ASX Announcement – *revised*

Activities for the Quarter ended 31 December 2015

(ASX: OSH | ADR: OISHY | POMSoX: OSH)

27 January 2016

Highlights

	4Q 2015	3Q 2015	% change	FY 2015	FY 2014	% change
Total production (mmboe)	**7.51**	7.42	***+1%***	**29.25**	19.27	***+52%***
Total sales (mmboe)	**7.08**	7.22	***-2%***	**28.76**	17.76	***+62%***
Total revenue (US$m)	**342.9**	379.0	***-10%***	**1,585.7**	1,610.4	***-2%***

- **Production in the fourth quarter of 2015 was 7.51 million barrels of oil equivalent (mmboe). The continued strong performance during the quarter took 2015 full year production to 29.25 mmboe, 52% higher than production in 2014 and an all-time record for the Company. This exceeded the upper end of our guidance range.**

- **Fourth quarter production net to Oil Search from the PNG LNG Project was 5.73 mmboe (24.8 bcf LNG and 0.86 mmbbl liquids), while the base PNG oil and gas business contributed 1.79 mmboe. The PNG LNG Project continued to operate well above its 6.9 MTPA nameplate capacity, with an annualised production rate of approximately 7.6 MTPA during the quarter, compared to 7.4 MTPA in the previous quarter and 7.4 MTPA for the 2015 full year.**

- **Product sales during the fourth quarter were lower than production due to timing of liftings. Total sales for the 2015 full year, at 28.76 mmboe, were 62% higher than in 2014 and the highest in Oil Search's history.**

- **Total revenue for the quarter was US$342.9 million, 10% lower than in the third quarter, largely due to the sharp drop in global oil and gas prices. The average realised LNG and gas price was US$8.41/mmBtu, down 6% from the third quarter, while the average realised oil and condensate price declined 14%, to US$42.90/barrel. Total revenue for the 2015 full year was US$1,585.7 million, marginally lower than total revenue in 2014.**

- **While Oil Search's production generates positive cash flow even at the current depressed oil price, the Company is presently re-assessing its 2016 work programmes and is looking for opportunities to optimise its activities, improve efficiency and further reduce its cost base. Given that PNG LNG Project expansion and the Papua LNG Project are considered to be among the most commercially attractive new LNG projects globally, activities to progress these potential developments will continue to be prioritised. Guidance on 2016 operating costs and capital expenditure will be provided in the 2015 full year results, scheduled to be announced on 23 February 2016.**

- **Engagement with the Department of Petroleum and Energy (DPE) regarding the issuing of a Petroleum Development Licence (PDL) over P'nyang was ongoing during the quarter. The DPE**

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continued fieldwork to identify project landowners and held information sessions in villages in the Project area, with landowner development forums expected to take place in 2016. Well site preparations for the high-potential Muruk 1 gas exploration well in PPL 402 also commenced.

- **During the quarter, the Antelope 4 ST1 well was drilled and wireline logging was completed. Log interpretations confirm that a thick, high quality dolomite reservoir unit extends to this southern location. The Antelope 6 well, on the eastern margin of the field, was spudded in December, with reservoir penetration expected during the first quarter of 2016, while a long-term test of Antelope 5 has also recently commenced.**
- **In preparation for independent gas certification of the Elk-Antelope field, Oil Search has engaged two world class certifiers and expects certification to be completed early in the third quarter of 2016. The certification will incorporate the Antelope 6 results and the Antelope 5 testing currently underway, as well as all other data currently available.**
- **During the quarter, the Company refinanced its two existing US$125 million bilateral revolving credit facilities through a well supported competitive bid process. At the end of December 2015, Oil Search had available facilities of US$748 million and cash of US$910 million, taking total liquidity to US$1.66 billion. Based on this strong financial position, the Company can fund all planned capital expenditure, debt repayments and dividends from operating cash flow and its existing cash balances, even if oil prices remain at current levels for an extended period of time.**
- **Towards the end of the quarter, Woodside Petroleum withdrew its non-binding, highly conditional indicative all scrip proposal for Oil Search.**

COMMENTING ON THE FOURTH QUARTER OF 2015, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

"Following a strong performance from both the PNG LNG Project and our operated oil fields during the fourth quarter, 2015 full year production was 29.3 mmboe, which was an all-time record for the Company and above the top end of our 27 – 29 mmboe guidance range.

The PNG LNG Project produced at an annualised rate of approximately 7.6 MTPA during the quarter, up from 7.4 MTPA in the third quarter and 10% higher than the nameplate capacity of 6.9 MTPA. The high performance and reliability seen to date from all components of the PNG LNG Project infrastructure augurs well for 2016 and is enabling the co-venturers to derive significant additional value from the existing installed capacity.

Despite the present oil price weakness, the PNG LNG Project co-venturers remain committed to pursuing PNG LNG Project expansion activities, as maximising production through the existing trains and the construction of a potential third train continues to offer attractive returns. Material progress is also being made on the Papua LNG Project, which is regarded by the participants and a range of independent experts as one of the most competitive greenfield LNG projects in the world.

Oil Search is in the very fortunate position of having a range of producing assets with low operating costs and small sustaining capital requirements. Based on the current cost structure, the Company would generate positive operating cash flow even if oil prices fell to US$20/barrel. A number of changes were made to the Company's organisational structure, offices and internal processes in 2015, to improve efficiencies and reduce costs. In addition, almost all third party contracts have already been renegotiated or are being reviewed, in line with reduced forward work programmes and current market conditions. Given the recent further sharp decline in oil prices, we are using the information gained through the 2015 Business Optimisation Programme to actively prioritise further cost reduction opportunities across our business. Our overall strategy, however, remains unchanged, with a strong focus on PNG, where we have a major competitive advantage, and on our high-value growth projects.

The recent successful refinancing of the Company's two US$125 million credit facilities demonstrates that the banking community is willing to back well-positioned energy companies, notwithstanding the negative oil price sentiment. With liquidity of US$1.66 billion, including cash of more than US$900 million, we are very well placed to fund all our commitments during 2016 and beyond."

Withdrawal of Woodside's non-binding, conditional indicative proposal

"In December, Woodside withdrew its non-binding, conditional, indicative all-scrip proposal to acquire all the shares in Oil Search for a consideration of one Woodside share for every four Oil Search shares held.

As previously highlighted, the Oil Search Board unanimously rejected the approach in September 2015 on the grounds that the proposal was highly opportunistic, grossly undervalued the Company, diluted the growth profile available to Oil Search shareholders and provided very few synergies, given there is no asset overlap.

Oil Search is committed to acting in the best interests of its shareholders and remains focused on delivering value by continuing to produce from its top tier PNG assets and progressing the development of our world class growth projects."

PNG LNG Project expansion activities

"Engagement with the PNG Government on the award of a PDL over the P'nyang gas field continued through the fourth quarter, with Government and the PRL 3/PNG LNG Project joint ventures having already delivered on early commitments made under the Memorandum of Understanding signed in January 2015. The intention is to integrate P'nyang into the PNG LNG Project once the PDL is awarded, to provide gas to support the proven additional production capacity within the foundation project, domestic gas and a potential third train.

During the quarter, the PNG Government, supported by the PRL 3 joint venture, continued planning landowner development forums, which are part of the PDL award process. With logistics assistance from the PRL 3 joint venture, the DPE continued fieldwork to identify project landowners and held information sessions in villages in the Project area. Additional village-based information sessions, building on the Ministerial determination of eligible P'nyang Gas Field Clans and Villages, are expected to take place in the first half of 2016, in advance of landowner development forums.

Preparatory works for P'nyang drilling, including field survey work, also continued, with the P'nyang South 2 well targeted to spud in the second half of 2016. To take advantage of logistic and cost synergies, drilling of the Muruk 1 exploration well in PPL 402 has been accelerated to the first half of 2016. The highly regarded Muruk prospect, which is scheduled to commence drilling late in the first quarter, is also a potential source of gas for future expansion of the PNG LNG Project."

Papua LNG (Elk-Antelope) development activities

"Appraisal of the Elk-Antelope field was ongoing during the quarter, with continued positive results. Log interpretations from the Antelope 4 ST1 well, which was completed during the quarter, confirm that a thick, high quality dolomite reservoir extends into the southern part of the field. The Antelope 6 well, which is designed to provide structural control and reservoir definition on the eastern flank of the field, spudded in

December and is currently drilling ahead. The well is expected to reach total depth during the first quarter of 2016. A long-term production test of the Antelope 5 well and a sampling programme is also underway. The test, comprising flow testing of the Antelope 5 well with observation of pressure movements at Antelope 1, is designed to further demonstrate the productivity and connectivity of the reservoir.

Completion of the appraisal programme, which may include a further appraisal well, Antelope 7, will enable the selection of the final development concept and confirmation of whether the resource can support one or two trains. In parallel, a comprehensive work programme including environmental and societal studies, surveys, subsurface and engineering studies, as well as work on marketing and project financing options, is being undertaken.

Preparations for independent gas certification are underway, as required under the sales and purchase agreement between Oil Search and Pacific LNG. Two certifiers, Gaffney Cline and Associates and Netherland Sewell and Associates, have been engaged, with results of the certification expected to be known early in the third quarter of 2016."

Power in PNG

"In December, Oil Search announced that it had signed two Power Purchase Agreements (PPAs) with Government-owned PNG Power Limited, as part of a multi-phase, long-term plan to help develop PNG's power sector.

Under the PNG Biomass PPA, PNG Biomass Independent Power Producer (IPP) (Oil Search – 70%, Aligned Energy 30%) will use wood chips from new plantation trees, sustainably grown and harvested in the Markham Valley, to provide up to 30MW of low cost, reliable baseload biomass power for the Lae region. The Highlands PPA covers the construction by Highlands IPP (Oil Search – 100%) of an initial 2 MW gas-fired pilot power project located near Hides in the Hela Province, with potential to ramp up to 5 MW in the short-term and up to 65 MW by 2030. Subject to the execution of a binding gas supply agreement, Highlands IPP will source gas from the Hides gas field and provide cost-effective baseload, peaking and backup power, primarily for households and social infrastructure in the Hela and Southern Highlands Provinces.

Oil Search has identified that providing PNG businesses and households with access to affordable power supplies is a high political and social priority in PNG and the Company's involvement is part of its programme to mitigate operating risk by giving back to the community."

2015 fourth quarter production and revenue performance

"Production net to Oil Search in the fourth quarter of 2015 was 7.51 mmboe, compared to 7.42 mmboe in the third quarter. During the period, an extended high rate production test took place at the PNG LNG Project, which was very successful, reflecting excellent gas deliverability from the upstream facilities combined with a high level of uptime from the LNG trains. The Oil Search-operated oil fields continued their strong contribution to the PNG LNG Project, delivering an average of 117 mmscf/day of gas to the LNG feedstock over 2015.

24 LNG cargoes were sold during the period, 21 under long term contract and three on the spot market, with four cargoes on the water at year end. Eight cargoes of Kutubu Blend and two naphtha cargoes were also sold in the quarter. For the 2015 full year, 101 LNG cargoes were sold, of which nearly 80% were sold under long-term contract, with the ramp up of contract sales progressing in line with expectations. 10.5 mmboe of PNG LNG Project condensate were transported through the Oil Search operated liquids export system in 2015.

Total operating revenue for the quarter was US$342.9 million, 10% lower than in the third quarter of 2015, driven by a 6% decline in the average LNG and gas price realised and a 14% drop in the average realised oil and condensate price. Total operating revenue for the 2015 full year was US$1,585.7 million, compared to US$1,610.4 million in 2014.

As noted on page 14, US$138.8 million was spent on exploration, development and production investment activities, of which US$54.8 million was related to exploration and evaluation activities in PNG (primarily appraisal activity on PRL 15).

Total liquidity increased from US$1.62 billion at the end of September to US$1.66 billion at the end of 2015, comprising US$910.5 million in cash and US$748.0 million in available committed funding lines."

Outlook for 2015 full year

"The Company's financial results for the year to 31 December 2015 will be released to the market on 23 February 2016.

Production costs and depreciation and amortisation charges for 2015 are expected to be within the previously advised guidance ranges of US$9-11/boe and US$13-14/boe, respectively. Other operating costs (including Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, inventory movements, corporate and other costs) are expected to be towards the lower end of the US$145-165 million guidance range. Net financing charges are expected to be between US$180-190 million, while a US$5.5 million loss on asset disposals is expected to be booked.

As noted on page 14, US$50.9 million of exploration and evaluation expenditure will be expensed. US$37.2 million of this amount arises from PNG activities and US$13.8 million is related to exploration activities in the Middle East, which are non-deductible for tax purposes. The effective tax rate for the full year is expected to be close to the statutory rate for gas projects in PNG of 30%, excluding adjustments in respect of any impairment that may be recognised.

Total investment expenditure in 2015 was US$539.2 million. Exploration expenditure at US$275.6 million was below the guidance range of US$300–320 million, primarily due to lower than expected expenditure on P'nyang and on PNG seismic, while development spend of US$135.2 million was also below guidance (US$170–200 million) due to lower than forecast spend on PNG LNG Project drilling.

Given the significant downturn in oil prices in recent months, the Company is carrying out a comprehensive review of impairment across all its assets. This review is ongoing, however we currently anticipate that the only material impairment charge to be recognised at 31 December 2015 will be with respect to the Taza PSC in Kurdistan (which presently has a book value of US$399.3 million), following disappointing appraisal drilling during 2015.

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

Production guidance for 2016

"Oil Search's 2016 full year production is anticipated to be in the range of 27.5 – 29.5 mmboe, with forecast contributions as follows:

2016 Production[1]

Oil Search-operated production	5.7 – 6.2 mmboe[2,3]
PNG LNG Project	
LNG	95 - 100 bcf
Liquids	3.3 – 3.5 mmbbl
Total PNG LNG Project	22 – 23 mmboe[2]
Total production	**27.5 – 29.5 mmboe**

1. Numbers may not add due to rounding.
2. Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale.
3. Includes 2.8 – 3.0 bcf (net) of SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).

Operating and capital cost guidance for 2016 will be provided to the market on 23 February, in the 2015 full year results release."

2015 FOURTH QUARTER PERFORMANCE SUMMARY[1]

Production

	Quarter End			Full Year	
	Dec 2015	**Sep 2015**	**Dec 2014**	**Dec 2015**	**Dec 2014**
Production data					
PNG LNG Project[2]					
LNG (mmscf)	24,805	24,114	23,802	96,644	52,199
Condensate ('000 bbls)	798	774	781	3,066	1,870
Naptha ('000 bbls)	64	54	42	208	90
PNG crude oil production ('000 bbls)					
Kutubu	956	972	923	3,797	3,692
Moran	405	369	478	1,560	1,989
SE Mananda	-	-	-	-	5
Gobe Main	7	8	8	30	32
SE Gobe	23	34	30	117	127
Total oil production ('000 bbls)	1,391	1,383	1,438	5,505	5,845
SE Gobe gas to PNG LNG (mmscf)[3]	699	881	-	1,886	-
Hides GTE Refinery Products[4]					
Sales gas (mmscf)	1,193	1,409	1,418	5,312	5,675
Liquids ('000 bbls)	25	30	30	112	121
Total barrels of oil equivalent ('000 boe)[5]	7,512	7,418	7,236	29,252	19,274

1. Numbers may not add due to rounding.
2. Production net of fuel, flare, 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.

Oil Search

2015 FOURTH QUARTER PERFORMANCE SUMMARY[1]

Sales

	Quarter End			Full Year	
	Dec 2015	Sep 2015	Dec 2014	Dec 2015	Dec 2014
Sales data					
PNG LNG Project					
LNG (Billion Btu)	26,554	27,189	25,492	109,570	51,922
Condensate ('000 bbls)	812	767	725	3,038	1,770
Naphtha ('000 bbls)	61	57	28	237	53
PNG oil ('000 bbls)	1,329	1,383	1,407	5,298	5,759
Hides GTE					
Gas (Billion Btu)[2]	1,270	1,522	1,520	5,700	6,090
Condensate and refined products ('000 bbls)[3]	28	23	26	106	106
Total barrels of oil equivalent ('000 boe)[4]	7,084	7,220	6,869	28,758	17,762
Financial data (US$ million)					
LNG and gas sales	234.0	255.7	387.2	1,088.3	808.6
Oil and condensate sales	92.3	107.7	157.2	429.5	737.1
Other revenue[5]	16.6	15.7	17.8	67.9	64.7
Total operating revenue	342.9	379.0	562.1	1,585.7	1,610.4
Average realised oil and condensate price (US$ per bbl)[6]	42.90	49.89	73.64	51.36	97.79
Average realised LNG and gas price (US$ per mmBtu)	8.41	8.90	14.33	9.44	13.94
Cash (US$m)	910.5	866.9	960.2	910.5	960.2
Debt (US$m)					
PNG LNG financing	4,228.6	4,285.9	4,262.2	4,228.6	4,262.2
Corporate revolving facilities[7]	-	-	150.0	-	150.0
Net debt (US$m)	3,318.2	3,419.1	3,452.0	3,318.2	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 electricity, refinery and naphtha sales.
6. Average realised price for Kutubu Blend including PNG LNG condensate.
7. At 31 December 2015, the Company's US$500 million corporate revolving facility was undrawn. US$2 million of the US$250 million of bilateral revolving facilities had been utilised.

PRODUCTION PERFORMANCE

Total fourth quarter production net to Oil Search was 7.51 million barrels of oil equivalent (mmboe), comprising the following:

- LNG produced at the PNG LNG plant, net of fuel, flare and shrinkage, of 24,805 mmscf.
- PNG LNG liquids production of 0.86 mmbbl, comprising condensate produced during gas processing at the Hides Gas Conditioning Plant (HGCP) and naphtha at the LNG plant.
- PNG oil fields production and gas and liquids production from the Hides GTE Project of 1.79 mmboe, produced at an average rate (gross) of 36,553 barrels of oil equivalent per day. This included 699 mmscf of gas exported to the PNG LNG Project from the SE Gobe field.

PNG LNG Project (29.0%)

Fourth quarter production from the PNG LNG Project net to Oil Search was 5.73 mmboe, comprising 24.8 bcf of gas and 0.86 mmbbl of liquids. Gas exports from the Oil Search-operated SE Gobe field to the PNG LNG Project continued through the quarter.

Angore A2, the second development well to be drilled in the Angore gas field, reached total depth in the fourth quarter of 2015 and has been logged and cased as a future producer.

Kutubu (PDL 2 – 60.0%, operator)

Fourth quarter oil production net to Oil Search was 0.96 million barrels (mmbbl), 2% lower than in the third quarter. Gross production rates averaged 17,309 bopd during the period, compared to 17,599 bopd in the previous quarter.

Production at Kutubu was boosted by the reinstatement of the IDD 5 well which had been shut-in for a prolonged interval while reservoir pressures were built up. The well was brought on-stream at rates of more than 1,000 bopd.

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 fourth quarter oil production was 0.41 mmbbl, 10% higher than in the previous quarter. The field produced at a gross average rate of 8,883 bopd, up from the previous quarter of 8,102 bopd.

The increase reflected the return to production of two key wells at Moran. NW Moran 1 ST7 and Moran 2X ST3 were brought back on-stream in November and December respectively, with NW Moran 1 ST7 producing at rates of approximately 1,000 bopd and Moran 2X ST3 at 1,300 bopd.

At the Moran 6 ST3 well, a coil tubing intervention successfully removed a restriction in the tubing and the well was brought back onto production at approximately 1,100 bopd.

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

Oil Search's share of oil production from the Gobe fields in the fourth quarter of 2015 was 0.03 mmbbl, down 31% on the previous quarter.

The gross average production rate for Gobe Main was 18% lower than in the third quarter at 729 bopd, while the gross average production rate at SE Gobe was 31% lower than in the previous quarter, at 991 bopd.

Production rates were impacted during the quarter by a scheduled shut down of the Gobe Production Facility for routine compressor service and maintenance.

During the quarter, Oil Search's share of SE Gobe gas exported to the PNG LNG project was 0.70 bcf.

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

Gas production for the Hides Gas-to-Electricity Project in the fourth quarter of 2015 was 1.193 bcf, produced at an average rate of 13 mmscf per day. Drought conditions at the mine site affected electricity demand and therefore gas sales during the period. 24,596 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

Highlands

In the North-West Highlands, the PRL 3 Joint Venture continued planning work for the P'nyang South 2 well, located in the south-east of the P'nyang field (Oil Search – 38.51%). If successful, this well will allow the reclassification of some of the 2C resources to the 1C category, to support PNG LNG expansion project financing and marketing activities. A P'nyang South multi-licence seismic survey commenced during the quarter, with approximately 72 kilometres of 2D data being acquired to mature adjacent exploration leads. It is anticipated that this survey will be completed by the end of the first quarter of 2016.

Site preparation at the Muruk 1 well site, located in PPL 402 (Oil Search – 50%, operator), took place during the period. The well is expected to commence drilling, with Oil Search's Rig 103, late in the first quarter of 2016, subject to the completion of the well site and mobilisation of the rig to site. This high potential, multi-tcf exploration prospect is also targeting gas to help support the potential PNG LNG Project expansion.

Preparations to drill the Strickland 1 well in PPL 269 (Oil Search – 10%) took place during the period. The operator, Repsol, expects to spud the well, which will be drilled as a commitment exploration well using Oil Search's Rig 104, late in the first quarter of 2016.

Forelands/Gulf

In the Gulf Province in PRL 15 (Oil Search – 22.835%), the Antelope 4 ST1 well, located one kilometre south of Antelope 2, was drilled to a total depth of 2,326 metres and wireline logging was completed. Log interpretations confirmed that a thick, high quality dolomite reservoir unit continues to this southern location. Due to well integrity issues, long-term production testing could not be undertaken and the well was plugged and abandoned.

Drilling of the Antelope 6 well, located two kilometres east-southeast of Antelope 3, began during the quarter. The well is intended to appraise the eastern flank of the structure. The planned depth of the well is 2,650 metres, with reservoir penetration expected during the first quarter of 2016.

Approval for an interference test between Antelope 5 (production) and Antelope 1 (observation), comprising 15 days of production and 12.5 days of build-up, was received from the DPE and testing commenced in late January. The test is designed to further demonstrate the productivity of the Antelope reservoir, as well as the connectivity between the wells, and will assist in defining an optimal development concept.

In addition, the PRL 15 Joint Venture is continuing to undertake comprehensive work programmes to support the finalisation of a development scheme for Papua LNG. These include environmental and societal studies, surveys, subsurface and engineering studies, and marketing and project finance studies.

Preparatory work continued for appraisal drilling on the existing gas discoveries in PRL 8 (Kimu), PRL 9 (Barikewa) and PRL10 (Uramu), located in the Forelands/Gulf region. Initial activity is focused on PRL 9 (Oil Search – 45.1%, operator), where construction of a new access road to the Barikewa 3 well site is underway. Construction of the well site is scheduled to commence in the first quarter of 2016, with the well expected to spud in the third quarter of 2016. Barikewa 3 will be the first well in Oil Search's 'Smaller Rig' campaign, utilising a lower cost, smaller rig.

In PRL 10 (Oil Search – 100%, operator), a shallow-water well site survey is expected to take place in the first quarter of 2016. At PRL 8 (Oil Search – 60.7%, operator), remapping of the area has enhanced regional prospectivity and the potential size of the Kimu structure. A tender has been issued for the acquisition of approximately 50 kilometres of 2D data, to further appraise Kimu and de-risk nearfield exploration prospects, with activities expected to commence during the first half of 2016. Subject to the results of the seismic, subsequent mapping and the prevailing economic conditions, drilling may be considered utilising the lower-cost small rig.

In December 2015, Oil Search completed a farm-in to PPL 339 in the Gulf Province with Kina Petroleum, taking a 70% interest and operatorship. Shortly after the end of the quarter, the Company farmed-out a 35% interest in the licence to Total SA, with Oil Search retaining 35% and operatorship. Seismic and high resolution gravity and magnetic studies undertaken by the Company have high-graded a prospective trend in the licence and delineated the Kalangar structure as the preferred prospect. Preparations are now underway to drill the Kalangar 1 well, which is scheduled to take place during the dry weather window in late 2016/early 2017, as part of the 'Smaller Rig' drilling campaign. Kalangar is a multi tcf potential Tertiary carbonate prospect that, if successful, will open up an important and new prospective trend in the Gulf region.

Oil

Middle East/North Africa

In the Kurdistan Region of Iraq, advanced processing of the 3D seismic data acquired over the Taza PSC (Oil Search – 60%, operator) took place during the quarter. In addition, activities at the Taza 2 and 3 well sites were terminated and site remediation commenced.

The Taza 2 and 3 appraisal well results indicate that the central area of the field is tight, with insufficient fracture development to support commercial production at current oil prices. The well data, combined with the 3D seismic data, indicates that the potential for economic flow rates in the Taza field is constrained to the more tightly folded and fractured forelimb area. Full integration of the 3D seismic processing results with information derived from the Taza wells is required to characterise and constrain the fracture network, prior to considering future appraisal wells. Seismic processing and interpretation is expected to continue over the first half of 2016.

In Tunisia, the Tajerouine PSC (Oil Search – 100%, operator) was relinquished during the quarter, with the licence in good standing.

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

DRILLING CALENDAR

Subject to joint venture and government approvals, the 2016-2017 exploration and appraisal programme is as follows:

Well	Well type	Licence	OSH interest	Timing
FIRM				
PNG				
Antelope 6	Appraisal	PRL 15	22.8%	Drilling ahead
Strickland 1	Exploration	PPL 269	10.0%	1Q 2016
Muruk 1	Exploration	PPL 402	50.0%	1Q 2016
P'nyang South 2	Appraisal	PRL 3	38.5%	2H 2016
Barikewa 3	Appraisal	PRL 9	45.1%	3Q 2016
Kalangar 1	Exploration	PPL 339	70.0%	4Q 2016 / 1Q 2017
CONTINGENT				
Antelope 7	Appraisal	PRL 15	22.8%	2/3Q 2016
PPL 269 Well 2	Exploration	PPL 269	10.0%	3/4Q 2016
Uramu 2	Appraisal	PRL 10	100%	1Q 2017
Kimu West	Appraisal	PRL 8	60.7%	1Q 2017

Note: Wells, location and timing subject to change.

FINANCIAL PERFORMANCE

Sales revenue

During the quarter, 26,554 billion Btu of LNG were sold, 2% lower than sales in the third quarter of 2015. 24 LNG cargoes were sold during the period, compared to 25 cargoes in the third quarter, due to timing of deliveries. Four cargoes were on the water at the end of the year (the same as at the end of 2014). Oil, condensate and naphtha sales volumes for the period totalled 2.23 mmbbl, similar to liquid sales in the previous quarter.

The average oil and condensate price realised during the quarter was US$42.90 per barrel, 14% lower than in the third quarter, reflecting the global downturn in spot oil prices. The average price realised for LNG and gas sales declined 6% to US$8.41 per mmBtu, with the smaller drop reflecting the approximately three month lag between the spot oil price 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$326.3 million, while other revenue, comprising rig lease income, infrastructure tariffs, electricity, refinery and naphtha sales, was US$16.6 million.

Capital management

As part of Oil Search's ongoing active capital management programme, during the fourth quarter, Oil Search undertook a competitive bid process to refinance its two existing US$125 million bilateral revolving credit facilities. The process was very well supported and resulted in both facilities being extended with the existing providers, ANZ and CBA. The renewed facilities have a three year term and expire in December 2018.

Together with the Company's US$500 million non-amortising revolving credit facility, due to expire in October 2017, Oil Search has total corporate facilities of US$750 million, with only US$2 million utilised at year end.

As at 31 December 2015, Oil Search had cash of US$910.5 million and had drawn down US$4,228.6 million under the PNG LNG Project finance facility (US$4,285.9 million at the end of September 2015). With total liquidity of US$1.66 billion, the Company is able to fund all planned expenditures, including capital costs, scheduled debt repayments and dividends, through operating cash flows and existing cash, even if oil prices remain at the currently depressed levels for an extended period of time.

Capital expenditure

During the quarter, exploration and evaluation expenditure totalled US$67.7 million, which included PRL 15 (US$22.6 million), PRL 3 (US$8.4 million), preparations to drill the Muruk well (US$6.0 million) and Taza evaluation costs (US$4.8 million). US$15.1 million of exploration costs were expensed, primarily related to seismic, geological, geophysical and general and administration expenses in PNG and MENA.

Oil Search's share of PNG LNG Project development costs in the fourth quarter was US$36.8 million, primarily related to the Angore A2 well and completion of permanent office and housing. Expenditure on producing assets was US$34.3 million.

Performance for the 2015 Full Year

Oil Search generated total revenue of US$1,585.7 million for the 2015 full year, which was similar to revenues in 2014. A 62% increase in sales volumes was offset by significantly lower realised prices. The average realised price for LNG and gas in 2015 was US$9.44 per mmBtu, compared to US$13.94 per mmBtu in 2014, while the average realised oil and condensate price nearly halved, from US$97.79 per barrel to US$51.36 per barrel.

Exploration and evaluation expenditure for the 2015 full year was US$275.6 million (US$1,242.8 million in 2014, including the acquisition of a 22.8% interest in PRL 15 for US$918.3 million). Key areas of spend in PNG in 2015 included US$91.9 million on PRL 15 and $14.8 million on PRL 3, while US$102.7 million was spent on Taza appraisal activities in Kurdistan. In addition, US$135.2 million was spent on the PNG LNG Project (primarily development drilling on the Angore field and permanent office and housing), US$111.8 million on production activities and US$16.5 million on corporate property, plant and equipment, most of which related to the fit-out of Oil Search's new office in Port Moresby.

US$50.9 million of exploration and evaluation expenditure will be expensed in 2015, primarily related to the Hides F1 well (US$16.9 million) and seismic, geological, geophysical and general and administration expenses in PNG and MENA.

A review of the carrying value of all assets is currently taking place as part of the finalisation of the financial statements and is subject to Board review and the year end audit currently in progress.

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

(US$ million)	Quarter End			Full Year	
	Dec 2015	Sep 2015	Dec 2014	Dec 2015	Dec 2014
Investment Expenditure					
Exploration & Evaluation					
PNG	54.8	23.5	61.7	156.7	1,077.2[3]
MENA	12.9	19.3	56.2	118.9	165.6
Total exploration & evaluation	67.7	42.8	117.9	275.6	1,242.8
Development	36.8	22.4	59.3	135.2	502.6[2]
Production	34.3	21.7	31.5	111.8	110.3
PP&E	5.4	6.5	5.4	16.5	13.4
Total	**144.2**	**93.4**	**214.1**	**539.2**	**1,869.1**
Exploration & Evaluation expenditure expensed[4,5]					
PNG	6.5	3.8	74.0	35.2	88.2
MENA	8.6	1.7	10.3	13.8	21.0
Total current year expenditures expensed	15.1	5.5	84.3	48.9	109.2
Prior year expenditures expensed	-	(4.2)	-	2.0	-
Total	**15.1**	**1.3**	**84.3**	**50.9**	**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$0.7 million in the fourth quarter of 2015 (US$3.8 million in the third 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	Approximately 1.10 – 1.14 billion Btu*
1 tonne LNG	Approximately 52 mmBtu*
1 boe	Approximately 5,100 standard cubic feet

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

*** Conversion factors used for forecasting purposes only.**

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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 work-overs and field development, reserves depletion and fiscal and other government issues and approvals.