aspects of our business, a range of initiatives were launched during the third quarter. These are designed to recalibrate our cost base to one more appropriate for the current oil price environment and focus the Company on activities, such as investment in LNG growth and PNG exploration, that create value even at lower oil prices. The initiatives are targeting a 15 – 20% reduction in our controllable operating and capital unit costs from 2016 onwards, equivalent to between US$2.50 and US$3.50 per boe for Oil Search-operated oil and gas production. In addition, through improved planning and reduced downtime, we are aiming to increase operated oil production by approximately 5% over current forecasts from 2016 onwards. Restructuring costs of approximately US$10 million in 2015 are included in our existing 2015 cost guidance."

2015 third quarter production and revenue performance

"Production net to Oil Search in the third quarter of 2015 was 7.42 mmboe, taking total production for the nine months to 30 September to 21.7 mmboe. The Company is presently tracking towards the upper end of our 2015 full year production guidance range of 27 – 29 mmboe.

During the period, 25 PNG LNG cargoes were exported, comprising 20 sold under long-term contracts and five cargoes on the spot market. Year to date, a total of 77 PNG LNG cargoes have been exported, of which 58 were sold under long-term contract and 19 cargoes sold on the spot market. Eight cargoes of Kutubu Blend and two cargoes of naphtha were also sold in the third quarter.

Total operating revenue for the quarter was US$379.0 million, 3% lower than in the second quarter of 2015. Lower oil and condensate revenues, driven by a 19% decline in average realised oil and condensate price to US$49.89 per barrel, were partially offset by higher LNG and gas revenues, with the average LNG and gas price increasing by 10% to US$8.90/mmBtu. Total operating revenue for the nine months to 30 September 2015 was US$1,242.8 million, compared to US$1,048.2 million for the nine months to 30 September 2014.

As noted on page 13, US$93.4 million was spent on exploration, development and production activities, of which US$42.8 million was related to exploration and evaluation activities in PNG and Kurdistan (primarily appraisal activity on PRL 15 and the Taza PSC).

Total liquidity increased from US$1,593.0 million at the end of June 2015 to US$1,616.9 million at the end of September 2015, comprising US$866.9 million in cash and US$750 million in undrawn committed funding lines."

Outlook for 2015 full year

Guidance for 2015 full year key metrics is largely unchanged, except for a small reduction in anticipated 2015 exploration and evaluation expenditures:

2015 Full Year Guidance

Production	
Oil Search operated (PNG oil and gas)[2]	6.3 – 6.9 mmboe[3]
PNG LNG Project	
LNG	92 – 97 bcf
Liquids	3.0 – 3.2 mmbbl
Total PNG LNG Project	21 – 22 mmboe[3]
Total production	**27 – 29 mmboe**
Operating costs	
Production costs	US$9 – 11/boe
Other operating costs[4]	US$145 – 165 million
Depreciation and amortisation	US$13 – 14/boe
Capital costs	
Production	US$110 – 125 million
Development	US$170 – 200 million
Exploration and evaluation	US$300 – 320 million
Other property, plant and equipment	US$20 – 25 million
Total	**US$600 – 670 million**

1. Numbers may not add due to rounding.
2. Includes SE Gobe gas sales.
3. Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale.
4. Includes Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development) and inventory movements.

2015 THIRD QUARTER PERFORMANCE SUMMARY[1]

Production[1]

	Quarter End			Year to Date		Full Year
	Sep 2015	Jun 2015	Sep 2014	Sep 2015	Sep 2014	Dec 2014
Production data						
PNG LNG Project[2]						
LNG (mmscf)	24,114	24,668	20,901	71,841	28,397	52,199
Condensate ('000 bbls)	774	785	700	2,267	1,089	1,870
Naphtha ('000 bbls)	54	49	37	145	49	90
PNG crude oil production ('000 bbls)						
Kutubu	972	944	955	2,840	2,769	3,692
Moran	369	380	515	1,156	1,512	1,989
SE Mananda	0	0	0	0	5	5
Gobe Main	8	8	9	23	24	32
SE Gobe	34	34	35	94	97	127
Total oil production ('000 bbls)	1,383	1,367	1,514	4,113	4,407	5,845
SE Gobe gas to PNG LNG (mmscf)[3]	881	305	-	1,187	-	-
Hides GTE Refinery Products[4]						
Sales gas (mmscf)	1,409	1,448	1,473	4,120	4,258	5,675
Liquids ('000 bbls)	30	31	32	87	91	121
Total barrels of oil equivalent ('000 boe)[5]	7,418	7,412	6,670	21,739	12,038	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 factor may occur over time.

Sales[1]

	Quarter End			Year to Date		Full Year
	Sep 2015	**Jun 2015**	**Sep 2014**	**Sep 2015**	**Sep 2014**	**Dec 2014**
Sales data						
PNG LNG Project						
LNG (Billion Btu)	27,189	28,433	21,456	83,016	26,430	51,922
Condensate ('000 bbls)	767	776	656	2,225	1,045	1,770
Naphtha ('000 bbls)	57	58	25	176	25	53
PNG oil ('000 bbls)	1,383	1,323	1,447	3,968	4,352	5,759
Hides GTE						
Gas (Billion Btu)[2]	1,522	1,553	1,580	4,429	4,569	6,090
Condensate and refined products ('000 bbls)[3]	23	27	28	73	80	106
Total barrels of oil equivalent ('000 boe)[4]	7,220	7,412	6,157	21,671	10,893	17,762
Financial data (US$ million)						
LNG and gas sales	255.7	242.9	308.3	854.3	421.4	808.6
Oil and condensate sales	107.7	129.8	212.0	337.2	580.0	737.1
Other revenue[5]	15.7	18.8	17.9	51.3	46.9	64.7
Total operating revenue	379.0	391.5	538.2	1,242.8	1,048.2	1,610.4
Average realised oil and condensate price (US$ per bbl)[6]	49.89	61.69	100.67	54.30	107.32	97.79
Average realised LNG and gas price (US$ per mmBtu)	8.90	8.10	13.38	9.77	13.59	13.94
Cash (US$m)	866.9	843.0	594.5	866.9	594.5	960.2
Debt (US$m)						
PNG LNG financing	4,285.9	4,285.9	4,140.2	4,285.9	4,140.2	4,262.2
Corporate revolving facilities[7]	-	-	50.0	-	50.0	150.0
Net debt (US$m)	3,419.1	3,443.0	3,595.7	3,419.1	3,595.7	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 factor may occur over time.
5. Other revenue consists largely of rig lease income, infrastructure tariffs and electricity, refinery and naphtha sales.
6. Average realised price for Kutubu Blend including PNG LNG condensate.
7. At the end of September 2015, the Company's US$250 million of bilateral revolving facilities and the US$500 million corporate revolving facility were undrawn.

PRODUCTION PERFORMANCE

Total third quarter production net to Oil Search was 7.42 million barrels of oil equivalent (mmboe), comprising the following:

- LNG produced at the PNG LNG plant, net of fuel, flare and shrinkage, of 24,114 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 1.86 mmboe, produced at an average rate (gross) of 38,706 barrels of oil equivalent per day. This included 881 mmscf of gas from the SE Gobe field, representing a full quarter of gas export to the PNG LNG Project.

PNG LNG Project (29.0%)

Third quarter production from the PNG LNG Project net to Oil Search was 5.56 mmboe, comprising 24.1 bcf of gas and 0.83 mmbbl of liquids. Gas exports from the Oil Search operated SE Gobe field to the PNG LNG Project continued through the quarter.

Development drilling continued at the Angore field with Angore A2, the second development well to be drilled in the field, spudded in early July. The well is approaching the Toro reservoir and is expected to reach total depth early in the fourth quarter of 2015, before being logged and cased as a future producer.

Kutubu (PDL 2 – 60.0%, operator)

Third quarter oil production net to Oil Search was 0.97 million barrels (mmbbl), 3% higher than in the second quarter. Gross production rates averaged 17,595 bopd during the period, compared to 17,284 bopd in the previous quarter.

Both the Kutubu and Agogo fields continue to perform at or above expected production rates.

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 third quarter oil production was 0.37 mmbbl, 3% lower than in the previous quarter. The field produced at a gross average rate of 8,106 bopd, down from the previous quarter of 8,427 bopd, reflecting the shut-in of the Moran 2X ST2 well in preparation for a workover.

During the quarter, the NW Moran 1 ST7 well reached total depth and was completed successfully. The well is due to be brought online in the fourth quarter. Rig 104 has been mobilised to the Moran 2X ST2 well to complete the workover noted above.

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

Oil Search's share of oil production from the Gobe fields in the third quarter of 2015 was 0.04 mmbbl. This was similar to production levels in the previous quarter.

The gross average production rate for Gobe Main was 3% lower than in the third quarter, at 884 bopd while the gross average production rate at SE Gobe was 1% lower than in the previous quarter, at 1,447 bopd.

During the quarter, Oil Search's share of SE Gobe gas exported to the PNG LNG project was 0.9 bcf.

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

Gas production for the Hides Gas-to-Electricity Project in the third quarter of 2015 was 1.41 bcf, produced at an average rate of 15 mmscf per day. This was similar to production volumes in the last quarter. 29,818 barrels of condensate were produced for use within the Hides facility or transported by truck to the Central Processing Facility at Kutubu for export.

EXPLORATION AND APPRAISAL ACTIVITY

Gas Development

In the North-West Highlands, the PRL 3 Joint Venture continued preparatory works for the P'nyang South 2 appraisal well, located in the south-east of the P'nyang field (Oil Search – 38.51%). Seismic data from the 2014/15 seismic programme, in areas around the Juha and Hides fields, have been used to mature a number of leads, principal of which is the Muruk structure, located in PPL 402 (Oil Search – 50%, operator). Both the P'nyang South 2 appraisal well and Muruk 1 exploration well are planned to be drilled in 2016 as part of a coordinated Highlands drilling campaign targeted at sourcing gas to support the expansion of the PNG LNG Project through production optimisation and debottlenecking and a potential third LNG train.

In PRL 15 in the Gulf Province (Oil Search – 22.835%), mobilisation and rigging up of Oil Search's Rig 103 from Antelope 5 to the Antelope 4 site was completed. Drilling commenced on Antelope 4 ST1, located one kilometre south-southeast of Antelope 2, in late August and the well had reached a depth of 1,940 metres at the end of September. The well tagged the top of the target carbonate reservoir 32 metres high to prognosis and is currently preparing to set casing prior to drilling ahead. Further production testing is planned once the Antelope 4 ST1 well reaches total depth, including an interference test involving the Antelope 1, Antelope 4 ST1 and Antelope 5 wells, to confirm pressure communication across the reservoir and obtain an indication of connected volume.

A further appraisal well, Antelope 6, targeting the eastern margin of the field, is expected to spud late in the fourth quarter of 2015. Other potential wells to test material resource upside, both within the existing field area and to the south of the Antelope field, are also currently being considered for 2016 drilling.

Preparatory work for appraisal drilling on the existing gas discoveries in PRLs 8 (Kimu), 9 (Barikewa) and 10 (Uramu) located in the Forelands/Gulf region is underway. Re-assessment of each of the discoveries has indicated material potential 2C gas resource upside in each pool, which will be confirmed by further appraisal and drilling work. In the Kimu area, a number of Kimu look-alike structures have also been mapped, which could add further to gas resources in that region. Potential development options for the Forelands/Gulf gas fields range from stand-alone power or small-scale LNG to tie-ins to the major LNG projects. The 2016 appraisal programme is designed to firm up gas resources so that these fields can form part of the forward development programme. The joint ventures are focused on new and innovative technology, including the use of truck-mounted and automated rigs, which are highly mobile, quick to rig up and rig down, utilise smaller rig crews and are well suited to drilling these relatively shallow wells. The Forelands drilling programme is expected to commence with the spudding of the Barikewa 3 well in PRL 9 in mid-2016.

Oil Appraisal

In the Kurdistan Region of Iraq, the testing programme on the Taza 3 ST1 well (Oil Search – 60%, operator) over the Kirkuk, Euphrates and Jeribe intervals was completed. All zones flowed primarily water with minor amounts of oil. Flow rates of more than 2,000 bbl/d were achieved in the Euphrates test, indicating the importance of fractures for productivity. Similar fluids, but at lower rates, were observed in the Jeribe test. Preliminary analysis of the 3D seismic acquired in late 2014 has indicated that both Taza 2 and 3 were drilled in areas where natural fractures are only lightly developed. Advanced processing of the 3D seismic is ongoing, focused on maximising information on fracture distribution and identifying where fracturing and oil charge are coincident, in order to establish the optimum location and design of future appraisal drilling,

In Tunisia, mapping of the 2014 seismic data has confirmed that the remaining potential in the Tajerouine Block is limited and a decision to relinquish the licence has been made. Discussions are underway with the Tunisian authorities and it expected that relinquishment will take place by the end of the year. All obligations have been met and the relationship with the Tunisian authorities remains good.

The sale of Oil Search's interest in Block 7 in Yemen (Oil Search – 34%, operator), to Petsec is awaiting relevant approvals. The Block remains in a state of force majeure due to the deteriorating security situation.

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%	Ongoing
Antelope 6	Appraisal	PRL 15	22.8%	4Q 2015
Strickland 1	Exploration	PPL 269	10.0%	1Q 2016
Muruk 1	Exploration	PPL 402	50.0%	1Q 2016
PPL 269 Well 2	Exploration	PPL 269	10.0%	2Q 2016
P'nyang South 2	Appraisal	PRL 3	38.5%	2Q/3Q 2016
Antelope South	Exploration	PRL 15	22.8%	3Q 2016
Barikewa 3	Appraisal	PRL 9	45.1%	3Q 2016
Kalangar 1	Exploration	PPL 339	70.0%	4Q 2016
Uramu 2	Appraisal	PRL 10	100%	4Q 2016
Kimu West	Appraisal	PRL 8	60.7%	1Q 2017
Kurdistan Region of Iraq				
Taza 4	Appraisal	Taza PSC	60.0% (75% paying interest)	2016

Note: Wells, location and timing subject to change.

FINANCIAL PERFORMANCE

Sales revenue

28,711 billion Btu of LNG and gas were sold during the quarter, 4% lower than in the previous quarter. This primarily reflected timing of sales, with an increase in LNG inventory over the period. Oil, condensate and naphtha sales volumes for the period totalled 2.23 mmbbl, 2% higher than the 2.18 mmbbl produced in the second quarter of 2015.

The average oil and condensate price realised during the quarter was US$49.89 per barrel, 19% lower than in the second quarter, in line with continued weakness in global oil prices. The average price realised for LNG and gas sales increased 10% to US$8.90 per mmBtu, reflecting the approximately three month lag between spot oil prices, which were stronger in the second quarter, and LNG contract 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$363.4 million, while other revenue, comprising rig lease income, infrastructure tariffs and electricity, refinery and naptha sales, was US$15.7 million.

Total operating revenue for the nine months to 30 September 2015 was US$1,242.8 million, 19% higher than revenue in the corresponding period of 2014.

Capital management

As at 30 September 2015, Oil Search had cash of US$866.9 million, compared to US$843.0 million at the end of June 2015. The Company's share of debt drawn down under the PNG LNG project finance facility was US$4,285.9 million (unchanged from the end of June 2015 when the first semi-annual principal repayment was made by the joint venture).

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 September 2015, the Company had total liquidity of US$1,616.9 million ($1,593.0 million at the end of June 2015).

Capital expenditure

During the quarter, exploration and evaluation expenditure totalled US$42.8 million, including US$20.5 million spent on PRL 15 and US$17.5 million on Taza appraisal activity in Kurdistan. US$1.3 million of exploration costs were expensed, comprising US$5.5 million primarily related to seismic, geological, geophysical and general and administration expenses in PNG and MENA, offset by the write-back of US$4.2 million of prior year expenditures.

Oil Search's share of PNG LNG Project development costs in the third quarter was US$22.4 million, predominantly spent on drilling the Angore A2 well.

Expenditure on producing assets totalled US$21.7 million, mainly spent on drilling the NW Moran ST6 development well, sustaining capital expenditure and well workovers.

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

(US$ million)	Quarter End			Year to Date		Full Year
	Sep 2015	Jun 2015	Sep 2014	Sep 2015	Sep 2014	Dec 2014
Investment expenditure						
Exploration & Evaluation						
PNG	23.5	37.4	40.9	101.9	1,015.5[3]	1,077.2[3]
MENA	19.3	35.9	45.8	106.0	109.4	165.6
Total exploration & evaluation	42.8	73.4	86.6	207.8	1,124.9	1,242.8
Development	22.4	34.8	120.3	98.4	443.3[2]	502.6[2]
Production	21.7	25.8	18.5	77.6	78.8	110.3
PP&E	6.5	2.7	5.1	11.1	8.0	13.4
Total	**93.4**	**136.7**	**230.5**	**394.9**	**1,655.0**	**1,869.1**
Exploration & evaluation expenditure expensed[4,5]						
PNG	3.8	10.6	4.2	28.0	14.2	88.2
MENA	1.7	1.9	5.3	5.2	10.7	21.0
Total current year expenditures expensed	5.5	12.5	9.5	33.2	24.9	109.2
Prior year expenditures expensed	(4.2)	-	-	2.6	-	-
Total	**1.3**	**12.5**	**9.5**	**35.8**	**24.9**	**109.2**

1. Numbers may not add up due to rounding.
2. Includes capitalised interest and finance fees.
3. Includes the 13 March 2014 acquisition of an interest in PRL 15 and associated acquisition costs of US$918.3 million.
4. Exploration expensed includes costs of unsuccessful wells except where costs continue to be capitalised, certain administration costs and geological and geophysical costs. Costs relating to permit 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.
5. Numbers do not include expensed business development costs of US$3.8 million in the third quarter of 2015 (US$3.9 million in the second 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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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.