Results for the year ended 31 December 2015

23 February 2016

Highlights

Year to 31 December	**2015**	2014	*% change*
Total production (mmboe)	**29.25**	19.27	*+52%*
Total sales (mmboe)	**28.76**	17.76	*+62%*
Average realised oil and condensate price (US$/bbl)	**51.36**	97.79	*-47%*
Average realised LNG and gas price (US$/mmBtu)	**9.44**	13.94	*-32%*
Total revenue (US$m)	**1,585.7**	1,610.4	*-2%*
Net (loss)/profit after tax (US$m)	**(39.4)**	353.2	*NM*
Core profit[1] (US$m)	**359.9**	482.8	*-25%*
Operating cash flow (US$m)	**952.7**	992.3	*-4%*
Total dividend (US cents)	**10.0**	14.0	*-29%*

1. Core profit (net profit after tax before significant items) is a non-IFRS measure that is presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is derived from the financial statements which have been subject to audit by the Group's auditor. Reconciliation to statutory net profit after tax is shown in the '2015 Performance Summary' on page 9.

- **2015 core profit was US$359.9 million, compared to US$482.8 million in 2014. This result was achieved despite 2015 being one of the most challenging years in recent history for the oil and gas industry.**

- **Production of 29.25 million barrels of oil equivalent (mmboe) was 52% higher than in 2014 and an all-time record for Oil Search. The increase was driven by a full year of strong performance from the PNG LNG Project and a solid contribution from the Oil Search-operated PNG fields. A 62% increase in hydrocarbon sales volumes was offset by significantly lower realised oil and gas prices, resulting in a 2% decline in revenue.**

- **As foreshadowed in our recent quarterly report, an impairment charge of US$399.3 million was recognised in 2015, which related to the Taza PSC in Kurdistan. No other impairments were required in the period, reflecting the robust economics of Oil Search's producing assets.**

- **Material progress continues to be made on the expansion and development of the Company's LNG projects in PNG. The PNG LNG Project is producing at levels well above nameplate capacity. Progress has also been made towards a Petroleum Development Licence award over the P'nyang field, a key resource to underpin potential PNG LNG Project expansion, with preparations well advanced on drilling activities designed to add proven resources for the Project. In addition, appraisal activities at Elk-Antelope continue to be successful. Both PNG LNG expansion and the Papua LNG Project offer attractive returns and remain highly**

competitive, relative to other possible LNG projects, even in light of revised oil price expectations.

- **A 2015 final unfranked dividend of four US cents per share was announced, taking the total 2015 dividend, including the interim dividend of six cents per share, to ten US cents per share. This represents a dividend payout ratio of 42% based on core profit, in line with the Company's policy of distributing 35-50% of core profits by way of dividends.**

- **At year end, the Company held total liquidity of US$1.66 billion, comprising US$910.5 million in cash and US$748 million in available committed funding lines, of which US$250 million was recently refinanced on improved terms. While Oil Search is cash flow positive at oil prices down to approximately US$20 per barrel, this liquidity provides a substantial additional financial cushion should oil prices fall below this level. The Company has more than sufficient funds to support all scheduled debt repayments, as well as planned exploration, appraisal and development activities over the medium term. Oil Search's financial strength also provides the Company with considerable optionality in continuing judiciously to pursue its growth initiatives.**

- **As at 31 December 2015, the Company's total proved and probable (2P) oil reserves were 87.2 million barrels (mmbbl) and gas reserves were 2,177.9 billion cubic feet (bcf), 9% and 5% lower respectively than in 2014, primarily due to the record levels of production during 2015. At the 2C contingent resource level, gas resources increased by 2% to 3,610.0 bcf, reflecting a material upgrade in estimated 2C resources at P'nyang, partly offset by reductions at Taza in Kurdistan and Cobra in PNG, while 2C contingent oil resources fell 27% to 57.1 mmbbl, driven by the Taza revision. The Company has decided not to update resources at Elk-Antelope at this time, despite drilling and testing data that indicates resources above presently booked levels, given that an independent audit of Elk-Antelope will commence in March.**

- **During 2015, a number of organisational changes were undertaken and the Company's cost structures were recalibrated, in response to the lower oil price environment. Despite a number of one-off costs associated with restructuring, production costs in 2015 were a highly competitive US$10.08 per boe, down from US$12.21 per boe in 2014. The Company continues to pursue prudent cost reduction and efficiency programmes, with production costs for operated assets expected to fall by approximately a further 25% in 2016, as the benefits of restructuring are realised.**

- **Oil Search enters 2016 in a strong position. The PNG LNG Project and the PNG oil fields are generating positive free cash flow and the Company continues to invest in value-adding growth. Oil Search believes that there is a high probability that the low-cost, globally competitive PNG LNG expansion and Papua LNG development will proceed to FID while many other proposed LNG developments are delayed or deferred, enabling the Company to continue generating strong long-term returns for shareholders.**

Commenting on the 2015 results and the outlook for 2016, Oil Search Managing Director, Peter Botten, said:

Financial results

"Oil Search reported a 2015 core profit of US$359.9 million. Annual production of 29.3 mmboe was the highest in the Company's history, reflecting a full year of very strong performance from the PNG LNG Project and a solid contribution from the Oil Search-operated oil fields in PNG. However, the increase in production was offset by significantly lower global oil and gas prices, with the average Brent price almost half 2014 levels.

As part of our review of the Taza asset in Kurdistan and following drilling and testing in 2015, we downgraded the estimate of gross recoverable 2C contingent resources in this field from 165.8 mmbbl to 56.4 mmbbl. Consequently, we have decided to take a conservative approach to the carrying value of Taza, reducing it to zero, despite still holding a material resource base, resulting in a write-off of US$399.3 million. This has led to a statutory net loss, after tax, of US$39.4 million for 2015. Notably, there were no other impairments, with all producing assets assessed against a range of short, medium and long-term oil prices.

The Company benefited from strong cash operating margins over the year, with the margin of 73% realised in 2015 being one of the highest in the region. Unit production costs fell from US$12.21 per barrel of oil equivalent (boe) in 2014 to US$10.08 per boe, while depreciation and amortisation charges of US$13.28 per boe were in line with guidance.

Despite strong operating results from our key assets, Oil Search is clearly not immune to low oil and gas prices. Fortunately, our producing assets are in the lowest quartile of operating costs in the region and we have a strong balance sheet, which allows us to continue to judiciously invest in what we believe are very competitive, potentially high returning growth projects.

We will continue to drive further efficiencies and reduce costs in 2016, in line with what is likely to be a sustained period of low prices. We do, however, believe that there will be a progressive rebalancing of supply and demand that will see a lift in oil prices in 2017 and 2018.

At the end of 2015, Oil Search had total liquidity of US$1.66 billion. Together with cash flow from our operations, this is sufficient to fund all current committed activities, including continued investment in our highly competitive potential LNG growth projects, which we believe can deliver strong returns even in a sustained low oil price environment."

2015 final dividend of four US cents per share, dividend policy remains unchanged

"The Board has approved the payment of a 2015 final unfranked dividend of four US cents per share. Including the six US cents per share interim dividend, the total dividend payment for the 2015 full year is ten US cents per share, compared to 14 US cents per share in 2014, which comprised an ordinary dividend of ten cents and a four US cents per share special dividend. The 2015 payment represents a dividend payout ratio of 42%, consistent with the Board's dividend policy of distributing between 35% and 50% of core profit.

The Board believes the Company's proportional dividend policy, where dividend payments are related to the Company's profitability, remains appropriate in the current volatile oil price environment.

Oil Search's dividend reinvestment plan remains suspended, given our current financial strength."

See Appendix 3A.1 – Notification of Dividend/Distribution announcement for more information on the dividend payment.

2015 production above expectations

"2015 full year production of 29.3 mmboe was well above the guidance at the beginning of the year of 26 – 28 mmboe. This was driven primarily by an outstanding performance from the PNG LNG Project, which produced at an annualised rate of 7.4 MTPA during 2015, compared to the nameplate capacity of 6.9 MTPA. High levels of uptime were achieved at the LNG plant, while upstream gas deliverability was also strong, with excellent productivity from the Hides wells and from the Oil Search-operated Associated Gas (AG) fields. During the year, an average of 118 mmscf/day of gas was supplied to the PNG LNG Project by Oil Search from the AG and SE Gobe fields, representing approximately 12% of the total gas delivered to the LNG plant.

So far in 2016, the LNG plant is continuing to perform very well. Oil Search expects a gross production rate of LNG of between 7.5 and 7.9 MTPA during 2016 and the operator, ExxonMobil PNG Limited, continues to pursue further production optimisation and debottlenecking opportunities.

As part of the long-term life of asset planning conducted in 2015, Oil Search has identified a potentially significant opportunity to accelerate gas supply from the Kutubu/Agogo and Moran associated gas fields to the PNG LNG Project. As well as increased gas delivery flexibility, this would have other benefits, including optimising capital investment, bringing forward the end of AG field life and reducing the future cost of supporting ageing facilities and wells, in the face of declining oil production. A project team has been formed to undertake a feasibility study on this opportunity during 2016.

Production from our operated PNG fields in 2015 was also better than forecast, at 7.03 mmboe compared to guidance of 6.3 – 6.9 mmboe, reflecting the investment in drilling and facilities optimisation that has taken place over the last few years."

PNG LNG Project expansion progressing

"The signing of a Memorandum of Understanding (MoU) between the operator, ExxonMobil PNG Limited, and the PNG Government in January 2015 regarding the development of the P'nyang field to support PNG LNG Project expansion and the provision of electricity and gas for domestic power generation, was followed by the submission of a Petroleum Development Licence (PDL) application for the field in February 2015.

Over the year, significant engagement took place between the PNG Government, the PRL 3/PNG LNG Project joint ventures and local landowners, aimed at securing the agreements that are required for the award of the PDL and the potential integration of the P'nyang field into the PNG LNG Project. The incorporation of P'nyang into PNG LNG is regarded as the optimal value outcome for all stakeholders. A brownfield development of a third train could benefit from the stable and transparent fiscal terms already agreed with the Government, could be funded through a relatively straightforward expansion of the existing PNG LNG project finance facility and can utilise existing downstream PNG LNG Project infrastructure, significantly reducing development costs. The PNG Government has expressed a strong desire to progress expansion of the PNG LNG Project as quickly as is practicable.

Based on recent evaluation of seismic and well data, Oil Search's estimate of the gross 2C contingent gas resource for P'nyang has increased from 2.6 tcf to 3.5 tcf, adding 326 bcf of dry gas and 10.6 mmbbl of condensate to Oil Search's net 2C contingent resources. Preparations for drilling the P'nyang South 2 well, aimed at allowing the reclassification of some of the 2C resources to the 1C category to support financing and marketing activities, are ongoing, as are preparations to drill the Muruk exploration well, which is an important well in assessing the potential for further gas resources in the north-west part of the Papuan Basin.

A key commitment under the January MoU was fulfilled in April 2015, with the execution of a power sale agreement by ExxonMobil for the supply of up to 25 megawatts of electricity to PNG Power Limited for use in Port Moresby. Power deliveries from the PNG LNG plant to PNG Power commenced in early July. Ensuring that the people of PNG have access to reliable and affordable power is a priority for Oil Search and the PNG LNG co-venture."

Papua LNG (Elk-Antelope) development activities

"Good progress was made on the Papua LNG Project, which will utilise gas from the Elk/Antelope fields in PRL 15. The common objective, shared by all the PRL 15 participants and the PNG Government, is to appraise and develop Elk-Antelope in the most timely and capital efficient manner, to maximise the value of this world-class asset.

During the year, the Antelope 4 ST1 and Antelope 5 wells were drilled, with results from both wells at the high end of our expectations. Appraisal activity is still ongoing. A long-term production test of the Antelope 5 well has recently taken place, with results expected to be known shortly, and the Antelope 6 well, located on the eastern margin of the structure, is currently logging the reservoir. A decision on whether to drill a further appraisal well, Antelope 7, to test a possible extension of the field to the west of Antelope 5, will be made once the Antelope 5 and 6 results are evaluated. Completion of the appraisal phase is expected during 2016, which will enable the development concept and the basis of design to be finalised prior to entry into Front End Engineering and Design.

Preliminary interpretation of the Antelope 4, Antelope 4 ST1 and Antelope 5 appraisal well results and seismic reprocessing has been positive and, subject to completion of appraisal drilling, our estimate of the gross 2C contingent resource is likely to increase from the current level of 5.3 tcf of raw gas. An independent resource certification by two industry experts will commence shortly, with the results available around mid-year. In light of this forthcoming independent review, we have decided to take a conservative approach to resource booking for the field.

A key milestone was achieved in June 2015, when the locations of the key facility sites were chosen for the potential development. A large site at Caution Bay, adjacent to PNG LNG plant site, was selected for the LNG plant. We believe that, given the current oil price environment, there is a strong desire for cooperation, to achieve an optimal development plan for all PNG's gas resources. The Caution Bay location will provide the opportunity to maximise potential synergies between the PNG LNG and Papua LNG projects."

Impairment of Taza

"Appraisal drilling of the Taza oil discovery in the Kurdistan Region of Iraq took place during 2015. While oil was seen in both Taza 2 and Taza 3, the well results, combined with interpretation of the extensive 3D seismic acquired over the field in 2014, indicates that the potential for commercial flow rates from the central part of the field is unlikely. As a result, Oil Search's entitlement share of Taza 2C contingent resources has been reduced by 31.2 mmbbl of oil and 128.6 bcf of gas. While we still believe that Taza could deliver value if the western, more fractured area of the field is oil bearing, we have taken a conservative approach and written down the full carrying value of Taza to nil, resulting in an impairment charge of US$399.3 million."

Strong safety performance in 2015

"Safety is a key priority for Oil Search across all operations. Pleasingly, there were no Lost Time Injuries during 2015 and the Total Recordable Incident Rate (TRIR) of 1.82 per million hours worked represented an 8% improvement over the 2014 TRIR of 1.97. This marks the third consecutive year of improved performance and is particularly notable given the significant number of changes to the workforce that occurred in the second half of the year.

The Company's High Potential Incident Frequency performance of 0.64 incidents or near misses per million hours worked, that could have potentially resulted in one or more fatalities, was flat when compared with the 2014 rate of 0.63."

Reserves and resources

"Oil Search's total proved and probable oil and gas reserves (2P) were 9% and 5% lower, respectively than in 2014, due to the record production levels achieved in 2015 and no other material changes in reserve estimates. 2C contingent gas resources increased 2% to 3,610.0 bcf due to a 326 bcf increase in 2C gas resources at P'nyang, partly offset by downgrades to 2C gas resources at Taza in Kurdistan (129 bcf) and Cobra in PRL 14 (128 bcf). 2C contingent oil resources of 57.1 mmbbl reflected the addition of 10.6 mmbbl of 2C condensate resources at P'nyang, offset by a 31.2 mmbbl reduction in 2C oil resources at Taza.

The Company has decided not to adjust resources at Elk-Antelope, despite positive results from drilling and testing, on the basis that we are about to embark on an independent review of resources, as part of the acquisition of our interest in PRL 15 from PAC LNG group of Companies in 2014. We anticipate having the results of this review available around mid-year.

Based on 2015 production of 29.3 mmboe, Oil Search has a 1P reserves life of 11.6 years and a 2P reserves life of 17.5 years. The Company also has a substantial 2C resource base, of which a large proportion has a high probability of development."

See the 2015 Reserves and Resources Statement for full details.

Business optimisation leads to reduced cost structure

"In the first half of 2015, Oil Search undertook a review of all aspects of its business, based on a view that oil prices are likely to remain depressed for some years. The key focus of the review was to ensure that the Company's organisational and resourcing structure, skill sets and cost base were both appropriate in a challenging low oil price environment but also capable of delivering Oil Search's growth objectives. A range of initiatives identified by the review were progressively rolled out over the second half of 2015 and will continue to be implemented during 2016. This includes a simplification of the Company's organisational structure, a strengthening of our LNG growth and PNG exploration teams, which are regarded as key activities that will drive long-term growth, and an increased focus on building our Port Moresby head office and the capabilities of our PNG workforce. Towards the end of 2015, a Performance and Innovation Office was launched, aimed at delivering ongoing business improvements and developing and embedding high performing capabilities.

The ongoing delivery of our cost-control initiatives is expected to deliver a reduction in production costs for Oil Search's operated oil and gas production of approximately 25%, or approximately US$3/boe, in 2016."

Rejection of non-binding conditional indicative proposal from Woodside Petroleum

"In September 2015, Oil Search received a non-binding conditional indicative proposal from Woodside Petroleum to acquire all the shares in Oil Search for a consideration of one Woodside share for every four Oil Search shares held. After carefully considering the proposal and consulting extensively with shareholders, the Oil Search Board unanimously decided to reject the approach, on the basis that it was highly opportunistic and grossly undervalued the Company. In December, Woodside withdrew the proposal.

The Board strongly believes that this decision was in the best interests of all shareholders."

Promotion of operating stability in PNG

"The Company continues to promote project operating stability through partnerships with the PNG Government and other stakeholders. This has already delivered various infrastructure projects, roads, key buildings and facilities and various health projects in the country. As part of developing in-country uses of gas and power generation, the Company signed two power generation agreements with PNG Power in 2015.

This includes an agreement to supply up to 30MW from a biomass project in the Markham Valley in Morobe Province."

On the outlook for 2016, Mr Botten said:

"Oil Search's key objectives in 2016 include the following:

- Maximising cash flows from our operated production assets, by further improving operating efficiencies and cost competitiveness, while delivering on all our PNG LNG Project commitments.
- Progressing the potential accelerated gas blowdown of the Kutubu/Agogo and Moran Associated Gas fields for the PNG LNG Project.
- Working closely with our partners to deliver high-value expansion of the PNG LNG Project, underpinned by P'nyang, and the Papua LNG development based on the Elk/Antelope resource. The quality of our production base, the economic attractiveness of our growth projects and strength of our balance sheet mean we are well positioned to grow during a period of low oil prices.
- Drilling a number of high-potential wells, including Muruk and Barikewa, that, if successful, can support longer term growth.
- Continuing to invest in activities in PNG that promote a stable operating environment.
- Proactively managing the Company's balance sheet, to ensure our ability to fund all commitments and prioritising work programmes that can deliver value in a low oil price environment.

Oil Search is fortunate to have a low cost production base with low sustaining capital requirements and a substantial liquidity buffer. Therefore, unlike some of our global energy peers, the Company is committed, and has the financial capacity, to continue investing in its growth projects, despite the challenges of a low oil price environment. We regard the coming year as an ideal time to optimise our asset portfolio and we have the ability to take advantage of acquisition opportunities, should strategically sensible and well-priced assets arise. We will also continue to promote cooperation between projects and stakeholders in order to optimise development timetables and capital efficiencies.

From a production perspective, while activity levels within the operated fields will be lower than they have been in recent years, we will continue to focus on optimising production from these mature fields in 2016. It is anticipated that lower operated production will be offset by an increase in PNG LNG Project production. Operating costs are expected to decline in 2016, reflecting both reduced work programmes and the cost reductions that have been achieved through the business optimisation programme. Total capital spend in 2016 is expected to be approximately 35% lower than in 2015, with activities primarily focused on the high-returning Highlands and Gulf gas commercialisation activities."

PETER BOTTEN, CBE

Managing Director

23 February 2016

2016 Guidance[1]:

Year to December	2015 Actual	2016 Guidance
Production		
Oil Search operated (PNG oil and gas)[2, 3] (mmboe)	7.03	5.7 – 6.2 [2,3]
PNG LNG Project		
LNG (bcf)	96.65	95 - 100
Liquids (mmbbl)	3.27	3.3 – 3.5
Total PNG LNG Project (mmboe)	22.22	22 – 23[2]
Total production (mmboe)	**29.25**	**27.5 – 29.5**
Operating costs		
Production costs (US$/boe)	10.08	8 – 10
Other operating costs (US$ million) [4]	148.9	135 – 155
Depreciation and amortisation (US$/boe)	13.28	13.50 – 14.50
Capital costs		
Production (US$ million)[5]	111.8	50 – 70
Development (US$ million)[6]	135.2	50 – 70
Exploration and evaluation (US$ million)[7]	275.7	210 – 250
Other property, plant and equipment (US$ million)	16.4	5 – 10
Total (US$ million)	**539.1**	**315 – 400**

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%).
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.
5. Includes Oil Search-operated fields and PNG LNG Project expenditures
6. Comprises PNG LNG Project and power development costs
7. Includes pre-FEED expenditures on P'nyang (PRL 3) and Elk-Antelope (PRL 15).

2015 PERFORMANCE SUMMARY[1]

Year to 31 December	2015	2014	% change
Sales data			
PNG LNG Project			
LNG (Billion Btu)	**109,570**	51,922	*+111%*
Condensate ('000 bbls)	**3,038**	1,770	*+72%*
Naphtha ('000 bbls)	**237**	53	*+347%*
PNG oil ('000 bbls)	**5,298**	5,759	*-8%*
Hides GTE			
Gas (Billion Btu)	**5,700**	6,090	*-6%*
Condensate & refined products ('000 bbls)	**106**	106	-
Total barrels of oil equivalent sold ('000 boe) [2]	**28,758**	17,762	*+62%*
Average realised oil and condensate price (US$/bbl) [3]	**51.36**	97.79	*-47%*
Average realised LNG and gas price (US$/mmBtu)	**9.44**	13.94	*-32%*
Financial data (US$ million)			
Revenue from operations	**1,585.7**	1,610.4	*-2%*
Production costs	**(294.8)**	(235.4)	*+25%*
Other operating costs	**(148.9)**	(125.8)	*+18%*
Loss on disposal of non-current assets	**(5.5)**	-	*-100%*
Other income	**14.8**	7.8	*+90%*
EBITDAX[4]	**1,151.3**	1,257.0	*-8%*
Depreciation and amortisation	**(407.8)**	(252.7)	*+61%*
Exploration costs expensed	**(50.9)**	(109.1)	*-53%*
EBIT[4]	**692.6**	895.2	*-23%*
Net finance costs	**(185.1)**	(129.6)	*+43%*
Impairment	**(399.3)**	(180.6)	*+121%*
Profit before tax	**108.3**	585.0	*-81%*
Taxation expense	**(147.6)**	(231.8)	*-36%*
Net profit after tax	**(39.4)**	353.2	*-111%*
Impairment (net of tax)	**399.3**	129.6	*+208%*
Core profit[4]	**359.9**	482.8	*-25%*
Net operating cash flow	**952.7**	992.3	-4%
Per share data (US cents)			
Basic EPS before significant items	**23.64**	32.59	*-27%*
Basic EPS after significant items	**(2.59)**	23.84	*-111%*
Diluted EPS before significant items	**23.57**	32.50	*-27%*
Diluted EPS after significant items	**(2.59)**	23.77	*-111%*
Net operating cash flow per share	**62.57**	65.17	*-4%*
Interim dividend	**6.0**	2.0	*+200%*
Final dividend	**4.0**	8.0	*-50%*
Special dividend	**-**	4.0	*NM*
Total dividend for the year	**10.0**	14.0	*-29%*

1. Numbers and percentage moves may not add due to rounding.
2. 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.
3. Average realised price for Kutubu Blend, including PNG LNG condensate.
4. EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration), EBIT (earnings before interest, impairment and tax) and Core Profit are non-IFRS measures that are presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to audit by the Group's auditor.

Financial position (US$ million)[1]

As at	31 Dec 2015	30 Jun 2015	31 Dec 2014
Cash and short-term deposits[2]	**910.5**	843.0	960.2
Debt[3]			
PNG LNG financing	**(4,228.6)**	(4,285.9)	(4,262.2)
Corporate revolving facilities[4]	**-**	-	(150.0)
Total	**(4,228.6)**	(4,285.9)	(4,412.2)
Net debt	**(3,318.2)**	(3,443.0)	(3,452.0)
Total liquidity[4]	**1,658.5**	1,593.0	1,560.2

1. Numbers may not add due to rounding.
2. As at 31 December 2015, US$270.8 million was escrowed in PNG LNG Project accounts.
3. Excludes finance leases presented as ‘Borrowings’ in the Statement of Financial Position.
4. As at 31 December 2015, the Company’s US$500 million revolving corporate facility was undrawn. US$2 million of the US$250 million of bilateral revolving facilities had been utilised.

A full analysis of the financial results can be found in the Operating and Financial Review commencing on page 5 of the Directors’ Report for the year ended 31 December 2015.

2015 PRODUCTION SUMMARY[1]

Year to 31 December	2015		2014		*% change*	
	Gross daily production	**Net to OSH**	**Gross daily production**	**Net to OSH**	***Gross daily production***	***Net to OSH***
Gas production	**mmscf/d**	**mmscf**	**mmscf/d**	**mmscf**		
PNG LNG Project LNG[2]	912.94	96,646	493.09	52,199	*+85*	*+85*
Hides GTE gas production[3]	14.55	5,312	15.55	5,675	*-6*	*-6*
SE Gobe gas to PNG LNG[4]	20.22	1,886	0	0	-	-
Total gas	**947.70**	**103,844**	**508.63**	**57,874**	***+86***	***+79***
Oil and liquids production	**bopd**	**mmbbl**	**bopd**	**mmbbl**		
Kutubu	17,325	3.797	16,843	3.692	*+3*	*+3*
Moran	8635	1.560	11,009	1.989	*-22*	*-22*
Gobe Main	827	0.030	872	0.032	*-5*	*-5*
SE Gobe	1,255	0.117	1,363	0.127	*-8*	*-8*
SE Mananda	0	0	19	0.005	-	-
Total PNG oil	**28,041**	**5.505**	**30,107**	**5.845**	*-7*	*-6*
Hides GTE liquids[3]	306	0.112	331	0.121	*-8*	*-8*
PNG LNG Project liquids	**30,921**	3.273	18,520	1.961	*+67*	*+67*
Total liquids	**59,268**	**8.890**	**48,958**	**7.926**	***+21***	*+12*
Total production[5]	**245,094**	**29.251**	**148,689**	**19.274**	***+65***	***+52***

1. Numbers may not add due to rounding.
2. Production net of fuel, flare and shrinkage and SE Gobe wet gas.
3. 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.
4. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
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.

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 1.10 – 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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Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEDT today, 23 February 2016. The presentation will be webcast live over Oil Search's website. To listen to the webcast, please log on to www.oilsearch.com. If you experience any technical difficulties, please call: +61 2 8280 6000.

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

DISCLAIMER

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

Appendix 4E

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

This information should be read in conjunction with the consolidated Financial Report for the year ended 31 December 2015

Results for announcement to the market

		Year ended 31 December			
		2015		2014	
	% Change[1]	US$'000	A$'000 [2]	US$'000	A$'000 [2]
Revenue from ordinary activities	*down* 1.6%	**1,585,728**	**2,105,880**	1,610,370	1,783,751
(Loss)/profit from ordinary activities after tax attributable to members	*down* N.M[3]	**(39,382)**	**(52,299)**	353,218	391,247
Net (loss)/profit for the year attributable to members	*down* N.M[3]	**(39,382)**	**(52,299)**	353,218	391,247

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

Dividends

	Year ended 31 December			
	2015		2014	
	US cents	A cents	US cents	A cents
Final dividend paid per security [4]	**4.00**	**TBA** [5]	12.00	15.74
Interim dividend paid per security [4]	**6.00**	**8.63**	2.00	2.18

Net tangible assets

	Year ended 31 December			
	2015		2014	
	US$	A$[6]	US$	A$[6]
Net tangible asset backing per ordinary security	**2.39**	**3.27**	**2.57**	**3.14**

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the year ended 31 December 2015.

During the prior period, the Group acquired the Pac LNG Group Companies, which hold a 22.835% interest in Petroleum Retention License 15 ("PRL 15"), located in the eastern margin of the Papuan Basin in PNG.

(1) % change calculations are based on the US$ figures.
(2) Amounts have been converted from US$ to A$ at the average exchange rate of 0.7530 (2014: 0.9028).
(3) Not meaningful.
(4) No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea. No part of the dividends represent conduit foreign income.
(5) The Australian dollar amount will be fixed at the rate of exchange applicable on the day of the record date for determining entitlements to the final dividend, being 9 March 2016.
(6) Amounts have been converted from US$ to A$ at the 31 December 2015 exchange rate of 0.7306 (31 December 2014: 0.8202).

Oil Search Limited and its subsidiaries
ARBN 055 079 868

Consolidated Financial Report for the year ended 31 December 2015

Contents

Directors' report

The directors submit their report for the financial year ended 31 December 2015.

DIRECTORS

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

Mr RJ Lee, BEng (Chem) (Hons), MA (Oxon), FAICD, (Chairman) Non-Executive, *65 years*

Mr Lee joined the Board on 9 May 2012 and was appointed Chairman on 28 February 2013. Mr Lee has extensive resource banking and international commercial experience. His previous senior executive roles include 16 years with CSR Limited and 9 years in the position of Chief Executive Officer of NM Rothschild Australia Limited. Mr Lee is a Director of Newcrest Mining Limited and a former Chairman of the Australian Institute of Company Directors. He was appointed a Member of the Order of Australia in the 2015 Queen's Birthday Honours List for services to business, commerce, sport and charity. *Ordinary shares, fully paid: 96,829*

Mr PR Botten, CBE, BSc, ARSM, (Managing Director), Executive, *61 years*

Mr Botten was appointed Managing Director on 28 October 1994, having previously filled both exploration and general manager roles in the company since joining in 1992. He has extensive worldwide experience in the oil and gas business, previously holding various senior technical and managerial positions in a number of listed and government owned organisations. Mr Botten is immediate past President of the Papua New Guinea Chamber of Mines and Petroleum and is on the Executive Committee of the Australia PNG Business Council. He is also a Director of Business for Millennium Development. He was awarded Commander of the Order of the British Empire (CBE) in the 2008 Queen's Birthday Honours List for services to commerce and the mining and petroleum industry in Papua New Guinea. *Ordinary shares, fully paid: 2,487,394; Performance Rights: 698,600; Restricted shares: 226,043*

Mr G Aopi, CBE, BEc, BAC, MBA, Executive, *61 years*

Mr Aopi joined the Board as an Executive Director on 18 May 2006 and presently holds the position of Executive General Manager External & Government Affairs and Sustainability. Mr Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, with a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He was previously the Chairman of Telikom PNG Ltd and Independent Public Business Corporation (IPBC). Mr Aopi is a Director of Steamships Trading, Bank of South Pacific and a number of other private sector and charitable organisations in Papua New Guinea. *Ordinary shares, fully paid: 466,521; Performance Rights: 152,200; Restricted shares: 39,593*

Sir KG Constantinou, OBE, *58 years*

Sir Kostas joined the Board on 16 April 2002. He is a prominent business figure in Papua New Guinea, holding a number of high level public sector and private sector appointments. Sir Kostas is Chairman of various companies, including Airways Hotel & Apartments Limited, Lamana Hotel Limited, Lamana Development Limited, Hebou Constructions, Alotau International Hotel, Pacific Games 2015 Authority and Bank of South Pacific. He is a Director of Heritage Park Hotel in Honiara, Gazelle International Hotel in Kokopo, Grand Pacific Hotel in Fiji, Taumeasina Island Resort in Samoa and Good Taste Company in New Zealand. Sir Kostas is also Vice Chairman of the Employers Federation of Papua New Guinea and Honorary Consul for Greece in Papua New Guinea and a Member of the APEC Business Advisory Council for Papua New Guinea. He was awarded Knights Bachelor in the 2015 Queen's Birthday Honours List for services to sport, tourism, banking and to the community in Papua New Guinea. *Ordinary shares, fully paid: nil*

Ms FE Harris, BCom, FAICD, FCA (Aust), *55 years (Resigned 17 December 2015)*

Ms Harris joined the Board on 1 March 2013. Ms Harris has over 18 years of experience as a non-executive director, including on the boards of numerous resource and other companies in the ASX50, ASX100 and ASX200, and several with international operations. She is currently a non-executive director of listed companies Aurora Oil & Gas Limited, BWP Trust, Infigen Energy Limited and Toro Energy Limited. Prior to commencing her career as non-executive director, Ms Harris was a partner at KPMG, working in Perth, San Francisco and Sydney. *Ordinary shares, fully paid: 31,961*

Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, *65 years*

Dr Kantsler joined the Board on 19 July 2010. Dr Kantsler worked with Woodside Petroleum for 15 years, where he was Executive Vice President Exploration and New Ventures from 1995 to 2009 and Executive Vice President Health, Safety and Security. Before joining Woodside Petroleum, Dr Kantsler had extensive experience with the Shell Group of Companies working in various exploration roles in Australia and internationally. Dr Kantsler has been a director of Forte Consolidated Limited and Savcor Group Limited. He was also Councillor and Director of the Australian Petroleum Production and Exploration Association (APPEA) for 15 years, where, as well as being chairman of several of APPEA's committees, he was Chairman from 2000 to 2002. Dr Kantsler was also a founding member of the Australian Government's Council for Australian Arab Relations. He is Managing Director of Transform Exploration Pty Ltd and President of the Chamber of Commerce and Industry, WA. *Ordinary shares, fully paid: 45,736*

Mr B Philemon, Non-Executive, *70 years*

Mr Philemon joined the Board on 5 November 2012. Mr Philemon is acknowledged as one of Papua New Guinea's most influential leaders, with distinguished careers in both business and public service. Mr Philemon's career highlights include serving as Chairman of Air Nuigini and holding a number of ministerial posts in PNG Government, including Minister of Foreign Affairs and Minister for Finance and Treasury. Mr Philemon served as the member for Lae Open in Government from 1992 until the 2012 elections. Mr Philemon is a director of Highlands Pacific Limited and the Bank of Papua New Guinea. *Ordinary shares, fully paid: 7,241*

Mr KW Spence, BSc (Geophysics) (Hons), Non-Executive, *62 years*

Mr Spence joined the Board on 9 May 2012. Mr Spence brings over thirty years of oil and gas experience to the Board, having served in senior executive positions with Woodside Petroleum Limited, including Chief Operating Officer and Acting Chief Executive. Mr Spence was with Shell for 18 years prior to Woodside. Mr Spence is Chairman of Geodynamics Limited and Base Resources Limited. He chairs a number of other bodies, including the National Offshore Petroleum Safety and Environmental Management Authority Board. Mr Spence is a director of Independence Group NL and Murray and Roberts Holdings Limited. *Ordinary shares, fully paid: 25,000*

Dr ZE Switkowski, BSc (Hons), PhD, FAA, FAICD, FTSE, AO, *67 years*

Dr Switkowski joined the Board on 22 November 2010. Dr Switkowski's career highlights include serving as Chief Executive Officer and Managing Director of Telstra, Chief Executive Officer of Optus and Chairman and Managing Director of Kodak (Australasia). Dr Switkowski currently serves as a Director of Tabcorp Limited and is Chairman of Suncorp Group and NBN Co. He is also Chancellor of the Royal Melbourne Institute of Technology (RMIT University). Dr Switkowski is a former Chairman of the Australian Nuclear Science and Technology Organisation and Opera Australia. He holds a PhD in nuclear physics from the University of Melbourne. Dr Switkowski was awarded Officer in the General Division (AO) in the 2014 Queen's Birthday Honours List for distinguished service to the community, in particular to tertiary education, scientific organisations and the telecommunications sector, to business and, to the arts. *Ordinary shares, fully paid: 201,829*

Dr E Doyle, BMath (Hons), MMath, PhD, FAICD, *61 years*

Dr Doyle joined the Board on 18 February 2016. Dr Doyle's career spans the building materials, water and industrials sectors, including senior operational roles at BHP Limited and CSR Limited and culminating in her appointment as CEO of CSR's Panel's Division. She is a director of GPT Group Limited, Boral Limited, Hunter Research Foundation and Knights Rugby League Pty Ltd. Dr Doyle is a member of the NSW Council of the Australian Institute of Company Directors. She has previously served on a number of other boards, including Deputy Chairman of CSIRO and Chairman of Port Waratah Coal Services. *Ordinary shares, fully paid: nil*

GROUP SECRETARY

Mr SW Gardiner, BEc (Hons), CPA, *57 years*

Mr Gardiner joined Oil Search Limited in 2004, after a twenty year career in corporate finance at two of Australia's largest multinational construction materials companies and a major Australian telecoms company. Mr Gardiner's roles at Oil Search have covered senior corporate finance and corporate services responsibilities. In November 2012 Mr Gardiner was appointed to the position of Chief Financial Officer of Oil Search. Mr Gardiner is also the Group Secretary of Oil Search, a role he has held since May 2009. *Ordinary shares, fully paid: 373,517; Performance Rights: 154,697; Restricted shares: 43,914*

RESULTS AND REVIEW OF OPERATIONS

The Oil Search Limited Group ('the group') delivered a consolidated net loss of US$39.4 million (2014: net profit of US$353.2 million) for the year, after providing for income tax of US$147.6 million (2014: US$231.8 million).

Further details on the group's operating and financial performance can be found in the 'Operating and Financial Review' on page 5.

DIVIDENDS

Subsequent to balance date, the directors approved the payment of a final unfranked dividend of US 4 cents per ordinary share (2014: US 8 cents final dividend and US 4 cents special dividend) to ordinary shareholders in respect of the financial year ended 31 December 2015. The due date for payment is 31 March 2016 to all holders of ordinary shares on the Register of Members on 9 March 2016. The company's dividend reinvestment plan will remain suspended for the final dividend. Dividends paid and declared during the year are recorded in note 9 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the group is the exploration for oil and gas fields and the development and production of such fields. This is carried out as both the operator and non-operator participant in the exploration, development and production of hydrocarbons.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

LIKELY FUTURE DEVELOPMENTS

Refer to the 'Operating and Financial Review' on page 5 for details on likely developments and future prospects of the group.

ENVIRONMENTAL DISCLOSURE

The group complies with all environmental laws and regulations and aims to operate at the highest industry standard for environmental compliance. The group has provided for costs associated with the restoration of sites in which it holds a participating interest.

CORPORATE INFORMATION

Oil Search Limited is a company limited by shares and is incorporated and domiciled in Papua New Guinea. The group had 1,342 employees as at 31 December 2015 (2014: 1,692). Oil Search Limited is listed on the Australian Securities Exchange and Port Moresby Stock Exchange.

SHARE BASED PAYMENT TRANSACTIONS

There were 682,736 share rights (2014: 611,045) granted under the Employee Share Rights Plan. There were 1,052,876 performance rights (2014: 934,100) granted under the Performance Rights Plan and 681,241 restricted shares (2014: 404,806) granted under the Restricted Share Plan during the year.

As at 31 December 2015, there were 1,018,608 share rights (2014: 581,748), 1,225,800 share appreciation rights (2014: 3,048,400), 3,422,243 performance rights (2014: 4,070,768) and 976,157 restricted shares (2014: 726,036) granted over ordinary shares exercisable at various dates in the future, subject to meeting applicable performance hurdles, and at varying exercise prices (refer to note 20 for further details).

ROUNDING

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

COMMITTEES OF THE BOARD

During the year ended 31 December 2015, the company had an Audit and Financial Risk Committee, a Corporate Actions Committee, a Health, Safety and Sustainability Committee and a People and Nominations Committee.

Members comprising the Committees of the Board during the year were:

Audit and Financial Risk Committee: Dr AJ Kantsler (Committee Chairman), Ms FE Harris, Mr B Philemon and Dr ZE Switkowski. Mr RJ Lee is an ex-officio attendee of this Committee;

Corporate Actions Committee: Mr RJ Lee (Committee Chairman), Mr PR Botten, Dr AJ Kantsler, Mr KW Spence, Ms FE Harris and Dr ZE Switkowski;

Health, Safety and Sustainability Committee: Mr KW Spence (Committee Chairman), Dr AJ Kantsler, Mr G Aopi, Sir KG Constantinou and Ms FE Harris. Mr RJ Lee is an ex-officio attendee of this Committee; and

People and Nominations Committee: Dr ZE Switkowski (Committee Chairman), Sir KG Constantinou, Mr B Philemon and Mr KW Spence. Mr RJ Lee is an ex-officio attendee of this Committee.

ATTENDANCES AT DIRECTORS' AND COMMITTEE MEETINGS

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

Directors	Directors' Meetings	Audit and Financial Risk	Corporate Actions	Health, Safety and Sustainability	People and Nominations
Number of meetings held	8	4	1	4	4
Number of meetings attended					
G Aopi	8	-	-	4	-
PR Botten	8	-	1	-	-
KG Constantinou	7	-	-	4	4
FE Harris[1]	3	2	-	2	-
AJ Kantsler	8	4	1	4	-
RJ Lee	8	3	1	3	4
B Philemon	8	4	-	-	4
KW Spence	8	-	1	4	4
ZE Switkowski	8	4	1	-	4

Note: The Managing Director and Chief Financial Officer attend meetings at the request of the Committees. Other members of the Board have attended various Committee meetings during the year. These attendances are not included in the above table.

[1] Ms Harris was on leave from the Board during the second half of 2015 and resigned from the Board on 17 December 2015, due to a health issue.

DIRECTORS' AND OTHER OFFICERS' REMUNERATION

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

Details of the amount, in US dollars, of each element of the emoluments for the financial year for directors and executives of the group are disclosed in note 21 to the financial statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS, EMPLOYEES AND AUDITORS

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

The group has agreed to indemnify the directors, officers and employees of the group against any liability to another person other than the group or a related body corporate for an act or omission that may arise from their positions as directors, officers and employees of the group, to the extent permitted by the PNG Companies Act 1997.

No indemnity has been granted to an auditor of the group in their capacity as auditor of the group.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the year the auditor, Deloitte Touche Tohmatsu, provided non-audit accounting services for the group. These services are outlined in note 24 to the financial statements. Deloitte Touche Tohmatsu's Independence Declaration, which forms part of this report, is attached on page 35.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to balance date, the Directors declared an unfranked final dividend of US 4 cents per share, to be paid on 31 March 2016. The proposed final dividend for 2015 is payable to all holders of ordinary shares on the Register of Members on 9 March 2016.

There were no other significant events after balance date.

Operating and financial review

1. Financial Overview

1.1 Summary of Financial Performance

Year ended 31 December	2015	2014	% change
Production and Sales Data			
Production (mmboe[1])	29.25	19.27	+52
Sales (mmboe)	28.76	17.76	+62
Average realised oil and condensate price (US$/bbl[2])	51.36	97.79	-47
Average realised LNG and gas price (US$/mmBtu[3])	9.44	13.94	-32
Financial Data ($US million)			
Revenue	1,585.7	1,610.4	-2
Production costs	(294.8)	(235.4)	+25
Other operating costs	(148.9)	(125.8)	+18
Loss on disposal of non-current assets	(5.5)	-	N.M
Other income	14.8	7.8	+90
EBITDAX[4]	**1,151.3**	**1,257.0**	**-8**
Depreciation and amortisation	(407.8)	(252.7)	+61
Exploration costs expensed	(50.9)	(109.1)	-53
Impairment	(399.3)	(180.6)	+121
Net finance costs	(185.1)	(129.6)	+43
Profit before tax	**108.3**	**585.0**	**-81**
Taxation	(147.6)	(231.8)	-36
Net (loss)/profit after tax	**(39.4)**	**353.2**	**N.M**
Impairment (net of tax)	399.3	129.6	N.M
Core profit[4]	**359.9**	**482.8**	**-25**
Net debt	**3,318.2**	**3,452.0**	**-4**

Note: Numbers may not add due to rounding.

Production and Revenue

Total production for 2015 was 29.25 mmboe, or 52% higher than in 2014 (19.27 mmboe). Further details on performance by operating segment and field are included in Section 2 'Overview of operations'.

Total revenue of $1,585.7 million was 2% lower than the prior year. LNG and gas delivered volumes for 2015 were 115,270 billion Btu, 99% higher than in the prior year and included the delivery of 101 cargoes of LNG (2014: 51 cargoes). The significant increase in sales volumes was partially offset by lower average realised LNG and gas prices.

Oil and condensate delivered volumes for 2015 totalled 8.36 million barrels (mmbbl), 11% higher than the 7.54 mmbbl for 2014, predominantly due to a full year of PNG LNG condensate sales, offset by slightly lower oil sales.

Other revenue, which consists mainly of rig revenue, electricity, naptha sales and tariffs, increased to $67.9 million in 2015 from $64.7 million in 2014, due to a full year of naptha sales and commencement of electricity sales during 2015 from the PNG LNG Project.

The average oil and condensate price realised during the year was $51.36 per barrel, 47% lower than in the prior year, reflecting the global decline in spot oil prices during 2015. The average price realised for LNG and gas sales decreased 32% to $9.44 per mmBtu, with the smaller drop reflecting the lag between the spot oil price and realised LNG contract prices. The company did not establish any oil hedges during the period and remains unhedged to oil price movements.

Production and other operating costs

Production costs increased from $235.4 million in 2014 to $294.8 million in 2015 primarily due to a full year of PNG LNG production in 2015. However, production costs on a per barrel of oil equivalent (boe) basis declined from $12.21 per boe in 2014 to $10.08 per boe, reflecting lower average PNG LNG Project unit production costs relative to average oil field unit production costs.

	Production costs	
US$ million	**2015**	**2014**
PNG LNG	149.9	103.6
PNG oil and gas	144.9	131.8
	294.8	**235.4**

PNG LNG production unit costs on a per boe basis were $6.75, which reflected the PNG LNG Project producing well above nameplate capacity. PNG oil and gas unit production costs per boe for 2015 were $20.62, 11% higher than in the prior year primarily due to well workover activity in 2015.

Other operating costs increased from $125.8 million in 2014 to $148.9 million in 2015 primarily due to selling and distribution costs generated by the full year of LNG sales cargoes, a loss on disposal of non-current assets and an increase in other expenses, partially offset by a decrease in royalties and levies due to lower realised prices, a decrease in gas purchase costs and inventory movements.

[1] mmboe = million barrels of oil equivalent. 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. Note that prior year figures have not been restated.
[2] bbl = barrel of oil.
[3] mmBtu = million (10^6) British thermal units.
[4] EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) and Core profit (net profit after tax before significant items) are non-IFRS measures that are presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is derived from the financial statements which have been subject to audit by the group's auditor.

Depreciation and amortisation

Depreciation and amortisation increased from $252.7 million in 2014 to $407.8 million in 2015.

Amortisation costs increased by $236.2 million to $388.4 million in 2015 due to a full year of production for the PNG LNG Project, partially offset by lower oil production. On a cost per boe produced basis, depreciation and amortisation for 2015 was $13.28 per boe, compared to the 2014 cost of $13.11 per boe.

Depreciation increased by $2.9 million to $19.4 million in 2015 mainly driven by a new finance lease for a PNG LNG marine vessel and higher rig utilisation.

Exploration costs expensed

In line with the successful efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other support costs related to exploration activity were expensed during the year and resulted in a pre-tax charge of $50.9 million. This included $16.9 million attributable to the exploration component of the Hides F1 well.

The remaining exploration costs expensed consisted of seismic, geological, geophysical and general and administration expenses.

Further details on exploration activities during the year are included in Section 2 *'Overview of operations'*.

Net interest costs

Net interest costs of $185.1 million in 2015 were $55.5 million higher than the prior year, primarily due to the full year of expensing of borrowing costs in relation to the PNG LNG Project.

Impairment

An impairment charge of $399.3 million was recognised in 2015 related to the group's interest in the Taza PSC in Kurdistan following a reduction in estimated resources after the completion of an appraisal drilling programme.

Taxation

Tax expense on statutory profit in 2015 was $147.6 million, compared to $231.8 million in 2014. This resulted in an effective tax rate of 136.4%, significantly higher than in prior years primarily due to the impairment of the Taza asset. The effective tax rate on Core profit is 29.1% which was lower than in the prior year. This is broadly attributable to the increase in revenues in 2015 taxed at the prevailing statutory gas rate of 30% rather than the statutory rate for oil income of 50%.

1.2 Summary of Financial Position

Net debt

As at 31 December 2015, Oil Search had net debt (total borrowings less cash) of $3,318.2 million which is $133.8 million lower than the prior year net debt position of $3,452.0 million. A reconciliation of the movement in net debt during the year is as follows:

	US$ million
Net debt at 31 December 2014	**3,452.0**
Net repayment – PNG LNG Project finance facility	(33.5)
Net repayment – Corporate revolving facilities	(150.0)
Decrease in cash balances	49.7
Net movement in 2015	**(133.8)**
Net debt at 31 December 2015	**3,318.2**

At 31 December 2015, the group had drawn down $4,228.6 million under the PNG LNG Project finance facility and nil debt under the $750 million of corporate facilities.

Oil Search remained in a strong liquidity position at 31 December 2015, with cash of $910.5 million, including $270.8 million in PNG LNG escrow accounts, and $748 million available under the group's corporate revolving facilities ($2 million of the $250 million bilateral revolving facilities had been utilised for letters of credit).

Investment expenditure

Total investment expenditure for 2015 was $539.1 million, which was 71% lower than the prior year expenditure of $1,868.0 million. The components of investment expenditure for the year were:

US$ million	**2015**	**2014**
Exploration and evaluation (1),	275.7	1,246.9
Development - PNG LNG Project (2)	135.2	502.6
Producing assets	111.8	105.7
Other plant and equipment (3)	16.4	12.8
Total capital expenditure	**539.1**	**1,868.0**

(1) Includes $50.9 million (2014: $109.1 million) of exploration costs expensed during the year.
(2) 2014 included capitalised financing costs.
(3) Excludes finance leased assets that are recognised as other plant and equipment.

Exploration and evaluation expenditure for 2015 was $275.7 million (2014: $1,246.9 million). This expenditure primarily comprised appraisal drilling and evaluation of the PRL 15 Antelope wells and related pre-FEED activities of $90.4 million and appraisal drilling and evaluation of the Taza field in Kurdistan of $102.7 million.

Oil Search's share the PNG LNG Project development costs were $135.2 million during 2015 (2014: $502.6 million of which $45.9 million related to capitalised financing costs).

Expenditure on producing assets totalled $111.8 million for 2015, (2014: 105.7 million) and mainly related to infill drilling and workover activity on the Moran field and ongoing sustaining capital.

Reserves and resources

At 31 December 2015 the group's total proved and probable reserves (2P) and contingent resources (2C) for oil and condensate were 144.3 mmbbl, down 17% compared to 2014. The addition of 10.6 mmbbl of condensate at P'nyang following updated technical studies was offset by production of 8.8 mmbbl and the downward revision to net 2C contingent resources of 31.2 mmbbl of oil following analysis of appraisal data from Taza.

Total proven and probable reserves (2P) and contingent resources (2C) for gas were 5,787.9 bcf, essentially unchanged from 2014. The addition of 326 bcf at P'nyang was offset by record gas production of 99.4 bcf, the downward revision to net 2C contingent resources of 128.1 bcf at Cobra following a remapping exercise, and a reduction of 128.6 bcf at Taza following analysis of appraisal data.

Further details are included in the 2015 Reserves and Resources Statement.

1.3 Operating cash flows

Year to 31 December (US$ million)	2015	2014	% change
Net receipts	1,204.3	1,185.2	2
Net interest paid	(166.2)	(11.2)	N.M
Tax paid	(85.4)	(181.7)	-53
Operating cash flow	**952.7**	**992.3**	**-4**
Net investing cash flow	(535.6)	(1,740.4)	-69
Net financing cash flow	(466.8)	1,498.6	-131
Net cash (outflow)/inflow	**(49.7)**	**750.5**	**-107**

Operating cash flow decreased slightly, with the contribution from a full year of operations at the PNG LNG Project, partially offset by lower oil sales volumes and lower average realised hydrocarbon prices in 2015.

During 2015, Oil Search's net investing cash flow included expenditures of:

- $248.3 million on exploration and evaluation ($1,189.7 million in 2014);
- $141.6 million on PNG LNG Project development activities ($422.7 million in 2014);
- $119.6 million on production activities ($101.9 million in 2014); and
- $16.0 million on other plant and equipment ($12.5 million in 2014).

The group distributed $274.1 million to shareholders by way of the 2014 final and special dividend and the 2015 interim dividend during the year. During 2015, net borrowings of $333.0 million were repaid, including $103.0 million under the PNG LNG Project finance facility and $230 million under the corporate revolving facilities, offset by borrowings of $80 million drawn under the $250 million bilateral facilities and a drawn down of $69.5 million under the PNG LNG Project finance facility prior to financial completion that was declared in February 2015.

2. Overview of operations

Established in 1929, Oil Search is a Papua New Guinean (PNG) oil and gas exploration and production company.

The Company operates all of PNG's currently producing oil fields and the Hides Gas to Electricity Project. It also has a 29% interest in the PNG LNG Project, a world scale liquefied natural gas (LNG) development, operated by ExxonMobil PNG Limited. Since commencement of production in 2014, the PNG LNG Project has delivered more than 150 LNG cargoes to markets in Asia. During 2015, the first full year of operations, the Project produced 7.4 MTPA, well above its 6.9 MTPA nameplate capacity.

Oil Search is pursuing two major growth opportunities in PNG. These are the expansion of the PNG LNG Project, through production optimisation and debottlenecking as well as the potential construction of a third LNG train, underpinned by the P'nyang gas field, and the Papua LNG Project, a world scale LNG development in the onshore Gulf Province based on the Elk-Antelope gas fields. The Company is undertaking a range of exploration and appraisal activities in PNG to support these development opportunities.

Oil Search also has exploration interests in the Middle East.

2.1 Activities in PNG

2.1.1 Operated oil and gas production

Oil Search's total net production in 2015 was 29.25 million barrels of oil equivalent (mmboe), 52% higher than in the previous year. Strong performances from the PNG LNG Project and the Oil Search-operated oil fields resulted in production exceeding the Company's initial guidance of 26 - 28 mmboe.

Kutubu (PDL 2 – 60.0%, operator)

Oil Search continued to be successful in optimising production from the Kutubu complex of fields during 2015. Production increased 3% year on year, an excellent performance from this mature field, with gross production averaging 17,325 barrels of oil per day (bopd).

During the year, Usano production continued to benefit from the reservoir management strategies which have been developed and implemented over the past two years. The field produced at sustained rates in excess of 5,500 bopd during 2015, similar to 2014 but approximately 175% higher than rates in mid-2013. Similar success in sustaining oil production has been achieved at the Agogo field, with average production rates of 4,466 bopd in 2015, nearly 1,200 bopd higher than in 2014. This was achieved by optimising production from three separate reservoirs accessed by the existing backlimb wells and maximising contributions from the recent development wells in the Agogo forelimb. In addition, production from the Hedinia Digimu reservoir was boosted by the reinstatement of the IDD 5 well, which had been shut-in for a prolonged interval while reservoir pressures built up.

Gas exports to the PNG LNG Project from Kutubu averaged 66 mmscf/d in 2015.

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

Gross production from Moran in 2015 averaged 8,635 bopd, down 22% from 2014 levels.

The Moran 16 ST1 well, targeting the Toro and Digimu oil reservoirs in a downdip location in the central part of the field, was successfully drilled early in the year. The reservoirs were encountered close to prognosis and the well was brought on-stream in the second quarter at a rate of approximately 1,500 bopd. However, this was offset by both natural decline and a number of mechanical issues in the Moran 2X ST2 and NW Moran 1 ST5 wells. Sidetracks were undertaken to resolve the issues in these wells and both were brought back on stream in the fourth quarter with a combined rate of more than 2,000 bopd. In addition, a previously undeveloped interval in the NW Moran sidetrack (NW Moran 1-ST7) was brought into production late in the year.

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

Production from the Gobe Main field declined 5% to 827 bopd, while production from the SE Gobe field was 8% lower, at 1,255 bopd.

The natural decline in oil production from the Gobe Main and SE Gobe fields was mitigated during the year by a continued strong focus on reservoir management, with the 5% and 8% decline rates, respectively, a pleasing outcome given the maturity of these fields.

A key focus for the year was the ramp up in gas exports to the PNG LNG Project. Third party gas sales to the Project commenced from SE Gobe in May 2015, while Gobe Main gas exports continued in line with expectations. In total, more than 19 bcf of gas (gross) was supplied to the PNG LNG Project from the Gobe fields during the year. Sustained steady operation of the Gobe plant and facilities was achieved, with combined oil and gas production rates through the Gobe Facility reaching in excess of 12,000 boepd by the end of 2015.

Gas to Electricity Project – 100%, operator (PDL 1 – 16.7%)

The Hides Gas to Electricity Project produced 5.312 bcf, 6% lower than in 2014 due to drought conditions in the PNG Highlands, which led to a short closure of the Porgera Gold Mine and a resulting drop in demand for gas.

2.1.2 PNG LNG Project

The PNG LNG Project produced 22.2 mmboe net to Oil Search in 2015, comprising 96.6 bcf of LNG and 3.27 mmbbl of liquids. Gross annualised production from the Project was 7.4 MTPA, well above the nameplate capacity of 6.9 MTPA, reflecting excellent gas deliverability from the upstream facilities combined with a high level of uptime at the LNG trains.

In 2015, 101 PNG LNG cargoes were exported, with 79 sold under long-term contract and 22 cargoes sold on the spot market. 31.5 cargoes of Kutubu Blend and 8 cargoes of naphtha were also sold.

Development drilling on the Angore field took place in 2015. The Angore B1 development well encountered technical issues during drilling and was suspended. The Angore A1 and Angore A2 development wells were subsequently drilled, successfully intersecting the Toro reservoir. Development drilling at the Hides field also continued during the year, with the Hides F1 dual development/exploration well successfully intersecting the Toro reservoir. However, the deeper exploration target, the Koi-Iange reservoir, was unsuccessful.

In February 2015, having satisfied all of the financial completion tests incorporated in the Project's financing arrangements, financial completion was achieved. This important milestone allowed completion guarantees to be released and co-venturer distributions to commence, according to the terms of the financing agreements.

2.1.3 2015 Production Summary [1, 2]

Year to 31 December	2015		2014		% change	
	Gross daily production (bopd)	Net to OSH (mmbbl)	Gross daily production (bopd)	Net to OSH (mmbbl)	Gross daily production	Net to OSH
Oil Production						
Kutubu	17,325	3.797	16,843	3.692	+2.86	+2.86
Moran	8,635	1.560	11,009	1.989	-21.57	-21.57
Gobe Main	827	0.030	872	0.032	-5.20	-5.20
SE Gobe	1,255	0.117	1,363	0.127	-7.92	-7.92
SE Mananda	-	-	19	0.005	-	-
Total PNG Oil	28,041	5.505	30,107	5.845	-6.86	-5.82
PNG LNG Project Liquids	**30,921**	**3.273**	**18,520**	**1.961**	**66.96**	**66.96**
Hides GTE Liquids	306	0.112	331	0.121	-7.54	-7.54
Total Liquids	**59,268**	**8.890**	**48,104**	**7.926**	**23.21**	**12.16**
Gas Production	**mmscf/d**	**mmscf**	**mmscf/d**	**mmscf**		
PNG LNG Project LNG	912.93	96,646	493.09	52,199	85.15	85.15
Hides Gas Production[4]	14.55	5,312	15.55	5,675	-6.40	-6.40
SE Gobe Gas to PNG LNG	20.22	1,886	-	-	-	-
Total Gas	**947.70**	**103,844**	**508.63**	**57,874**	**86.33**	**79.43**
	boepd	**mmboe**	**boepd**	**mmboe**		
Total Production[3]	**245,097**	**29.251**	**148,690**	**19.274**	**64.84**	**51.76**

1. Prior period comparatives updated for subsequent changes.
2. Numbers may not add due to rounding.
3. Gas and LNG volumes for 2015 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. This reflects the energy content of the Company's gas reserve portfolio. Minor variations to the conversion factors may occur over time.
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 include approximately 2% unrecovered process gas.

2.1.4 Gas expansion activities

P'nyang gas field, PRL 3, PNG

In January 2015, ExxonMobil PNG Limited, operator of the PNG LNG Project and the PRL 3 Joint Venture (Oil Search – 38.51%), and the PNG Government signed a Memorandum of Understanding (MoU) for the potential expansion of the PNG LNG Project and the provision of electricity and gas for domestic power generation. Under the MoU, it is envisaged that the P'nyang field will be developed to provide additional gas for both power generation and for PNG LNG Project expansion, including production optimisation and debottlenecking of the existing trains and the construction of a potential third LNG train.

The MoU set out an agreed timeline between the PRL 3 co-venturers and Government to a final investment decision for the third LNG train, with the PRL 3 owners targeting to sanction the train in the earliest timeframe, subject to completion of typical activities including appraisal, marketing, financing and development engineering on P'nyang.

In early 2015, the PRL 3 co-venturers submitted a petroleum development licence (PDL) application for the field to the PNG Government, in accord with the MOU, with engagement towards the formal award of a PDL over P'nyang continuing over the balance of the year.

The PRL 3 co-venturers undertook planning work for drilling the P'nyang South 2 well, located in the south-east of the P'nyang field, during the year. This well, which is expected to be drilled in 2016, is targeting the re-classification of some of the 2C resources within the field to the 1C category, to support PNG LNG expansion project financing and marketing activities. A P'nyang South multi-licence seismic survey commenced towards the end of the year, with approximately 72 kilometres of 2D data to be acquired to mature adjacent exploration leads. It is anticipated that this survey will be completed in 2016.

Elk/Antelope gas fields, PRL 15, PNG

During the year, the PRL 15 Joint Venture (Oil Search – 22.835%) continued a comprehensive appraisal programme to help delineate the size and structural extent of the Elk-Antelope gas resource.

The Antelope 5 appraisal well, located 1.8 kilometres west of Antelope 2, was spudded in December 2014 to appraise the western flank of the structure. The well was completed successfully in June 2015. Testing confirmed excellent reservoir quality and deliverability, consistent with a substantial resource base.

In April 2015, the Antelope 4 appraisal 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. Sidetrack operations commenced in August 2015, using Oil Search's Rig 103. Antelope 4 ST1 reached a total depth of 2,326 metres in November and wireline logging was completed, with log interpretations confirming that a thick, high quality dolomite reservoir unit extends to this southern location.

The Antelope 6 appraisal well commenced drilling in December 2015. This well will appraise the eastern margin of the field.

In February 2015, arbitration proceedings between Oil Search and Total SA were concluded. The International Court of Arbitration of the International Chamber of Commerce (ICC) declined to issue Oil Search pre-emptive rights over the transfer of a 40.1% participating interest in PRL 15 from an InterOil subsidiary to a subsidiary of the Total SA Group, announced on 26 March 2014. Subsequently, the joint venture participants unanimously agreed to appoint Total E&P PNG Limited (Total) as operator of the PRL 15 Joint Venture, subject to the terms of the Joint Venture Operating Agreement. On 1 August 2015, Total became operator of the PRL 15 Joint Venture, including the Papua LNG Project.

In July 2015, following extensive studies, the location of key infrastructure was agreed by the PRL 15 Joint Venture, as follows:

- The LNG plant will be located at Caution Bay, approximately 20 kilometres north-west of Port Moresby and adjacent to the PNG LNG Project site.
- The upstream Central Processing Facility will be located west of the Herd Base in PRL15, close to the Purari River.
- The approximately 75 kilometre onshore and 265 kilometre offshore pipeline routes for the separate gas and condensate pipelines have been determined.

Sizing and capacity of the facilities is expected to be determined once the appraisal programme on Elk-Antelope has been completed and the resource size quantified.

NW Highlands

During 2015, Oil Search expanded its licence interests in the Highlands region through the acquisition of a 10% interest in PPL 269 and a 100% interest in PPL 402. A 2D seismic data acquisition programme in the Juha and Hides areas took place, covering 102 kilometres. Based on this seismic, the Muruk exploration prospect in PPL 402 was matured for drilling and well preparations commenced, with Muruk 1 expected to spud in early 2016. 71 kilometres of 2D seismic was acquired by Talisman/Repsol over PPL 269 in 2015 and the Strickland 1 prospect was matured for drilling in 2016.

Forelands/Gulf Region

In May, Oil Search exercised its option with Kina Petroleum to farm into a 70% interest in PPL 339, in the Gulf Province. The Company subsequently farmed down a 35% interest in the licence to Total, subject to relevant approvals, with Oil Search retaining 35% and operatorship. A number of attractive prospects have been identified in the licence.

Re-assessment of existing gas discoveries PRLs 8 (Kimu), 9 (Barikewa) and 10 (Uramu), located in the Forelands/Gulf region, during the year has indicated material potential 2C gas resource upside in each pool. Preparations are underway for further appraisal and drilling work.

2.1.5 Power

In April 2015, Oil Search announced the first phase of the Ramu Power Project (RPP), a major multi-phase project to develop and deliver power solutions in PNG, in conjunction with Government-owned PNG Power Limited (PPL). The RPP has a target of connecting an additional one million people by 2030, providing PNG businesses and households with access to affordable power supplies. Provision of power in PNG is a high political and social priority for the country and the company's involvement is part of its programme to mitigate operating risk by giving back to the community.

The initial project comprised an upgrade of PPL's existing power plant in Tari, a major town located approximately 50 kilometres north-east of the Hides gas field, 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. This allowed the commencement of continuous 24-hour power generation and supply to Tari.

In December, Oil Search signed two Power Purchase Agreements (PPAs) with PPL, subject to the satisfaction of various conditions precedent:

- PNG Biomass IPP (Oil Search – 70%, Aligned Energy 30%) will deliver up to 30MW of biomass-fired base load power to the Ramu grid using wood chips from new plantation trees grown and sustainably harvested in the Markham Valley.
- Highlands IPP (Oil Search – 100%) will construct 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.

2.2 Middle East and North Africa

2.2.1 Kurdistan Region of Iraq

Appraisal of the Taza oil discovery in the Taza PSC in Kurdistan continued in 2015, with the initial processing and interpretation of 630 square kilometres of 3D seismic data acquired in 2014 and the completion of two appraisal wells. Taza 2, located 10 kilometres north-west of the Taza 1 discovery well and Taza 3, located 6 kilometres south-east of Taza 1, both flowed oil but at sub-commercial rates. Preliminary analysis of the 3D seismic indicates that both wells were drilled in areas with lightly developed fractures and that the potential for economic flow rates from the Taza field is constrained to the more tightly folded and fractured forelimb area.

2.2.2 Tunisia

Processing and interpretation of seismic data acquired in 2014 confirmed that there was limited potential in the Tajerouine PSE (Oil Search – 100%, operator). Consequently, following the completion of all obligations, the Block was relinquished towards the end of 2015.

2.2.3 Yemen

In the second quarter of 2015, Oil Search sold its interest in Block 7 in Yemen (Oil Search – 34%, operator) to Petsec. At the end of 2015, the transaction was awaiting relevant approvals.

3. Business Strategy, Outlook and Risk

3.1 Business Strategy

Despite the dramatic decline in oil prices, Oil Search remains committed to the pursuit of key strategies identified under the 2014 Strategic Review which includes:

- Sustaining and optimising the value of existing Oil Search assets through safe and reliable operations.
- Commercialising additional LNG trains with gas sourced from the NW Highlands and Gulf Hubs.
- Exploring for and appraising high value oil and gas accumulations in PNG.
- Maintaining Oil Search as a leading corporate citizen in PNG. Protecting value and enabling growth by mitigating risks and promoting a stable operating environment.
- Enhancing organisational capabilities to deliver our strategic commitments.
- Optimising capital and liquidity management to support investment and reward shareholders.

In addition to the Strategic Review initiatives, Oil Search commenced a comprehensive review of the company's operations, work practices and processes in early 2015. The review analysed opportunities to reduce the company's cost base to one more appropriate for the low oil price environment, to improve business efficiencies and to ensure the right people and processes are in place to deliver the company's expansion plans.

The Business Optimisation Programme confirmed the need to focus on activities that support the expansion of the PNG LNG Project, including the development of a third train, the construction of Papua LNG and continued optimisation of the core oil business in PNG. It also identified the need for improved efficiency in some parts of the business and that investment in areas that are non-core to Oil Search, should be reduced. The work highlighted the need to continue to support a range of social programmes in PNG and enhance the development of Oil Search's PNG national staff, especially in management and leadership positions.

Implementation of a number of changes to the company's organisational structure and internal processes, to ensure that Oil Search can continue to deliver superior returns to its shareholders in a lower oil price environment, took place progressively over the second half of 2015. This regrettably included a number of redundancies from across all offices and operations, with the Brisbane office closed down at the end of the year. A number of people were relocated from field operations, Brisbane and Sydney to the Port Moresby Head Office in PNG.

These changes have delivered a reduction in controllable operating and capital costs. It is also anticipated that the decline in production from the company's mature oil fields will be partially mitigated through improved planning and reduced downtime.

Given the recent further sharp decline in oil prices, information gained through the 2015 Business Optimisation Programme is being used to prioritise further cost reduction opportunities across the business. Oil Search's overall strategy, however, remains unchanged, with a strong focus on PNG, where the company has a major competitive advantage, and on its high-value growth projects.

3.2 Outlook

Key activities in 2016 are expected to include the following:

- Continued delivery of gas from Oil Search's operated fields to the PNG LNG Project and reliable operation of the Project's liquids export system.
- Progressing feasibility studies and commercial undertakings on the potential accelerated gas blowdown of the Kutubu/Agogo and Moran Associated Gas fields for the PNG LNG Project.
- Drilling of the P'nyang South 2 well and the Muruk 1 exploration well, and other pre-FEED activities needed to source and evaluate additional gas to support the expansion of the PNG LNG Project through production optimisation and debottlenecking and a potential third LNG train.
- Completion of drilling and testing of the Antelope 6 appraisal well, an extended well test of the Antelope 5 well, assess and potentially drill an additional appraisal well, Antelope 7 to test possible resource upside to the west of the Antelope field as well progressing other pre-FEED activities on Papua LNG.
- Completion of the certification by two third party experts of the Antelope resource.
- Appraisal drilling in PRL 9 (Barikewa 3) and towards the end of the year in PPL 339 (Kalangar) with possible further appraisal activities in the Forelands/Gulf region to assess potential gas resource upside.

3.3 Material business risks

The international scope of the group's operations, the nature of the oil and gas industry and external economic factors mean that a range of factors may impact results. Material business risks that could impact Oil Search's results and performance are described below.

These risks are not the only risks that may affect the group. Additional risks and uncertainties not presently known to management or that management currently believe not to be material may also affect Oil Search's business.

Financial and Liquidity risks

Pricing risk

Oil Search's business is heavily dependent on prevailing market prices for its products, primarily oil and gas. Changes in the prices of these commodities will impact the group's revenue and cash flows.

International oil and gas prices have fallen significantly in the past year and conditions are expected to remain challenging for the industry for the at least the next 12 months. There are a number of macroeconomic factors that influence oil pricing, over which Oil Search has no control.

Oil Search has executed long term sales and purchase agreements for the supply and sale of its LNG production, with pricing factors already established under these agreements.

The group's financial risk management strategy to address commodity price risk is outlined in note 26 in the financial statements. The group's Audit and Financial Risk Committee is responsible for reviewing the policies, processes, practices and reporting systems covering the group's exposure to business and financial risks.

Future operating and capital cost requirements

Future operating and capital cost requirements may be impacted by multiple external and internal factors, many of which have been identified elsewhere through this section. Unexpected changes to future cost profiles could result in Oil Search's cash requirements being over and above its available liquidity. To the extent that the group's operating cash flows and debt facilities are insufficient to meet its requirements for ongoing operations and capital expenditure, Oil Search may need to seek additional funding, sell assets and reassess or defer capital programmes. If Oil Search is unable to obtain additional funding on acceptable terms in these circumstances, its financial condition and ability to continue operating may be affected.

The group's financial risk management strategy to address liquidity risk is outlined in note 26 in the financial statements. The group's Audit and Financial Risk Committee is responsible for reviewing the policies, processes, practices and reporting systems covering the group's exposure to business and financial risks. The group also undertakes regular short, medium and long term forecasting to assess any implications on future liquidity and profitability.

Operational risks

Production risks

Oil and gas producing assets may be exposed to production decreases or stoppages, which may be the result of facility shut-downs, mechanical or technical failure, well, reservoir or other subsurface impediments, safety breaches and other unforeseeable events. A significant failure to maintain production could result in the group lowering production forecasts, loss of revenues and incurring additional costs to reinstate production to expected levels.

Safety and environmental risks

Oil and gas producing and exploration operations are also exposed to industry operational safety risks including fire, explosions, blow outs, pipe failures, as well as transport and occupational safety incidents. Major environmental risks include accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to the group due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; cleanup responsibilities; regulatory investigation and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may also give rise to claims against the group.

These risks are largely internally focused but there is also a heightened threat from cyber security actors, increasing operational and information security risks.

The group manages operational risk through a variety of means including; strict adherence to its operating standards, procedures and policies; staff competency development and training programs and through the effective use of a group-wide risk management system. In addition, the group has insurance programmes in place that are consistent with good industry practice.

3.3 Material business risks *(continued)*

Reserves and resource risks

Reserves decline and replacement
Oil Search, like any oil and gas company, is subject to reserves declining and impacting organisational value. Oil Search aims to replace and grow its reserve and resource base via exploration and commercial activities. The longer term health of the business will depend on the quality and size of its current portfolio and the investment decisions it makes over many years.

Oil and gas exploration is a speculative endeavor and each prospect/investment carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities. The value of exploration and development assets can be affected by a number of different factors including, amongst other things, macro-economic and socio-political conditions, changes to reserves estimates, the composition of oil and gas reserves, unforeseen project difficulties and other operational issues. Similarly, the economic value of the organisation's individual producing assets declines as oil and gas is produced. Oil Search's future production profitability is subject to both subsurface and commodity price uncertainties but is also highly dependent on how Oil Search manages and maximizes the value of the production business over this period.

The group's Board of Directors and Investment Review Board oversee all significant investment decisions, each of which are subject to economic and risk analysis and assurance activities at specific gates, in line with the organisation's management system. Further, the group also includes significant exploration, drilling and development teams who continually monitor the organisation's prospects inventory and exploration plan, and lead activities to identify and develop the group's resources. For our producing assets, the group has a developing Life of Asset planning process which guides the long term management of operated producing assets.

Reserves and resource estimates
Underground oil and gas reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which are valid at a certain point in time may alter significantly or become uncertain when new oil and gas reservoir information becomes available through additional drilling or reservoir engineering over the life of the field. As reserve and resource estimates change, development and production plans may be altered in a way that may affect the group's operations and/or financial results.

Additionally, oil and gas reserves and resources assume that the group continues to be entitled to production licences over the fields and that the fields would be produced until the economic limit of production is reached. If any production licences for fields are not renewed or are cancelled, estimated oil and gas reserves and resources may be materially impacted.

The group employs the appropriate internal expertise to estimate reserves and resources and to prepare the Annual Reserves Statement in compliance with the ASX listing rules. In addition, proven (1P) and proven and probable (2P) oil field reserves are periodically certified by independent auditors.

External and Stakeholder

Legislative and regulatory risk
Oil Search operates across a number of international jurisdictions and therefore the business is subject to various national and local laws and regulations in those jurisdictions. Changes in government policy, the fiscal regime, regulatory regime or the legislative framework could impact the group's business, results from operations or financial condition and performance.

The possible extent of such changes that may affect the group's business activities cannot be predicted with any certainty. The effects of any such actions may result in, amongst other things, increased costs, whether in the nature of capital or operating expenses, taxes (direct and indirect) or through delays or the prevention of the group to be able to execute certain activities.

Companies in the oil and gas industry may be subject to pay direct and indirect taxes, royalties and other imposts in addition to normal company taxes. The group's profitability may be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

In addition to changes in existing tax laws, risk is also embedded in the interpretation or application of existing tax laws, especially where specific guidance is unavailable or has not been tested in the tax jurisdiction.

Political, community and other stakeholders
The developing countries in which Oil Search operates expose the organisation to different degrees of political and commercial risk. The profitability of our operating assets may be adversely impacted by political instability, land ownership disputes and community issues as well as war, civil unrest and terrorism. Oil Search's ability to acquire, retain and gain full value from licences may also be affected by a number of political and social issues such as differing political agendas and decision making, environmental and social policy and the impact of bribery and corruption. Further, the media, NGOs and other activists may play an increasing role at local, national and international levels influencing political policy and community actions or otherwise impacting the organisation's reputation. Delays in government led infrastructure development can also impact the commercial outcome of projects.

Oil Search operates under its Stakeholder Engagement standards and policies which require transparent, open, pro-active communication and cooperation between company and government at all levels. Oil Search operates dedicated teams to manage government relations, which amongst other things, are targeted towards minimising risk that could arise out of potential fiscal, tax, resource investment, infrastructure access or regulatory and legal changes. Oil Search has in place a comprehensive corruption prevention framework.

Oil Search also strives to minimise any negative impact of the group's operations on local society, culture and environment while contributing to local community and economic development and leaving a positive legacy. The group spends considerable time, effort and expense in working with government and communities led by a dedicated Stakeholder Engagement team. The Health, Safety and Sustainability Committee oversees the strategies and processes adopted by management and monitors the group's performance in these areas.

3.3 Material business risks *(continued)*

Joint venture risk

Oil Search derives significant revenues and growth through joint venture arrangements. The use of joint ventures is common in the oil and gas industry and usually exists through all stages of the oil and gas lifecycle. Joint venture arrangements, amongst other things, can serve to mitigate the risk associated with exploration activities and capital intensive development phases. However, failure to establish alignment between joint venture participants, poor performance of joint venture operators or the failure of joint venture partners to meet their commitments and share of costs and liabilities could have a material impact on the group's business.

The group manages joint venture risk through careful joint venture partner selection (when applicable), stakeholder engagement and relationship management. Commercial and legal agreements are also in place across all joint associations which bind the joint venture participants to certain responsibilities and obligations.

REMUNERATION REPORT

This report has been prepared in accordance with section 300A of the Australian Corporations Act 2001 and summarises the arrangements in place for the remuneration of directors, Key Management Personnel and other employees of Oil Search for the period from 1 January 2015 to 31 December 2015. Although it is not a requirement for PNG companies, Oil Search has voluntarily complied with section 300A of the Australian Corporations Act 2001 to ensure it meets current best practice remuneration reporting for ASX listed companies.

1. REMUNERATION POLICY

The objectives of the Oil Search remuneration policy are to:

- Attract and retain the talent necessary to create value for shareholders;
- Reward Key Management Personnel and other employees fairly and responsibly, having regard to the performance of Oil Search, the competitive environment and the individual performance of each employee; and
- Comply with all relevant legal and regulatory provisions.

Oil Search's approach to remuneration is based upon "Reward for Performance", and remuneration is differentiated based on various measures of corporate, team, and individual performance.

Remuneration for non-executive directors was established using data from external independent consultants which is updated from time to time and takes into account:

- The level of fees paid to non-executive directors of other ASX listed corporations of a similar size and complexity to Oil Search;
- The growing international scale of Oil Search activities;
- Responsibilities of non-executive directors; and
- Work requirements of Board members.

2. SHARE TRADING POLICY

Oil Search has a share trading policy in place for all employees, including Key Management Personnel and directors, which is available on the Oil Search website in the Corporate Governance Section. Under this policy there are three groups of employees:

- **Restricted Employees** – Executive General Managers and their direct reports, General Managers and their direct reports and other employees notified by the Group Secretary that they are a restricted employee;
- **Prescribed Employees** – particular employees, contractors or a member of a class of employees or contractors that are notified by the Group Secretary that they are prescribed employees due to the nature of work they are undertaking; and
- **All Other Employees** – any employee or contractor who is not classified as a Restricted or Prescribed Employee.

Under the Oil Search Share Trading Policy, non-executive directors are classified as restricted employees.

There are two specific periods defined in the share trading policy:

- **Closed Period** – the period from 1 January to 12 noon on the day after the release of the full year results and the period from 1 July to 12 noon the day after the release of the half year results:
- **Trading Window** – the period of four weeks commencing at 12 noon the day after:
    - o The release of the half year results;
    - o The release of the full year results; and
    - o The Oil Search Annual Meeting.

The Board may also approve trading windows at other times of the year.

The following table details the times at which employees can trade in Oil Search shares:

Table 1 – Trading permitted under the Oil Search Share Trading Policy

	Closed Period	Trading Window	All Other Times
Restricted Employees	Not permitted to trade	May trade, but Directors and Executive Management must first notify the Group Secretary	Must receive pre-approval to trade
Prescribed Employees	Not permitted to trade	Not permitted to trade	Not permitted to trade
All Other Employees	Not permitted to trade	May trade	May trade

Regardless of the trading times specified in the above table, employees are not permitted to trade at any time if they are in receipt of inside information. Employees are also prohibited from hedging or acquiring options over unvested securities, granted under employee share plans, at any time. Regular audits of share trading are conducted by the Group Secretary to ensure compliance.

3. ROLE OF THE PEOPLE AND NOMINATIONS COMMITTEE

The People and Nominations Committee (the Committee) of the Board, formerly called the Remuneration & Nominations Committee, provides advice and recommendations to the Board regarding people matters. The Committee's responsibilities include:

- Review of the ongoing appropriateness, coherence, and competitiveness of remuneration policies and practices, and recommendation of changes to the Board as appropriate;
- Oversight of the implementation of remuneration, retention, talent management and termination policies;
- Oversight of the key processes employed to identify and develop talent across the Group;
- Recommendation to the Board on the specific remuneration of executive directors, Key Management Personnel and any other direct reports to the Managing Director;
- Recommendation to the Board of budgets for annual remuneration awards for all other employees;
- Recommendation to the Board on performance measures underpinning all Incentive Plans;
- Board Performance Reviews;
- Proposal to the Board for appointment of new non-executive directors;
- Approval of terms and conditions and contracts for any new Key Management Personnel and other direct reports of the Managing Director.

The Committee must comprise at least three non-executive directors and the members of the Committee during the year were:

- Dr ZE Switkowski – independent non-executive (Chair from 12 May 2011)
- Mr KG Constantinou OBE – independent non-executive (from 16 April 2002)
- Mr KW Spence - independent non-executive (from 9 May 2012)
- Mr B Philemon - independent non-executive (from 5 November 2012)

At the Committee's invitation, the Managing Director, Executive General Manager Human Resources, and Rewards Manager attend meetings in an advisory capacity and co-ordinate the work of external, independent advisors as requested. All executives are excluded from any discussions impacting their own remuneration.

Under its Charter, the Committee must meet at least four times a year. The Committee formally met four times during the year and the Committee Members' attendance records are disclosed in the Directors' Report. A copy of the charter of the Committee is available on Oil Search's website in the Corporate Governance section.

To ensure it remains up to date with market practice, the Committee engages independent external advisors from time to time. The table below summarises work undertaken by external consultants at the Committee's request in 2015 and also notes additional work undertaken by the same consultants on behalf of management. Where a consultant was engaged by the Committee or the Board their findings were reported directly to the Committee or the Board.

Table 2 – External Consultants Engaged by the Committee in 2015

Consultant	Committee and Board Engagements	Management Engagements
Orient Capital	Ad hoc reporting in relation to Total Shareholder Return calculations.	Regular analysis of the Company's shareholder registry.

The Committee did not commission any advice from external consultants during 2015 in relation to Executive Remuneration quantum or Board Remuneration quantum.

4. REMUNERATION STRUCTURE

Oil Search's remuneration structure comprises four elements:

- Total Fixed Remuneration (TFR);
- Short-Term Incentive (STI);
- Long-Term Incentive (LTI); and
- Occasional Retention Awards of Restricted Shares for key/critical staff.

The mix of remuneration elements for individual employees is dependent on their level and role within Oil Search, with the proportion of "at risk" performance-related remuneration (STI and LTI elements) increasing with greater seniority.

Total Fixed Remuneration (TFR)

The target ranges for TFR payable for roles in the organisation, including those for Key Management Personnel are 80% – 120% of competitive benchmarks. An independent external remuneration consultant is engaged by the Committee from time to time to provide competitive benchmark data for Key Management Personnel roles.

For other roles in the organisation, remuneration information is derived from annual remuneration surveys conducted by independent third parties.

An annual TFR review budget, agreed by the Board each year, is used to adjust TFRs paid to individuals to ensure that their fixed remuneration remains competitive for their specific skills, competence, and value to the Company. In recognition of the significant focus on costs, no Key Management Personnel received a TFR increase during 2015.

Short-Term Incentive (STI)

Each permanent employee has the opportunity to earn an annual STI which is based on a percentage of his or her TFR. The STI percentage increases with seniority to ensure a higher proportion of remuneration is "at risk" for our senior employees.

The size of the STI pool is directly related to corporate performance through a scorecard which includes a range of key measures that directly affect Shareholder Value and which are directly linked to the Oil Search Strategic Plan.

At the start of each year, the Board determines the hurdles and target levels of performance which form the STI scorecard. As noted in last year's report, given the transformational nature of the successful commissioning of PNG LNG, a significant review of the Oil Search strategic plan occurred during 2014 following which both STI and LTI measures for 2015 onwards were reviewed to ensure continued alignment to the revised strategy and that the weightings remained appropriate.

Following the review, the STI scorecard was reweighted to reflect the increased importance of safe and reliable production post commissioning of PNG LNG and the focus on costs. For 2015, the STI scorecard comprised the following components:

- Operational components (55% of the scorecard):
  - Safety (10%, comprising 6% Total Recordable Injury Frequency Rate and 4% High Potential Incident Rate)
  - Production (20%, comprising 10% operated asset production and 10% non-operated asset production)
  - Costs (20%)
  - EBITDAX (5%)

- Business Growth components (45% of the scorecard):
  - Discovery or acquisition of new 2C Gas Resources (15%)
  - Discovery or acquisition of new 2C Oil Resources (15%)
  - Strategic and growth initiatives (15%)

At the end of the year, the Board approves an overall STI pool based on the level of achievement against the hurdles that were determined at the start of the year.

The STI pool is then distributed to employees taking into account:

- The contribution of the employee's division to the achievement of the organisational objectives; and
- The individual performance of the employee.

The target levels of performance set by the Board are challenging and if achieved deliver the payment of 50% of STI opportunity. While individual awards above 'Opportunity' are possible, the overall STI pool available to all employees is capped at 100% of the opportunity amount.

Performance during 2015

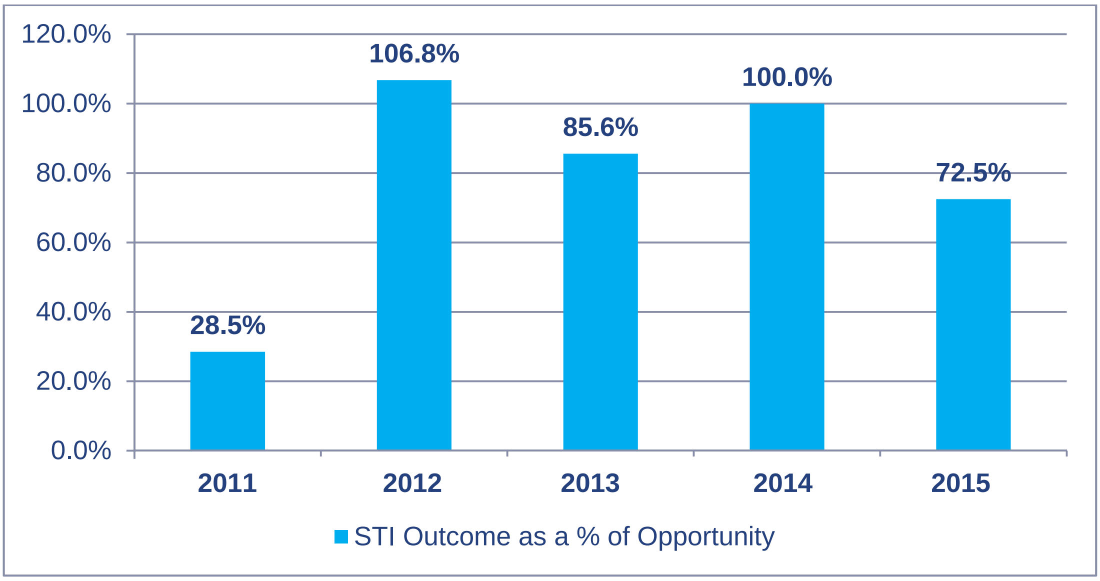
For 2015, performance for the scorecard measures was as follows:

Measure		**Performance during 2015**
Safety	- Total Recordable Injury Frequency rate	Much better than target
	- High Potential Incident Rate	Much better than target
Production		Much better than target
Costs		Much better than target
EBITDAX		Below target(1)
Discovery or acquisition of new 2C Gas Resources		Much better than target
Discovery or acquisition of new 2C Oil Resources		No achievement(2)
Strategic and growth initiatives		Close to target

Overall for the 2015 performance year, the Board determined a scorecard outcome of 91% of Opportunity. This amount was then reduced to 72.5% of Opportunity to reflect (1) an adjustment to the EBITDAX line item to recognise the statutory loss for 2015 and (2) the reassessment of results from the Taza appraisal drilling programme that indicated that a proportion of STI amounts paid in respect of the 2013 year related to Taza should be clawed back.

Table 3 – STI Awards to Employees

Over the period 2011 to 2015 STI, the STI pool as a percentage of STI Opportunity has been as follows:



Incentives - Executives

Performance Rights

For Key Management Personnel, and other key/critical managers and staff approved by the Board, the Long Term Incentive Plan (LTIP) is provided in the form of a grant of Performance Rights (PRs).

Awards of PRs under the LTIP are rights to acquire ordinary shares in the Company for nil consideration, conditional on pre-determined corporate performance hurdles being met within defined time restrictions.

Vesting of the awards depends on Oil Search's Total Shareholder Return (TSR) performance over a three-year period relative to two peer groups of companies. If the Performance Hurdles are satisfied awards automatically exercise on the vesting date and one Oil Search share is transferred in satisfaction of each vested Performance Right.

To determine the level of vesting of the awards, Oil Search's TSR over the three year performance period is ranked against the TSR of each company in the two peer groups over the same period.

For each peer group, if Oil Search's TSR performance is:

- below median, that is the 50th percentile, no Performance Rights will vest;
- at the median, 25% of the Performance Rights granted will vest;
- greater than the median and less than the 75th percentile, the number of Performance Rights that will vest increases on a straight line basis from 25% to 50% of the total number of Performance Rights granted;
- at or above the 75th percentile, 50% of the Performance Rights granted will vest.

For example, if Oil Search's TSR performance is at or above the 75th percentile TSR performance of both peer groups, 100% of the Performance Rights granted will vest.

For awards made since 2012 the two peer groups have been:

- The ASX50 (excluding property trusts and non-standard listings); and
- The constituents of the Standard & Poor's Global Energy Index. TSR outcomes for this international group are normalised against a US dollar base currency to provide consistency of measurement.

For awards made between 2007 and 2011, Oil Search's performance was measured against the following two peer groups:

- The first 150 companies included in the ASX 200 Index; and
- A selected group of similar sized international oil and gas exploration and production companies.[1]

[1] The list of companies includes Anadarko Petroleum Corporation, AGL Energy Limited, AWE Limited, Cairn Energy, Canadian Natural Resources, Chesapeake Energy Corporation, Lundin Petroleum, Murphy Oil Corporation, Newfield Exploration, Nexen, Origin Energy, Premier Oil, Roc Oil, Santos, and Tullow Oil.

The changes to the peer groups were made in recognition of the Company's increasing market capitalisation and, in the case of the international group, to remove the subjectivity of inclusion or exclusion of individual oil and gas companies (the larger peer group also reducing the impact of mergers and acquisitions within the group).

Awards of Performance Rights are aligned with growth in Shareholder Value, measured in terms of Total Shareholder Return relative to other peer companies.

The table below details the vesting of Performance Rights issued between 2011 and 2015:

Table 4 – Details of Awards of Performance Rights

	2011	2012	2013[3]	2014	2015
Measurement Period	1 Jan 11 to 31 Dec 13	1 Jan 12 to 31 Dec 14	1 Jan 13 to 31 Dec 15	1 Jan 14 to 31 Dec 16	1 Jan 2015 to 31 Dec 17
Total Rights Granted	1,696,500	1,899,900	1,635,200	948,000	1,052,876
Oil Search TSR (3 year - AUD)[1]	27.4%	34.7%	6.1%		
Percentile Rank (ASX peer group)	59.3	41.1	30.8%		
Vesting	34.25%	0%	0%	May 2017	May 2018
Oil Search TSR (3 year - USD)[2]	n/a	14.0%	-26.4%		
Percentile Rank (International Group)	85.7	61.9	51.1		
Vesting	50%	36.9%	26.1%	May 2017	May 2018
Total Vesting	84.25%	36.9%	26.1%	May 2017	May 2018

(1) TSR is calculated by an independent external consultant and is based on share price changes and dividends paid on the shares over the measurement period. In calculating the TSR it is assumed dividends are reinvested to purchase additional shares of the Company at the closing price applicable on the ex-dividend date.
(2) For awards made from 2012 onwards, TSR outcomes for the international group are measured in a common US dollar base currency to provide consistency of measurement.
(3) While the 2013 Performance Rights will not vest until May 2016, Oil Search relative TSR for the period 1 January 2013 to 31 December 2015 is available.

Deferred STI

The 50% deferred portion of an executive's STI (see section 6 below) is awarded as Restricted Shares under the LTIP. Any dividends payable on Restricted Shares issued as the deferred component of an executive's STI award are paid to the executive.

Long Term Incentives – General Employee Share Plan

Provided that they have demonstrated an acceptable level of personal performance, each permanent employee has the opportunity to participate in the Oil Search Long Term Incentive Plan.

Share Appreciation Rights

For awards made in 2010 to 2013, participation in the general employee share plan was through awards of Share Appreciation Rights (SARs). SARs operate in much the same way as Share Options, with an employee only receiving a benefit if the Oil Search share price increases over the vesting period. At the end of the vesting period the share appreciation is calculated and then that value is provided to the individual in Oil Search shares.

SARs are automatically exercised on vesting, which is dependent on the Oil Search share price increasing over the 3 year vesting period. Accordingly, if the share price does not increase above the Vesting Price, then the SARs will automatically lapse on the vesting date. As a result, the employee only benefits from a grant of SARs if the Oil Search share price increases over the three year vesting period, so this form of LTI is directly related to increasing Shareholder Value.

Share Rights

SARs were replaced with Share Rights (SRs) in 2014. SRs are rights to receive Oil Search shares at the end of the vesting period subject to continued employment at the vesting date. The number of SRs, and therefore the number of shares which will be delivered on the vesting date, is determined at the grant date. This is a simpler mechanism than the previous SARs; SRs provide a less leveraged and therefore less volatile outcome for participants making the awards easier to value, increasing the retention value.

Table 5 – Details of Share Appreciation Rights and Share Rights awards

	2011	2012	2013	2014	2015
Award Type	SARs	SARs	SARs	SRs	**SRs**
Grant Date	23 May 11	21 May 2012	20 May 2013	19 May 2014	**18 May 2015**
Vesting Date	16 May 14	15 May 15	13 May 16	19 May 2017	**18 May 2018**
Total Award	1,498,560	1,744,200	1,873,950	611,045	**682,736**
Exercise/Vesting Price	$6.98	$7.26	$7.82	$nil	**$nil**

Long Term Incentives – Retention

Retention Awards of Restricted Shares

In order to assist the Company in retaining key executives and other employees, the Company may issue Restricted Shares. Restricted Shares issued only vest after the employee has completed a specified period of future service with the Company.

Restricted Shares are held on behalf of participants in trust, subject to disposal restrictions and forfeiture conditions, until released under the terms of the Plan.

Retention awards are only made where the Board determines that a significant retention risk exists.

The vesting of Restricted Shares is subject to continued employment only and as such no additional performance conditions apply. Unless the Board otherwise determines, unvested Restricted Shares will be forfeited when a participant ceases employment before the vesting date.

Restricted Shares held in trust (whether vested or not) will be forfeited by participants who are considered by the Board to have acted fraudulently or dishonestly. Once a participant's Restricted Shares have vested, disposal restrictions and forfeiture conditions will cease and the Restricted Shares will be released from the trust.

Restricted Shares provided as retention awards do not attract voting rights or dividends.

Long Term Incentive Plan Rules

Under the LTIP, all grants are automatically exercised on vesting. All unvested awards lapse on termination of employment unless the Board determines otherwise.

The Company may use newly issued or existing shares (for example, through purchase on market) to satisfy awards. Unvested PRs and SARs do not attract any right to dividends or voting rights.

For options and performance rights granted prior to 2010, the terms of the allocations provided for a 3 year vesting period followed by a 2 year exercise period. From 2010, all awards that satisfy their respective vesting conditions at the end of the 3 years vesting period are automatically exercised.

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration for Key Management Personnel is benchmarked against that of similar roles in a primary reference group of ASX companies of similar size to Oil Search in terms of Enterprise Value, Total Assets, Gross Revenue, and Net Profit after Tax. For certain roles remuneration may also be benchmarked at different management tiers of much larger entities to normalise for relative business size while reflecting the likely recruitment market for roles. A smaller and secondary reference group of international energy and mining companies is used to assess whether any particular positions for which incumbents may be sourced internationally warrant extra consideration.

Total Fixed Remuneration (TFR)

TFR, which includes Company superannuation contributions and other remunerative benefits, is targeted within the range of the median and the 62.5 percentile of the reference group, depending on the international marketability and mobility of the executive concerned. Executives may choose to salary package items such as motor vehicles or superannuation contributions. However any costs arising from Fringe Benefits Tax (FBT) on salary package items are borne by the executive.

At Risk Remuneration & Relationship to Company Performance

As noted above in section 4, Oil Search executives are eligible to receive a STI and participate in a LTI program which is "at risk" remuneration, with any payment dependent on performance. The Board's objective is that the size of these incentives should reflect Oil Search's success in creating Shareholder Value, whilst also being competitively positioned against benchmarks based on the reference groups of companies mentioned above.

Accordingly, the size of the STI is directly related to corporate performance against a range of key measures that impact shareholder value, namely operational metrics (safety, production, costs, and development initiatives) and growth metrics (the discovery or acquisition of new hydrocarbon resources and achievement of tangible value adding milestones towards commercialisation of significant oil or gas volumes).

Similarly, the proportion of Performance Rights grants which vest is directly related to Oil Search's Total Shareholder Return relative to peer groups of companies.

Short Term Incentive

Following a detailed review of senior executive and Managing Director remuneration arrangements against market, including quantum and mix, the STI quantum was adjusted for 2014 onwards such that it provides an incentive opportunity of 100% of TFR for senior executives and 180% of TFR for the Managing Director.

The target payout under the STI provides for a payment of 50% of the incentive opportunity. Half of the STI outcome is deferred in to Restricted Shares vesting two years after the end of the performance period to which the STI relates.

The following table summarises STI awards as a % of TFR for Senior Executives and the Managing Director for a range STI outcomes.

	STI outcome as a % of Opportunity	STI outcome as % of TFR	
		Senior Executives	**Managing Director**
Minimum	0%	0%	0%
Target	50%	50%	90%
'Opportunity'	100%	100%	180%

Individual awards above 'Opportunity' are possible in exceptional circumstances with the maximum STI outcome possible being capped at 200% of TFR. The overall STI pool is capped at 200% of the target amount.

The STI is awarded in March each year for performance in the previous calendar year. The STI pool since 2011 has averaged 77.8% of opportunity.

At the end of the year the Board approves an overall STI pool for executives based on the level of achievement against the hurdles that were determined at the start of the year. This pool is distributed to individual senior executives based on their individual performance.

For all senior executives, 50% of their STI award is paid in cash and the other 50% is converted to Restricted Shares under the LTIP. The Restricted Shares are held in Trust on behalf of the employee and vest on 1 January two years after the end of the performance period to which the award relates, providing the executive remains employed with Oil Search. Any dividends payable on Restricted Shares issued as the deferred component of an executive's STI award are paid to the executive.

Since 2011, the Senior Executive STI has resulted in the following outcomes:

Table 6 – Senior Executive STI outcomes as a % of TFR

	2011	2012	2013	2014	2015
Managing Director	28.5%	106.8%	85.6%	172.4%	**143.6%**
Senior Executives	22.8%	85.4%	68.5%	95.8%	**68.1%**

Analysis of individual Senior Executive STIs is contained in Tables 10 and 11 below.

Long Term Incentive (LTI) – Performance Rights

For 2015 the number of Performance Rights granted for the Managing Director and other senior executives was based on the following formula:

$$\frac{\text{X\% of TFR}}{\text{Oil Search Share Price}}$$

where X is 90% for the Managing Director and 60% for other senior executives, and "Oil Search Share Price" is based on the Volume Weighted Average Price of Oil Search shares for the 5 trading days following the release of annual results in the year of award.

The grants and vesting level of performance rights over the past five years for current Key Management Personnel is as follows:

Table 7 – Allocation of Performance Rights to Key Management Personnel

	2011		2012		2013		2014		2015	
	No.	**Vest**	**No.**	**Vest**	**No.**	**Vest[1]**	**No.**	**Vest**	**No.**	**Vest**
Directors										
P Botten	245,800	84.25%	248,700	36.9%	240,000	26.1%	222,600	2017	236,000	2018
G Aopi	51,100	84.25%	53,600	36.9%	52,300	26.1%	48,500	2017	51,400	2018
Executives										
P Cholakos	55,200	84.25%	55,900	36.9%	53,900	26.1%	50,000	2017	53,009	2018
G Darnley-Stuart	25,700	84.25%	26,100	36.9%	53,200	26.1%	49,400	2017	52,331	2018
S Gardiner	44,200	84.25%	44,700	36.9%	52,300	26.1%	49,700	2017	52,697	2018
J Fowles	-	-	55,300	36.9%	54,900	26.1%	51,000	2017	54,025	2018
M Herrett	-	-	-	-	45,200	26.1%	42,500	2017	45,081	2018
I Munro	-	-	-	-	18,700	26.1%	49,400	2017	52,331	2018
K Wulff	-	-	-	-	-	-	-	-	55,638	2018
Former Executives										
M Kay	-	-	-	-	22,668	26.1%	49,400	2017	52,331	2018

(1) The vesting date of the 2013 Performance Rights is 13 May 2016. Oil Search's TSR for the period 1 January 2013 to 31 December 2015 will result in 26.1% vesting.

Corporate Financial Performance

Table 8 illustrates Oil Search's financial performance over the past five years, which may be compared with the levels of STI and LTI awards granted to Key Management Personnel and detailed above.

Table 8 – Oil Search's Five Year Performance

Year Ended 31 December	**2011**	**2012**	**2013**	**2014**	**2015**
Net profit/(loss) after tax (US$m)	202.5	175.8	205.7	353.2	(39.4)
Diluted Earnings per share (US cents)	15.3	13.2	15.3	23.8	(2.59)
Dividends per share (US cents)	4.0	4.0	4.0	14.0[1]	10.0
Shares Closing price (A$)[2]	$6.25	$7.01	$8.11	$7.89	$6.70
Oil Search Three Year TSR[3]	44%	23%	27.4%	34.7%	6.1%

(1) Comprising an ordinary dividend of 8 US cents per share, a special dividend of 4 US cents per share and an interim dividend of 2 US cents per share.
(2) The closing price of Oil Search shares is taken on the last day of the financial year. The closing share price at the start of the 5 year period (31 December 2010) was $7.04.
(3) The TSR has been calculated by an independent external consultant and is based on share price increases and dividends paid on the shares over the three year period up to and including 31 December of the year they are reported against.

6. REMUNERATION DETAILS FOR KEY MANAGEMENT PERSONNEL

For this section of the report, Key Management Personnel excludes non-executive directors, whose remuneration is disclosed in Section 10. The Key Management Personnel for the purposes of this section are the following employees:

Mr Peter Botten CBE – Managing Director
Incumbent for the full year

As the Managing Director, Peter has the overall responsibility for effectively managing Oil Search and achieving the corporate objectives. He is also responsible for ensuring that strategies agreed with the Board are implemented.

Mr Gerea Aopi CBE – Executive General Manager PNG Stakeholder Engagement
Incumbent for the full year

Gerea plays a major role in managing relationships with the PNG Government and other joint venture partners. He is also charged with strategy development and enactment of our community affairs within the Company. Gerea plays an important role in the interface between the Company and major shareholders in PNG.

In addition, Gerea has responsibility of leading the company's broad sustainability strategies and social programs within PNG.

Mr Paul Cholakos – Executive General Manager Technical Services
Incumbent for the full year

Paul was appointed to the role of EGM Technical Services in February 2015. In his current position, Paul oversees the delivery of HSES, risk, drilling, engineering and ICT functions that underpin the Company's operations. In his previous role as EGM PNG Operations, Paul played a major role in the Company's transition to a major LNG exporter through its contributions to the world-class PNG LNG Project.

Mr Glenn Darnley-Stuart - Executive General Manager – Project Development
Incumbent for the full year

Glenn was appointed to the role of EGM Project Development in February 2013. He has responsibility for the delivery and management of Oil Search projects, with a specific focus on those associated with the PNG LNG Project. He is also responsible for the management of the corporate project function.

Glenn previously spent five years as General Manager PNG Operations and was seconded to ExxonMobil as a Project Manager on the PNG LNG Project.

Dr Julian Fowles – Executive General Manager PNG Business Unit
Incumbent for the full year

Julian was appointed to the role of EGM PNG Business Unit in February 2015. In his current role, Julian's responsibilities include the management of Oil Search's PNG assets and production, engagement with key stakeholders and addressing in-country issues. Julian previously held the position of Executive General Manager Exploration.

Mr Stephen Gardiner – Chief Financial Officer & Group Secretary
Incumbent for the full year

Stephen’s role is to manage the corporate finance, treasury, tax and audit functions for the company as well as all Group Secretarial matters. He is also responsible for the corporate sustainability function and delivering an appropriate financial control and reporting framework. Stephen was formally appointed to this position on 14 November 2012, having acted in the role since 2 July 2012. Prior to this, Stephen’s role was EGM Sustainability, Corporate Services & Group Secretary.

Mr Michael Herrett – Executive General Manager Human Resources – Health & Administration
Incumbent for the full year

Michael is responsible for establishing and aligning people management strategies, processes and systems to ensure that Oil Search attracts, develops, retains and rewards the right people with the right skills to achieve the strategic objectives of the organisation. Michael also has overall responsibility for Company’s enterprise management system and the Health & Administration function within the Company.

Mr Ian Munro – Executive General Manager – Gas Business Development
Incumbent for the full year

Ian has responsibility for directing and managing Oil Search’s gas business development strategy, including managing OSL’s gas interests and assets, from a commercial and operational perspective. This includes but is not limited to OSL’s LNG interests in PNG. Ian is accountable for stewardship of Oil Search’s investment in the PNG LNG Project and the identification, promotion and Joint Venture management of growth and expansion opportunities for LNG in PNG.

Dr Keiran Wulff – Executive General Manager – Exploration and New Ventures
Incumbent from 19 January 2015

Keiran has responsibility for Oil Search’s exploration programs to grow Shareholder value through exposure to quality exploration projects on a risked basis. Keiran leads teams in the technical and commercial evaluation of new ventures and business development opportunities.

Former Executives (Executives during the 2015 calendar year who are not Key Management Personnel at the date of this report)

Mr Philip Caldwell – Executive General Manager Enterprise Systems Development
Retired 31 May 2015

Prior to his departure, Philip was responsible for Oil Search’s business systems and processes including Information and Communications Technology.

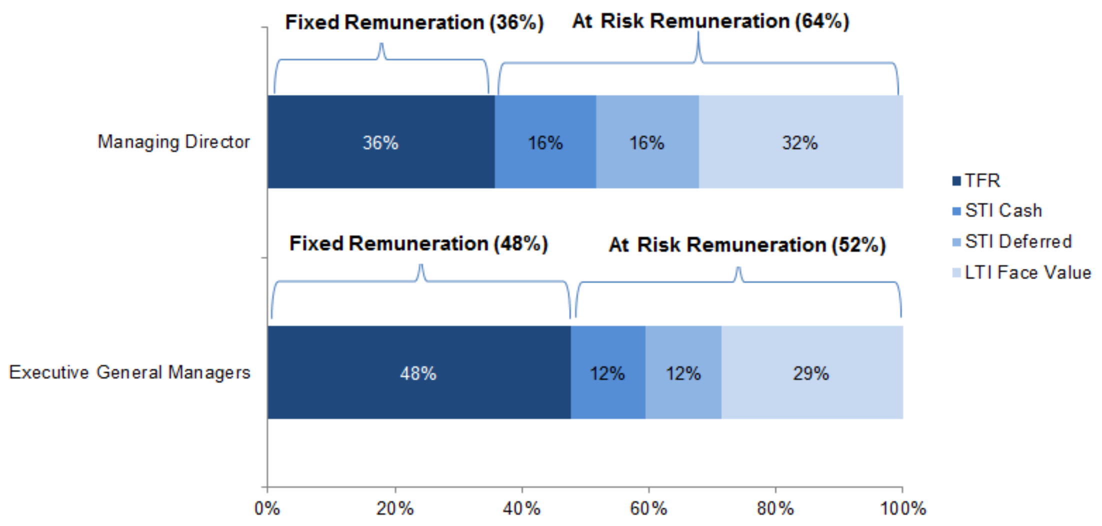
Mr Matthew Kay – Executive General Manager – Strategy & Commercial
Incumbent from 6 January 2014, resigned 11 January 2016

Matthew had responsibility for leading all commercial aspects of the business, establishing cross business Commercial guidelines, processes and overseeing all commercial capability within the organisation. He co-ordinated the development of Corporate Strategy and had responsibility for the execution of mergers, divestments & acquisitions. Matthew resigned his employment on 11 January 2016.

The remuneration philosophy outlined above is applied consistently to the Company’s Key management personnel. The following table shows the remuneration breakdown for current Key Management Personnel.

Table 9 – 2015 Key Management Personnel Remuneration Mix

The remuneration mix and quantum for the Managing Director and Executive General Managers is aligned with the Company's targeted market positioning.



The pay mix outlined above is determined by the application of the Oil Search Remuneration Strategy, assuming STI awards at 100% of target and LTI awards at 100% of their 'face value' (i.e., not discounted to take account of the performance conditions nor dividends forgone over the vesting period). Percentages shown in the later section on Executive Remuneration reflect actual incentives paid as a percentage of TFR, which includes movements in leave balances, non-monetary benefits and share based payments calculated in accordance with IFRS 2 Share Based Payment.

The following table is in US Dollars. For all remuneration reporting stated in US Dollars, the following exchange rates have been used:

EXCHANGE RATE	2014	2015
AUD/USD	0.9028	0.7530
PGK/USD	0.3994	0.3618

Table 10 – Key Management Personnel Remuneration (US$)

	Year	Short Term			Post Employment	Long Term	Equity[6]		Other	Total
		Salaries fees and allowances (1)	Non-Monetary benefits (2)	Short Term Incentive (3)	Company contribution to super[4]	Long Service Leave accrual[5]	Perform. Rights	Restricted Shares	Sign on / termination benefits	
Directors										
P Botten Managing Director	2015	1,693,030	72,670	1,154,424	14,341	26,806	830,408	895,438	-	4,687,117
	2014	2,036,505	9,464	1,662,634	16,502	107,653	1,057,235	842,218	-	5,732,211
G Aopi EGM PNG Stakeholder Engagement	2015	389,219	171,327	190,487	39,075	13,010	180,683	192,942	-	1,176,743
	2014	394,414	222,434	291,221	68,774	23,922	228,343	264,783	-	1,493,891
Executives										
P Cholakos EGM Technical Services	2015	548,436	159,150	196,477	14,341	51,176	190,615	202,492	-	1,362,687
	2014	632,950	12,434	312,647	16,502	-	242,405	353,965	-	1,570,903
G Darnley-Stuart EGM Project Development	2015	532,174	-	193,968	25,486	8,905	175,946	196,136	-	1,132,615
	2014	673,110	54,853	296,541	16,502	26,411	185,265	82,474	-	1,335,156
J Fowles EGM PNG Business Unit	2015	945,780	50,282	200,243	1,179	-	193,577	292,807	-	1,683,868
	2014	662,039	-	306,135	16,502	-	216,847	187,870	-	1,389,393
S Gardiner Chief Financial Officer & Group Secretary	2015	540,964	-	197,612	14,341	8,975	183,184	202,196	-	1,147,272
	2014	619,330	-	323,005	16,502	17,678	218,753	216,136	-	1,411,404
M Herrett EGM Human Resources, Health & Administration	2015	449,784	-	174,009	27,088	-	151,248	170,693	-	972,822
	2014	561,609	-	265,891	16,502	-	124,315	110,445	-	1,078,762
I Munro EGM Gas Business Development	2015	508,890	-	194,235	24,095	-	118,834	329,462	-	1,175,516
	2014	655,473	-	320,765	16,502	-	81,547	64,728	-	1,139,015
K Wulff EGM Exploration & New Ventures	2015	554,979	34,704	218,881	14,341	-	26,217	-	-	849,122
	2014	-	-	-	-	-	-	-	-	-
Former Executives										
P Caldwell EGM Enterprise Systems	2015	178,279	-	-	15,306	-	106,749	369,503	-	669,837
	2013	588,877	-	332,187	16,502	-	257,476	236,410	-	1,431,452
M Kay EGM Strategy & Commercial	2015	538,724	-	133,770	25,170	-	124,136	146,508	-	968,308
	2014	641,632	-	302,135	16,502	-	87,904	157,032	-	1,205,205

(1) Includes salaries, allowances, expatriate allowances and movements in annual leave accruals.
(2) Includes the grossed up FBT value of benefits subject to FBT provided to an employee in the year that the FBT is payable.
(3) STI is based on the year that the performance period relates to, regardless of when paid and excludes the 50% which is deferred into Oil Search Shares under the Restricted Share Plan, which is captured in the Restricted Shares data in the Equity section.
(4) Superannuation is the contributions made to an approved superannuation fund.
(5) Long service leave accrual is based on the relevant legislation.
(6) Equity is the expensed value of all Performance Rights or Restricted Shares.

Details of the vesting profile of the Short Term Incentives awarded as remuneration to each Director of Oil Search and the Key Management Personnel are detailed in Table 11. Percentages of STI are based on assuming STI awards at 100% of opportunity.

Table 11 – Analysis of STI Included in Remuneration

	Included in remuneration (US$)[1]	% of STI Opportunity	Cash	Deferred
Directors				
P Botten	2,308,848	79.75%	1,154,424	1,154,424
G Aopi	380,974	72.50%	190,487	190,487
Executives				
P Cholakos	392,954	72.50%	196,477	196,477
G Darnley-Stuart	387,936	72.50%	193,968	193,968
J Fowles	400,486	72.50%	200,243	200,243
S Gardiner	395,224	73.35%	197,612	197,612
M Herrett	348,018	75.50%	174,009	174,009
I Munro	388,470	72.60%	194,235	194,235
K Wulff	437,762	76.95%	218,881	218,881
Former Executives				
M Kay[2]	133,770	25.00%	133,770	-

(1) The value includes 50% of the STI award paid as cash (as reported in Table 10) as well as the 50% to be deferred via the allocation of Restricted Shares that will vest on 1 January 2018.
(2) M Kay forfeited any entitlement to his deferred STI upon his resignation.

7. KEY TERMS OF EMPLOYMENT CONTRACTS FOR KEY MANAGEMENT PERSONNEL

Table 12 identifies the contractual provisions for current Key Management Personnel. All employees at Oil Search have no contractual entitlement to future increases in remuneration or entitlement to receive any incentives, whether Short Term or Long Term.

Remuneration for all employees is reviewed via an annual process across the organisation. Remuneration for the Managing Director and the Key Management Personnel is reviewed by the People and Nominations Committee, which then recommends to the Board:

- Budgets for TFR increases for the coming year;
- STI payments for the previous year;
- STI targets for the coming year; and
- LTI participation in the coming year.

For all other employees, the Managing Director approves recommendations from senior managers across the organisation, within budgets approved by the Board.

Table 12 – Contractual Provisions for Specified Executives

	Employing company	Contract duration	Notice period company	Notice period employee	Termination provision
P Botten	POSL	Ongoing	6 months	6 months	18 months Total Fixed Reward
G Aopi	OSPNG	Ongoing	1 month	1 month	4 weeks per year of service (minimum 8, maximum 52)
Other EGMs	POSL	Ongoing	6 months	6 months	4 weeks per year of service (minimum 8, maximum 52)

8. EQUITY INSTRUMENTS

All Rights in the following tables refer to Performance Rights or Restricted Shares issued in accordance with the Performance Rights Plan or Long Term Incentive Plan. The structure of the Rights is detailed in section 4 on Remuneration Structure.

Rights over Equity Instruments Granted as Remuneration

Details of Performance Rights over ordinary shares in the Company that were granted as remuneration to each key manager during the reporting period and details of Performance Rights that vested during the reporting period are as follows:

Table 13 – Details of Performance Rights Granted

	Number of Rights granted during 2015	Grant Date	Fair value per right (A$)	Exercise price per right (A$)	Expiry date
Directors					
P Botten	236,000	18 May 2015	$2.995	$0.00	18 May 2018
G Aopi	51,400	18 May 2015	$2.995	$0.00	18 May 2018
Executives					
P Cholakos	53,009	18 May 2015	$2.995	$0.00	18 May 2018
G Darnley-Stuart	52,331	18 May 2015	$2.995	$0.00	18 May 2018
J Fowles	54,025	18 May 2015	$2.995	$0.00	18 May 2018
S Gardiner	52,697	18 May 2015	$2.995	$0.00	18 May 2018
M Herrett	45,081	18 May 2015	$2.995	$0.00	18 May 2018
I Munro	52,331	18 May 2015	$2.995	$0.00	18 May 2018
K Wulff	55,638	18 May 2015	$2.995	$0.00	18 May 2018
Former Executives					
M Kay	52,331	18 May 2015	$2.995	$0.00	18 May 2018

All Performance Rights expire on the earlier of their expiry date or termination of the individual's employment unless the Board determines otherwise. Performance Rights automatically exercise on the vesting dates detailed in the tables above conditional on Oil Search achieving certain performance hurdles. Details of the performance criteria are included in the section on Long Term Incentives above. For Performance Rights granted in 2015 the earliest exercise date is 18 May 2018.

The deferred component of the 2013 STI was allocated as Restricted Shares under the Long Term Incentive Plan outlined above for certain Key Management Personnel in 2014. The number of Restricted Shares granted during the reporting period is as follows:

Table 14a – Details of Deferred STI granted as Restricted Shares

	Number granted during 2015	Grant Date	Fair value (A$)	Exercise price (A$)	Vesting date
Directors					
P Botten[(1)]	226,043	18 May 2015	$7.33	$0.00	1 January 2017
G Aopi[(1)]	39,593	18 May 2015	$7.33	$0.00	1 January 2017
Executives					
P Cholakos	42,506	18 May 2015	$7.33	$0.00	1 January 2017
G Darnley-Stuart	40,316	18 May 2015	$7.33	$0.00	1 January 2017
J Fowles	41,621	18 May 2015	$7.33	$0.00	1 January 2017
S Gardiner	43,914	18 May 2015	$7.33	$0.00	1 January 2017
M Herrett	36,149	18 May 2015	$7.33	$0.00	1 January 2017
I Munro	43,610	18 May 2015	$7.33	$0.00	1 January 2017
Former Executives					
P Caldwell[(2)]	45,162	18 May 2015	$7.33	$0.00	31 May 2015
M Kay	41,077	18 May 2015	$7.33	$0.00	1 January 2017

(1) The allocations for P Botten and G Aopi were approved at the 2015 Annual Meeting.
(2) The Restricted Shares allocated to P Caldwell vested on the date of his retirement from Oil Search.

Table 14b – Details of other awards of Restricted Shares

	Number granted during 2015	Grant Date	Fair value (A$)	Exercise price (A$)	Vesting date
J Fowles	50,000	2 March 2015	$8.12	$0.00	31 December 2017

(1) J Fowles received the above following his commencement in the role of EGM PNG Business Unit.

Modification of Terms of Equity Settled Share based Payment Transactions

No terms related to equity-settled share based payment transactions (including Performance Rights and Restricted Shares granted as compensation to Key Management Personnel) have been altered or modified by the issuing entity during the reporting period or the prior period, with the exception of the early vesting of certain allocations for terminating employees.

Exercise of Rights Granted as Remuneration

During the reporting period, the following shares were issued on the exercise of Performance Rights previously granted as remuneration:

Table 15 – Details of the Exercise of Performance Rights

Exercised in 2015	Number of Rights Exercised	Amount paid per share (A$)
Directors		
P Botten	91,770	$0.00
G Aopi	19,778	$0.00
Executives		
P Cholakos	20,627	$0.00
G Darnley-Stuart	9,631	$0.00
J Fowles	20,406	$0.00
S Gardiner	16,494	$0.00
Former Executives		
P Caldwell	21,882	$0.00

Exercised in 2014	Number of Rights Exercised	Amount paid per share (A$)
Directors		
P Botten	207,087	$0.00
G Aopi	75,988	$0.00
Executives		
P Cholakos	46,506	$0.00
G Darnley-Stuart	21,652	$0.00
S Gardiner	62,299	$0.00
Former executives		
P Caldwell	49,455	$0.00

Analysis of Performance Rights and Restricted Shares Over Equity Instruments Granted as Remuneration

Details of vesting profiles and movements of Performance Rights and Restricted Shares granted as remuneration to Key Management Personnel are set out in Table 16 and Table 17 below.

Table 16 – Details of Vesting Profile and movements of Performance Rights

			Movements during the year						
	Grant Date	**Balance at 1 Jan 2015**	**Rights Granted**	**Rights Exercised**	**Rights Lapsed**	**Balance at 31 Dec 2015**	**% vested in the year**	**% forfeited in the year**	**Financial Year of Vesting**
Directors									
P Botten	21/5/12	248,700	-	(91,770)	(156,930)	-	36.9%	63.1%	2015
	10/5/13	240,000	-	-	-	240,000			2016
	19/5/14	222,600	-	-	-	222,600			2017
	18/5/15	-	236,000	-	-	236,000			2018
	Total	**711,300**	**236,000**	**(91,770)**	**(156,930)**	**698,600**			
G Aopi	21/5/12	53,600	-	(19,778)	(33,822)	-	36.9%	61.1%	2015
	10/5/13	52,300	-	-	-	52,300			2016
	19/5/14	48,500	-	-	-	48,500			2017
	18/5/15	-	51,400	-	-	51,400			2018
	Total	**154,400**	**51,400**	**(19,778)**	**(33,822)**	**152,200**			
Executives									
P Cholakos	21/5/12	55,900	-	(20,627)	(35,273)	-	36.9%	61.1%	2015
	24/5/13	53,900	-	-	-	53,900			2016
	19/5/14	50,000	-	-	-	50,000			2017
	18/5/15	-	53,009	-	-	53,009			2018
	Total	**159,800**	**53,009**	**(20,627)**	**(35,273)**	**156,909**			
G Darnley-Stuart	21/5/12	26,100	-	(9,631)	(16,469)	-	36.9%	61.1%	2015
	24/5/13	53,200	-	-	-	53,200			2016
	19/5/14	49,400	-	-	-	49,400			2017
	18/5/15	-	52,331	-	-	52,331			2018
	Total	**128,700**	**52,331**	**(9,631)**	**(16,469)**	**154,931**			

	Grant Date	Balance at 1 Jan 2015	Rights Granted	Rights Exercised	Rights Lapsed	Balance at 31 Dec 2015	% vested in the year	% forfeited in the year	Financial Year of Vesting
			Movements during the year						
J Fowles	21/5/12	55,300	-	(20,406)	(34,894)	-	36.9%	61.1%	2015
	24/5/13	54,900	-	-	-	54,900			2016
	19/5/14	51,000	-	-	-	51,000			2017
	18/5/15		54,025			54,025			2018
	Total	**161,200**	**54,025**	**(20,406)**	**(34,894)**	**159,925**			
S Gardiner	21/5/12	44,700	-	(16,494)	(28,206)	-	36.9%	61.1%	2015
	24/5/13	52,300	-	-	-	52,300			2016
	19/5/14	49,700	-	-	-	49,700			2017
	18/5/15	-	52,697	-	-	52,697			2018
	Total	**146,700**	**52,697**	**(16,494)**	**(28,206)**	**154,697**			
M Herrett	24/5/13	45,200	-	-	-	45,200			2016
	19/5/14	42,500	-	-	-	42,500			2017
	18/5/15	-	45,081	-	-	45,081			2018
	Total	**87,700**	**45,081**	**-**	**-**	**132,781**			
I Munro	10/1/14	18,700	-	-	-	18,700			2016
	19/5/14	49,400	-	-	-	49,400			2017
	18/5/15	-	52,331	-	-	52,331			2018
	Total	**68,100**	**52,331**	**-**	**-**	**120,431**			
K Wulff	18/5/15	-	55,638	-	-	55,638			2018
	Total	**-**	**55,638**	**-**	**-**	**55,638**			
Former Executives									
P Caldwell	21/5/12	59,300	-	(21,882)	(37,418)	-	36.9%	61.1%	2015
	24/5/13	57,300	-	-	(18,210)	39,090[(1)]		31.8%	2016
	19/5/14	53,100	-	-	(34,842)	18,258[(1)]		65.6%	2017
	Total	**169,700**	**-**	**(21,882)**	**(90,470)**	**57,348**			
M Kay	10/1/14	22,668	-	-	-	22,668			2016
	19/5/14	49,400	-	-	-	49,400			2017
	18/5/15	-	52,331	-	-	52,331			2018
	Total	**72,068**	**52,331**	**-**	**-**	**124,399**			

(1) P Caldwell was afforded 'good leaver' treatment in relation to his unvested Performance Rights on his retirement from Oil Search. Under the 'good leaver' provisions, P Caldwell retains a pro-rata amount of unvested Performance Rights held by him at his retirement date calculated by reference to his time served as an employee during the respective vesting period as a proportion of the overall vesting period. The retained Performance Rights are subject to testing along with those held by continuing employees at the original vesting date.

Table 17 – Details of Vesting Profile and movements of Restricted Shares

			Movements during the year						
	Grant Date	Balance at 1 Jan 2015	Restricted Shares Granted	Restricted Shares Vested	Restricted Shares Forfeited	Balance at 31 Dec 2015	% vested in the year	% forfeited in the year	Financial Year of Vesting
Directors									
P Botten	10/5/13	136,761	-	(136,761)	-	-	100%	0%	2015
	19/5/14	99,460	-	-	-	99,460			2016
	18/5/15	-	226,043	-	-	226,043			2017
	Total	**236,221**	**226,043**	**(136,761)**	**-**	**325,503**			
G Aopi	10/5/13	36,464	-	(36,464)	-	-	100%	0%	2015
	19/5/14	25,996	-	-	-	25,996			2016
	18/5/15	-	39,593	-	-	39,593			2017
	Total	**62,460**	**39,593**	**(36,464)**	**-**	**65,589**			
Executives									
P Cholakos	7/3/13	35,020	-	(35,020)	-	-	100%	0%	2015
	19/5/14	26,813	-	-	-	26,813			2016
	18/5/15	-	42,506	-	-	42,506			2017
	Total	**61,833**	**42,506**	**(35,020)**	**-**	**69,319**			
G Darnley-Stuart	19/5/14	26,471	-	-	-	26,471			2016
	18/5/15	-	40,316	-	-	40,316			2017
	Total	**26,471**	**40,316**	**-**	**-**	**66,787**			
J Fowles	7/3/13	27,270	-	(27,270)	-	-	100%	0%	2015
	19/5/14	27,327	-	-	-	27,327			2016
	2/3/15	-	50,000	-	-	50,000			2017
	18/5/15	-	41,621	-	-	41,621			2017
	Total	**54,597**	**91,621**	**(27,270)**	**-**	**118,948**			
S Gardiner	7/3/13	35,823	-	(35,823)	-	-	100%	0%	2015
	19/5/14	26,033	-	-	-	26,033			2016
	18/5/15	-	43,914	-	-	43,914			2017
	Total	**61,856**	**43,914**	**(35,823)**	**-**	**69,947**			
M Herrett	7/3/13	10,725	-	(10,725)	-	-	100%	0%	2015
	19/5/14	22,481	-	-	-	22,481			2016
	18/5/15	-	36,149	-	-	36,149			2017
	Total	**33,206**	**36,149**	**(10,725)**	**-**	**58,630**			
I Munro	19/5/14	9,258	-	-	-	9,258			2016
	7/11/14	40,000	-	-	-	40,000			2016
	18/5/15	-	43,610	-	-	43,610			2017
	Total	**49,258**	**43,610**	**-**	**-**	**92,868**			
Former executives									
P Caldwell	7/3/13	39,167	-	(39,167)	-	-			2015
	19/5/14	28,489	-	(28,489)	-	-			2015
	18/5/15	-	45,162	(45,162)	-	-			2015
	Total	**67,656**	**45,162**	**(112,818)**	**-**	**-**			
M Kay	10/1/14	16,200	-	(16,200)	-	-	100%	0%	2015
	10/1/14	16,200	-	-	-	16,200			2016
	18/5/15	-	41,077	-	-	41,077			2017
	Total	**32,400**	**41,077**	**(16,200)**	**-**	**57,277**			

(1) P Caldwell was afforded 'good leaver' treatment in relation to his unvested Restricted Shares on his retirement from Oil Search. The Restricted Shares had been awarded in relation to deferred Short Term Incentive awards from prior years. Under the 'good leaver' provisions awards vested in full on the date of Mr Caldwell's retirement.

Analysis of Movements in Performance Rights and Restricted Shares

The movement during the reporting period, by value of Performance Rights or Restricted Shares over ordinary shares in Oil Search held by each Key Management Personnel, is detailed below:

Table 18 – Movement in Value of Performance Rights and Restricted Shares

	Granted in the year (US$)(1)	Value of Performance Rights exercised and Restricted Shares vested in the year(2)			Value of Performance Rights lapsed and Restricted Shares forfeited in the year(3) (US$)3		
		Number	Average Value (US$)	Total Value (US$)	Number	Average Value (US$)	Total Value (US$)
Directors							
P Botten	1,779,878	228,531	5.83	1,332,173	156,930	5.66	888,626
G Aopi	334,452	56,242	5.84	328,633	33,822	5.66	191,519
Executives							
P Cholakos	354,159	55,647	5.84	324,861	35,273	5.66	199,735
G Darnley-Stuart	278,157	9,631	5.66	54,536	16,469	5.66	93,257
J Fowles	657,284	47,676	5.82	277,566	34,894	5.66	197,589
S Gardiner	361,227	52,317	5.85	306,229	28,206	5.66	159,718
M Herrett	302,816	10,725	5.94	63,719	-	-	-
I Munro	358,724	-	-	-	-	-	-
K Wulff	125,477	-	-	-	-	-	-
Former Executives							
P Caldwell(4)	249,271	134,700	5.82	784,196	90,470	5.75	519,882
M Kay	344,743	16,200	6.24	101,126	-	-	-

(1) The value for awards granted is the fair value at the time of grant for Performance Rights and the share price on the date of grant for Restricted Shares.

(2) The value for Performance Rights exercised is based on the market price of Oil Search shares on the close of trade on the date of exercise. The value for Restricted Shares is based on the market price of Oil Search shares on the close of trade on the vesting date.

(3) The value for Performance Rights lapsed and Restricted Shares forfeited is based on the market price of Oil Search shares on the close of trade on the date of the lapse or forfeiture.

(4) The Restricted Shares vesting in 2015 includes the early vesting of Restricted Shares under good leaver provisions approved by the Board upon Mr Caldwell's retirement.

KMP shareholdings

The following table summarises the movements in shareholdings of Executive KMP including their personally related entities for the 2015 financial year.

Table 19 – KMP shareholdings

	Balance at 1 January 2015	Acquired (disposed) during 2015	Balance at 31 December 2015
Directors			
P Botten	2,222,403	165,531	2,387,934
G Aopi	394,602	56,842	451,444
Executives			
P Cholakos	174,770	55,647	230,417
G Darnley-Stuart	-	10,000	10,000
J Fowles	1,829	47,676	49,505
S Gardiner	295,167	52,317	347,484
M Herrett	1,829	-	1,829
I Munro	-	-	-
K Wulff	8,590	-	8,590
Former Executives			
P Caldwell	-	-	-
M Kay	-	-	-

9. NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration Policy

Remuneration for Non-Executive Directors is determined by reference to relevant external market data and takes into consideration the level of fees paid to directors of other Australian corporations of similar size and complexity to Oil Search, the growing scale of its international activities and the responsibilities and work requirements of Board members. Remuneration for Non-Executive Directors is subject to the aggregate limit of A$2,500,000 in any calendar year set by shareholders at the 2012 Annual Meeting.

Remuneration Payable

Fees payable to Non-Executive Directors are reviewed periodically and are fixed by the Board as discussed above. Table 18 below sets out the fee structure applied from 1 January 2013.

Table 20 – Annual Board and Committee Fees Payable to Non-Executive Directors in Australian Dollars

POSITION	ANNUAL FEE
Chairman of the Board[1]	A$495,000
Non-Executive Directors other than the Chairman	A$165,000
Chairman Audit and Financial Risk Committee (additional fee)	A$49,500
Chairman Health, Safety and Sustainability Committee (additional fee)	A$38,500
Chairman People and Nominations Committee (additional fee) [2]	A$38,500
Member Audit and Financial Risk Committee (additional fee)	A$25,500
Member Health, Safety and Sustainability Committee (additional fee)	A$22,000
Member People and Nominations Committee (additional fee)	A$22,000

(1) The fees paid to the Chairman of the Board are inclusive of any Committee Fees.
(2) The Remuneration and Nominations Committee was renamed the People and Nominations Committee during 2013.

Each non-executive director also receives a travel allowance of A$25,500 per annum to compensate for the time spent travelling between Papua New Guinea and Australia to attend Board and Committee Meetings and for time spent on field trips to the Company's global operations.

Board fees are paid to non-executive directors only.

In addition to Board and Committee fees, non-executive directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Committees or shareholders or while engaged on Oil Search business.

The total remuneration which was paid to each non-executive director in 2014 and 2015 is set out in Table 19.

There are no provisions in any of the non-executive directors' appointment arrangements for compensation payable on early termination of their directorship.

There is no separate retirement benefits plan or provision for superannuation for Oil Search's non-executive directors.

Equity Participation for Non-Executive Directors

There is no share plan for Oil Search non-executive directors. The following table summarises the movements in shareholdings of Non-Executive Directors including their personally related entities for the 2015 financial year.

Table 21 – Non-Executive Director shareholdings

	Balance at 1 January 2015	Acquired (disposed) during 2015	Balance at 31 December 2015
KG Constantinou	-	-	-
FE Harris	31,961	-	31,961
AJ Kantsler	45,736	-	45,736
RJ Lee	71,829	25,000	96,829
B Philemon	7,241	-	7,241
KW Spence	25,000	-	25,000
ZE Switkowski	201,829	-	201,829

Details of Directors' Remuneration

The details of the remuneration received by Oil Search directors in 2014 and 2015 are set out in Table 19 below.

The Managing Director, Mr Botten, and the Executive General Manager PNG Stakeholder Engagement, Mr Aopi, are the only executive directors on the Board.

Table 22 – Remuneration (US$) of Directors of Oil Search Limited

Directors	Year	Short Term			Post Emp'ment	Long Term	Equity		Other	Total
		Salaries fees and allowances	Non-Monetary benefits	Short Term Incentive	Company contribution to super	Long Service Leave accrual	Perform. Rights	Restricted Shares	Sign on / termination benefits	
Executive Directors										
P Botten	2015	1,693,030	72,670	1,154,424	14,341	26,806	830,408	895,438	-	4,687,117
Managing Director	2014	2,036,505	9,464	1,662,634	16,502	107,653	1,057,235	842,218	-	5,732,211
G Aopi	2015	389,219	171,327	190,487	39,075	13,010	180,683	192,942	-	1,176,743
EGM PNG Stakeholder Engagement	2014	394,414	222,434	291,221	68,774	23,922	228,343	264,783	-	1,493,891
Non-Executive Directors										
R Lee	2015	391,937	-	-	-	-	-	-	-	391,937
	2014	469,907	-	-	-	-	-	-	-	469,907
KG Constantinou	2015	176,578	-	-	-	-	-	-	-	176,578
	2014	211,707	-	-	-	-	-	-	-	211,707
A Kanstler	2015	197,286	-	-	-	-	-	-	-	197,286
	2014	236,534	-	-	-	-	-	-	-	236,534
B Philemon	2015	179,214	-	-	-	-	-	-	-	179,214
	2014	214,866	-	-	-	-	-	-	-	214,866
KW Spence	2015	189,003	-	-	-	-	-	-	-	189,003
	2014	221,911	-	-	-	-	-	-	-	221,911
ZE Switkowski	2015	191,638	-	-	-	-	-	-	-	191,638
	2014	198,489	-	-	-	-	-	-	-	198,489
Former Non-Executive Directors										
F Harris(1)	2015	119,476	-	-	-	-	-	-	-	119,476
	2014	214,866	-	-	-	-	-	-	-	214,866

(1) Ms F Harris resigned as a non-executive Director of Oil Search on 17 December 2015 following a period of unpaid leave in order to focus on making a full recovery from a health issue.

Signed in accordance with a resolution of the directors.

………………………………………………

RJ LEE

Chairman

………………………………………………

PR BOTTEN

Managing Director

Sydney, 22 February 2016

Deloitte Touche Tohmatsu
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The Directors
Oil Search Limited
Level 22,
1 Bligh Street
Sydney NSW 2000

22 February 2016

Dear Directors,

Oil Search Limited

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

As lead audit partner for the audit of the financial statements of Oil Search Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA) in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Statements of comprehensive income for the year ended 31 December 2015

		Consolidated		Parent	
		2015	**2014**	**2015**	**2014**
		$'000	**$'000**	**$'000**	**$'000**
Revenue	3	**1,585,728**	1,610,370	**-**	-
Cost of sales	4	**(781,811)**	(554,963)	**-**	-
Gross profit		**803,917**	1,055,407	**-**	-
Other income		**14,841**	7,762	**763,389**	53,463
Other expenses	5	**(525,389)**	(348,582)	**(27,762)**	(13,481)
Profit from operating activities		**293,369**	714,587	**735,627**	39,982
Net finance (costs)/income	6	**(185,115)**	(129,595)	**403**	(1,187)
Profit before income tax		**108,254**	584,992	**736,030**	38,795
Income tax (expense)/benefit	7	**(147,636)**	(231,774)	**3,129**	4,185
Net (loss)/profit after tax		**(39,382)**	353,218	**739,159**	42,980
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		**(4,218)**	(9,111)	**-**	-
Total comprehensive (loss)/income for the year		**(43,600)**	344,107	**739,159**	42,980

		Cents	Cents
Basic (loss)/earnings per share	8	**(2.59)**	23.84
Diluted (loss)/earnings per share	8	**(2.59)**	23.77

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

Statements of financial position as at 31 December 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Current assets					
Cash and cash equivalents	19(a)	**910,479**	960,166	**103,460**	149,398
Receivables	10	**81,074**	237,068	**1,280,364**	776,013
Inventories	11	**136,786**	160,189	**-**	-
Prepayments		**13,576**	24,575	**2,163**	2,826
Current tax receivable		**-**	-	**1,344**	-
Total current assets		**1,141,915**	1,381,998	**1,387,331**	928,357
Non-current assets					
Other assets		**4,931**	5,219	**-**	-
Other financial assets	12	**104,125**	91,249	**-**	-
Exploration and evaluation assets	13	**1,420,651**	1,576,668	**60,260**	55,932
Oil and gas assets	14	**7,023,774**	7,182,144	**-**	-
Other plant and equipment	14	**128,507**	73,066	**-**	-
Investments		**-**	-	**2,294,804**	2,294,804
Deferred tax assets	7	**518,931**	451,750	**22,831**	26,226
Total non-current assets		**9,200,919**	9,380,096	**2,377,895**	2,376,962
Total assets		**10,342,834**	10,762,094	**3,765,226**	3,305,319
Current liabilities					
Payables	15	**214,583**	318,085	**1,832**	9,399
Provisions	16	**15,989**	9,673	**-**	-
Borrowings	17	**290,372**	102,388	**-**	-
Current tax payable		**55,655**	93,946	**-**	1,736
Total current liabilities		**576,599**	524,092	**1,832**	11,135
Non-current liabilities					
Payables	15	**18,670**	21,040	**-**	-
Provisions	16	**394,764**	405,652	**2,418**	-
Borrowings	17	**4,012,278**	4,318,677	**-**	-
Deferred tax liabilities	7	**631,162**	467,157	**150**	63
Total non-current liabilities		**5,056,874**	5,212,526	**2,568**	63
Total liabilities		**5,633,473**	5,736,618	**4,400**	11,198
Net assets		**4,709,361**	5,025,476	**3,760,826**	3,294,121
Shareholders' equity					
Share capital	18	**3,147,340**	3,147,340	**3,147,340**	3,147,340
Reserves	18	**(12,974)**	(10,386)	**(265)**	(1,896)
Retained earnings		**1,574,995**	1,888,522	**613,751**	148,677
Total shareholders' equity		**4,709,361**	5,025,476	**3,760,826**	3,294,121

The statements of financial position should be read in conjunction with the accompanying notes.

Oil Search

Statements of cash flows for the year ended 31 December 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Cash flows from operating activities					
Receipts from customers and third parties		**1,683,489**	1,592,809	**-**	-
Payments to suppliers and employees		**(434,312)**	(383,279)	**(14,262)**	(1,714)
Interest received		**4,006**	1,275	**835**	291
Borrowing costs paid		**(170,215)**	(12,481)	**(297)**	(1,612)
Income tax (paid)/refund		**(85,392)**	(181,670)	**-**	2,884
Payments for exploration and evaluation - seismic, G&A, G&G		**(32,809)**	(24,350)	**(695)**	(572)
Payments for site restoration		**(12,028)**	-	**-**	-
Net cash from/(used in) operating activities	19(b)	**952,739**	992,304	**(14,419)**	(723)
Cash flows from investing activities					
Payments for other plant and equipment		**(16,028)**	(12,499)	**-**	-
Payments for exploration and evaluation expenditure		**(248,287)**	(1,189,749)	**(3,424)**	(910,976)
Payments for development asset expenditure		**(141,591)**	(422,727)	**-**	-
Payments for producing asset expenditure		**(119,620)**	(101,897)	**-**	-
Loan to third party in respect of exploration and evaluation		**(10,121)**	(13,494)	**-**	-
Net cash used in investing activities		**(535,647)**	(1,740,366)	**(3,424)**	(910,976)
Cash flows from financing activities					
Proceeds from private placement		**-**	1,097,037	**-**	1,097,037
Proceeds from share purchase plan		**-**	169,466	**-**	169,466
Proceeds from underwriter of dividend reinvestment plan (DRP)		**-**	36,082	**-**	36,082
Dividend payments (net of DRP) [(1)]		**(274,085)**	(36,073)	**(274,085)**	(36,081)
Purchase of treasury shares		**(8,569)**	(14,954)	**(8,569)**	(14,954)
Contributions received for employee share schemes		**1,887**	16,398	**-**	16,398
Costs relating to share issues		**-**	(1,428)	**-**	(1,428)
Proceeds from borrowings		**149,484**	433,539	**-**	-
Repayment of borrowings		**(333,046)**	(200,000)	**-**	-
Establishment fee on credit facility		**(1,500)**	(1,500)	**-**	-
Finance lease payments		**(950)**	-	**-**	-
Loans from/(to) related entities		**-**	-	**254,559**	(280,718)
Net cash (used in)/from financing activities		**(466,779)**	1,498,567	**(28,095)**	985,802
Net (decrease)/increase in cash and cash equivalents		**(49,687)**	750,505	**(45,938)**	74,103
Cash and cash equivalents at the beginning of the year		**960,166**	209,661	**149,398**	75,295
Cash and cash equivalents at the end of the year	19(a)	**910,479**	960,166	**103,460**	149,398

[(1)] Total dividend payments including cash and dividend reinvestment was $274.1 million (2014: $60.3 million). Total dividend payments net of dividends reinvested under the dividend reinvestment plan were $274.1 million (2014: $36.1 million), refer to Note 9.

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

Statements of changes in equity for the year ended 31 December 2015

Consolidated	Share capital $'000	Foreign currency translation reserve $'000	Reserve for treasury shares $'000	Employee equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2014	**1,821,957**	**(5,412)**	**(2,620)**	**11,506**	**1,595,621**	**3,421,052**
Dividends provided for or paid	-	-	-	-	(60,308)	(60,308)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	353,218	353,218
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	(9,111)	-	-	-	(9,111)
Total comprehensive income for the year	-	(9,111)	-	-	353,218	344,107
Transactions with owners, recorded directly in equity						
Shares issued through private placement	1,097,037	-	-	-	-	1,097,037
Shares issued for the share purchase plan	169,466	-	-	-	-	169,466
Issue of shares through underwritten dividend reinvestment plan	60,308	-	-	-	-	60,308
Costs associated with share issues	(1,428)	-	-	-	-	(1,428)
Transfer of vested shares	-	-	9,007	(9,007)	-	-
Exercise of share options	-	-	468	-	-	468
Employee share-based remuneration	-	-	-	10,335	-	10,335
Purchase of treasury shares	-	-	(14,954)	-		(14,954)
Net exchange differences	-	-	-	(598)	-	(598)
Trust distribution	-	-	-	-	(9)	(9)
Total transactions with owners	1,325,383	-	(5,479)	730	(9)	1,320,625
Balance at 31 December 2014	**3,147,340**	**(14,523)**	**(8,099)**	**12,236**	**1,888,522**	**5,025,476**
Balance at 1 January 2015	**3,147,340**	**(14,523)**	**(8,099)**	**12,236**	**1,888,522**	**5,025,476**
Dividends provided for or paid	-	-	-	-	(274,085)	(274,085)
Total comprehensive income for the year						
Net loss after tax for the year	-	-	-	-	(39,382)	(39,382)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	(4,218)	-	-	-	(4,218)
Total comprehensive loss for the year	-	(4,218)	-	-	(39,382)	(43,600)
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	11,277	(11,277)	-	-
Employee share-based remuneration	-	-	-	10,199	-	10,199
Purchase of treasury shares	-	-	(8,569)	-	-	(8,569)
Net exchange differences	-	-	-	-	-	-
Trust distribution	-	-	-	-	(60)	(60)
Total transactions with owners	-	-	2,708	(1,078)	(60)	1,570
Balance at 31 December 2015	**3,147,340**	**(18,741)**	**(5,391)**	**11,158**	**1,574,995**	**4,709,361**

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

Statements of changes in equity for the year ended 31 December 2015 (continued)

Parent	Share capital $'000	Amalgam-ation reserve $'000	Reserve for treasury shares $'000	Employee equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2014	**1,821,957**	**(2,990)**	**-**	**5,843**	**166,006**	**1,990,816**
Dividends provided for or paid	-	-	-	-	(60,308)	(60,308)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	42,980	42,980
Total comprehensive income for the year	-	-	-	-	42,980	42,980
Transactions with owners, recorded directly in equity						
Shares issued through private placement	1,097,037	-	-	-	-	1,097,037
Shares issued for the share purchase plan	169,466	-	-	-	-	169,466
Issue of shares through underwritten dividend reinvestment plan	60,308	-	-	-	-	60,308
Costs associated with share issues	(1,428)	-	-	-	-	(1,428)
Transfer of vested shares	-	-	9,007	(9,007)	-	-
Exercise of share options	-	-	468	-		468
Employee share-based remuneration	-	-	-	10,335		10,335
Purchase of treasury shares	-	-	(14,954)	-	-	(14,954)
Net exchange differences	-	-	-	(598)	-	(598)
Dividends received on shares held in trust [1]	-	-	-	-	(1)	(1)
Total transactions with owners	1,325,383	-	(5,479)	730	(1)	1,320,633
Balance at 31 December 2014	**3,147,340**	**(2,990)**	**(5,479)**	**6,573**	**148,677**	**3,294,121**
Balance at 1 January 2015	**3,147,340**	**(2,990)**	**(5,479)**	**6,573**	**148,677**	**3,294,121**
Dividends provided for or paid	-	-	-	-	(274,085)	(274,085)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	739,159	739,159
Total comprehensive income for the year	-	-	-	-	739,159	739,159
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	11,277	(11,277)	-	-
Employee share-based remuneration	-	-	-	10,199	-	10,199
Purchase of treasury shares	-	-	(8,569)	-	-	(8,569)
Net exchange differences	-	-	-	1	-	1
Total transactions with owners	-	-	2,708	(1,077)	-	1,631
Balance at 31 December 2015	**3,147,340**	**(2,990)**	**(2,771)**	**5,496**	**613,751**	**3,760,826**

[1] Dividends received on shares held in Retention Share Plan Trust are eliminated on a Group basis.

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

1 Significant accounting policies

Oil Search Limited (the 'parent entity' or 'company') is incorporated in Papua New Guinea (PNG). The consolidated financial report for the year ended 31 December 2015 comprises the parent entity and its controlled entities (together, 'the Group').

The financial statements were authorised for issue by the Board of Directors on 22 February 2016.

(a) Basis of preparation

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

(i) Issued standards adopted during year

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(ii) New accounting standards not yet effective

The following new accounting standards are not yet effective but may have an impact on the Group in the financial years commencing 1 January 2016 or later:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations

The Group is in the process of determining the potential impact of adopting the above standards and they have not been applied in the preparation of these financial statements.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Oil Search Limited and its controlled subsidiaries, after elimination of all inter-company transactions.

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

(iii) Joint arrangements

Exploration, development and production activities of the Group are primarily carried on through joint arrangements with other parties. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined that they comprise investments in joint operations.

Joint operations

The Group has accounted for its direct rights and obligations by recognising its share of jointly held assets, liabilities, revenues and expenses of each joint operation. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 25.

(c) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in United States dollars, which is Oil Search Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other expenses.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average

(c) Currency translation (continued)

(iii) Group companies (continued)

exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

(d) Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue for the Group's main products are recognised as follows:

Liquefied natural gas
Liquefied natural gas sales are recognised when ownership is transferred to the buyer when product is placed onboard a vessel or offloaded from the vessel, depending on the contractually agreed terms.

Oil and condensate
Crude oil and condensate sales are recognised after each vessel is loaded.

Gas
Gas sales are recognised after production upon delivery into the sales pipeline.

Dividend income
Dividend revenue from controlled entities is recognised as the dividends are declared, and from other parties as the dividends are received or receivable.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the borrower's outstanding borrowings during the year used to develop the qualifying asset.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(f) Share-based remuneration

The fair value at grant date of equity-settled, share-based compensation plans are charged to the statement of comprehensive income over the period for which the benefits of employee services are to be derived. The corresponding accrued employee entitlement is recorded in the employee equity compensation reserve. The fair value of the awards is calculated using an option pricing model which considers a number of factors. Where awards are forfeited because non-market vesting conditions are not satisfied, the expense previously recognised is proportionately reversed. At each statement of financial position date, the entity revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

Where shares in Oil Search Limited are acquired by on-market purchases prior to settling vested entitlements, the cost of the acquired shares is carried as treasury shares and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(g) Income tax

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

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

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

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

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

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

(h) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined as follows:

- materials, which include drilling and maintenance stocks, are valued at the cost of acquisition; and
- petroleum products, comprising extracted crude oil and condensate, LNG and refined products stored in tanks, pipeline systems and aboard vessels are valued using the full absorption cost method.

(i) Exploration and evaluation assets

Exploration and evaluation expenditures are accounted for under the successful efforts method.

Exploration licence acquisition costs are initially capitalised. For exploration and appraisal wells, costs directly associated with drilling and evaluating the wells are initially capitalised pending an assessment of whether economically recoverable hydrocarbons have been discovered or whether expenditures are expected to be recouped by sale. All other exploration and evaluation costs are expensed as incurred.

Capitalised exploration costs are reviewed at each reporting date to determine whether there is an indication of impairment, generally on a licence-by-licence basis. Impairment indicators include:

- the exploration licence has expired and is not expected to be renewed;
- exploration and appraisal activities have not led to the discovery of economically recoverable reserves and no further activity on the licence is planned;
- sufficient information exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where such indicators exist, an impairment test is performed – see accounting policy (m).

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

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised, with any excess accounted for as a gain on disposal of non-current assets.

(j) Oil and gas assets

Assets in development
When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated and approval of commercial development occurs, the field enters its development phase. The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation.

Producing assets
The costs of oil and gas assets in production include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand, replace, acquire or improve plant and equipment and any associated land and buildings. These costs are subject to amortisation.

Amortisation of oil and gas assets
Amortisation is calculated using the units of production method for an asset or group of assets from the date of commencement of production. Depletion charges are calculated using the units of production method over the life of the estimated Developed, Proven plus Probable (“2P”) reserves for an asset or group of assets.

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

(k) Other plant and equipment

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

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

Marine	4%
Corporate plant and equipment	20% - 33%
Rigs	Drilling days based on a 10 year drilling life

(l) Leases

(i) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group’s statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Impairment of assets

The carrying amounts of all assets, other than inventory, certain financial assets and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. Where such an indication exists, an estimate of the recoverable amount is made.

(m) Impairment of assets (continued)

For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Expected future cash flows are the basis for impairment assessment, however, market values are also referenced where appropriate.

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

(n) Employee benefits

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual requirements. The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(o) Investments and other financial assets

(i) Investments

Investments in subsidiaries are accounted for at cost in the parent entity financial statements.

(ii) Other financial assets

All other financial assets are initially recognised at the fair value of consideration paid. Subsequently, all financial assets are carried at amortised cost less impairment. Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Critical accounting estimates and assumptions

In applying the Group's accounting policies, management regularly evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from those judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Impairment of assets
The Group assesses whether oil and gas assets are impaired on a semi-annual basis. This requires review of the indicators of impairment and/or an estimation of the recoverable amount of the cash-generating unit to which the assets belong. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. Market values are also referenced where appropriate. The carrying value of oil and gas properties, exploration and evaluation and other plant and equipment is disclosed in notes 13 to 14.

Restoration obligations
The Group estimates the future removal and restoration costs of oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future. The estimate of future removal costs are made considering relevant legislation and industry practice and require management to make judgments regarding the removal date, the extent of restoration activities required and future removal technologies. For more detail regarding the policy in respect of provision for restoration refer to note 1(j).

The carrying amount of the provision for restoration is disclosed in note 16.

(q) Critical accounting estimates and assumptions (continued)

Reserve estimates

The estimated reserves are management assessments and take into consideration reviews by an independent third party, Netherland Sewell and Associates, under the Company's reserves audit program which requires an external audit of each material producing field every three years, as well as other assumptions, interpretations and assessments.

These include assumptions regarding commodity prices, exchange rates, discount rates, future production and transportation costs, and interpretations of geological and geophysical models to make assessments of the quality of reservoirs and their anticipated recoveries. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the statement of comprehensive income and the calculation of inventory. Reserves estimation conforms with guidelines prepared by the Society of Petroleum Engineers and the Australian Stock Exchange Listing Rules.

Exploration and evaluation

The Group's policy for exploration and evaluation expenditure is discussed in note 1(i). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The carrying amount of exploration and evaluation assets is disclosed in note 13.

Classification of joint arrangements

Exploration, development and production activities of the Group are conducted primarily through arrangements with other parties. Each arrangement has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation but is not subject to joint control, the Group accounts for its interest in accordance with the contractual agreement by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

The Group's interest in joint operations is disclosed in note 25(b). The Group's interest in other arrangements with same legal form as a joint operation but that are not subject to joint control are disclosed in note 25(c).

(r) Rounding

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

2 Segment reporting

(a) Information about reportable segments

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

PNG oil and gas

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

PNG LNG Project

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

Middle East and North Africa ('MENA') oil and gas

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

Other

This segment includes the Group's ownership of drilling rigs and corporate activities. Net finance costs (excluding the PNG LNG project financing) and income taxes are managed at a Group level.

(b) Segment information provided to the executive management team

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

	PNG				MENA		Other		Total	
	Oil and gas		LNG		Oil and gas					
$'000	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
External revenues	337,347	678,731	1,213,627	896,682	-	-	34,754	34,957	1,585,728	1,610,370
Costs of production	(166,388)	(182,851)	(157,960)	(84,876)	-	-	(32)	(180)	(324,380)	(267,907)
Selling and distribution costs	(11)	-	(50,410)	(38,850)	-	-	(1,046)	(1,185)	(51,467)	(40,035)
Rig operating costs	-	-	-	-	-	-	(5,858)	(2,827)	(5,858)	(2,827)
Corporate	-	-	-	-	-	-	(50,454)	(50,761)	(50,454)	(50,761)
Foreign currency (losses)/gains	-	-	-	-	-	-	(2,106)	381	(2,106)	381
Loss on disposal of non-current asset	-	-	-	-	-	-	(5,528)	-	(5,528)	-
Other income	-	-	1,969	375	-	-	12,872	7,387	14,841	7,762
Other expenses	-	-	-	-	-	-	(9,494)	-	(9,494)	-
EBITDAX	170,948	495,880	1,007,226	773,331	-	-	(26,892)	(12,227)	1,151,282	1,256,984
Depreciation and amortisation	(47,959)	(55,109)	(344,026)	(181,059)	(430)	(559)	(15,338)	(15,945)	(407,753)	(252,672)
Exploration costs expensed	(37,133)	(88,511)	-	-	(13,756)	(20,621)	-	-	(50,889)	(109,132)
EBIT	85,856	352,260	663,200	592,272	(14,186)	(21,180)	(42,230)	(28,172)	692,640	895,180
Impairment	-	(155,879)	-	-	(399,271)	(24,714)	-	-	(399,271)	(180,593)
Net finance costs			(164,234)	(108,905)					(185,115)	(129,595)
Profit before income tax									108,254	584,992
Income tax expense									(147,636)	(231,774)
Net (loss)/profit after tax									(39,382)	353,218
Capital expenditure										
Exploration and evaluation assets	(156,696)	(1,076,885)	-	-	(119,003)	(170,054)	-	-	(275,699)	(1,246,939)
Oil and gas assets - development and production	(98,365)	(105,677)	(148,676)	(502,566)	-	-	-	-	(247,041)	(608,243)
Other plant and equipment	-	-	-	-	-	(905)	(16,438)	(11,885)	(16,438)	(12,790)
	(255,061)	(1,182,562)	(148,676)	(502,566)	(119,003)	(170,959)	(16,438)	(11,885)	(539,178)	(1,867,972)

The difference between capital expenditure and assets disclosed above for the year ended 31 December 2015 and the additions in note 14 relate to finance leased assets recognised during the year that are not included as capital expenditure for management reporting purposes.

2 Segment reporting (continued)

Geographical segments

The Oil Search Group operates primarily in Papua New Guinea, but also has activities in Republic of Yemen, Republic of Iraq, Tunisian Republic and Australia.

Production from the designated segments is sold on commodity markets and may be sold to other geographical segments.

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

	Revenue		Non-current assets[1]	
$'000	2015	2014	2015	2014
PNG	**1,585,728**	1,610,370	**8,560,564**	8,523,379
Australia	**-**	-	**17,262**	23,869
MENA	**-**	-	**104,162**	381,098
Total	**1,585,728**	1,610,370	**8,681,988**	8,928,346

(1) Non-current assets exclude deferred tax of $518.9 million (2014: $451.8 million).

Major customers

There are four customers with revenue exceeding 10% of the Group's total sales revenue. Each of these customers are in the PNG LNG segment.

Revenue from one customer represents approximately $374.9 million or 24% of the Group's total revenue (2014: $373.3 million, 51%).

Revenue from one other customer represents approximately $228.0 million or 14% of the Group's total revenue (2014: $33.3 million, 5%).

Revenue from one other customer represents approximately $207.0 million or 13% of the Group's total revenue (2014: nil).

Revenue from one other customer represents approximately $184.4 million or 12% of the Group's total revenue (2014: $198.8 million, 27%).

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
3 Revenue				
Liquefied natural gas sales	**1,043,469**	729,343	**-**	-
Oil and condensate sales	**429,543**	737,134	**-**	-
Gas sales	**44,802**	79,221	**-**	-
Other revenue	**67,914**	64,672	**-**	-
Total revenue	**1,585,728**	1,610,370	**-**	-
4 Cost of sales				
Costs of production:				
Production costs	**(294,818)**	(235,380)	**-**	-
Royalties and levies	**(12,376)**	(19,722)	**-**	-
Gas purchases	**(20,924)**	(39,259)	**-**	-
Inventory movements	**3,738**	26,454	**-**	-
	(324,380)	(267,907)	**-**	-
Selling and distribution costs	**(51,467)**	(40,035)	**-**	-
Rig operating costs	**(5,858)**	(2,827)	**-**	-
Depreciation and amortisation				
Oil and gas assets	**(388,355)**	(236,168)	**-**	-
Marine assets	**(3,630)**	(350)	**-**	-
Rig assets	**(8,121)**	(7,676)	**-**	-
Total cost of sales	**(781,811)**	(554,963)	**-**	-
5 Other expenses				
Corporate[1]	**(50,454)**	(50,761)	**(10,752)**	(12,854)
Exploration costs expensed	**(50,889)**	(109,132)	**(906)**	(826)
Impairment	**(399,271)**	(180,593)	**-**	-
Depreciation	**(7,647)**	(8,477)	**-**	-
Loss on disposal of non-current assets	**(5,528)**	-	**-**	-
Other expenses	**(9,494)**	-	**(14,309)**	-
Foreign currency (loss)/gain	**(2,106)**	381	**(1,795)**	199
Total other expenses	**(525,389)**	(348,582)	**(27,762)**	(13,481)

[1] Includes business development costs of $10.7 million (2014: $13.3 million) on a consolidated basis.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000

6 Net finance costs

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Interest income	**6,808**	3,723	**699**	426
Borrowing costs	**(181,620)**	(123,377)	**(296)**	(1,613)
Unwinding of discount on site restoration	**(10,303)**	(9,941)	**-**	-
Net finance (costs)/income	**(185,115)**	(129,595)	**403**	(1,187)

7 Income tax

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
The major components of tax expenses are:				
Current tax expense	**(28,328)**	(155,345)	**-**	-
Adjustments for current tax of prior periods	**14,250**	23,554	**2,798**	57
Deferred tax (expense)/income	**(133,558)**	(99,983)	**331**	4,128
Income tax (expense)/benefit	**(147,636)**	(231,774)	**3,129**	4,185
Reconciliation of income tax expense to prima facie tax payable:				
Profit before tax	**108,254**	584,992	**736,030**	38,795
Tax at PNG rate for gas and non-oil (30%)	**(32,477)**	(175,501)	**(220,809)**	(11,639)
Restatement of deferred tax balances	**11,953**	(48,926)	**-**	-
Effect of differing tax rates across tax regimes	**(4,503)**	(13,630)	**-**	-
	(25,027)	(238,057)	**(220,809)**	(11,639)
Tax effect of items not tax deductible or assessable:				
Over provisions in prior periods	**14,250**	23,554	**2,798**	57
Non-deductible expenditure	**(140,456)**	(23,747)	**(7,877)**	(4,578)
Non-assessable income	**4,017**	2,170	**4,017**	2,170
Reinstatement deferred tax assets	**-**	4,306	**-**	4,306
Exempt dividends	**15**	-	**225,000**	13,869
Other	**(435)**	-	**-**	-
Income tax (expense)/benefit	**(147,636)**	(231,774)	**3,129**	4,185
Deferred tax (expense)/income recognised in net (loss)/profit for each type of temporary difference:				
Exploration, development and production	**(139,791)**	(154,391)	**(442)**	4,549
Other assets	**2,419**	2,294	**-**	-
Provisions and accruals	**(6,893)**	53,260	**726**	(190)
Other items	**539**	(318)	**63**	(167)
Tax losses	**10,168**	(828)	**(16)**	(64)
Deferred tax (expense)/income	**(133,558)**	(99,983)	**331**	4,128
Deferred tax assets				
Temporary differences:				
Exploration, development and production	**248,406**	262,395	**22,105**	26,226
Other assets	**-**	3,357	**-**	-
Provisions	**149,270**	141,419	**726**	-
Tax losses recognised	**8,786**	9,731	**-**	-
Tax credits	**112,469**	34,848	**-**	-
	518,931	451,750	**22,831**	26,226
Deferred tax liabilities				
Temporary differences:				
Exploration, development and production	**619,155**	455,631	**-**	-
Prepayments and receivables	**11,119**	11,033	**150**	63
Other assets	**888**	493	**-**	-
	631,162	467,157	**150**	63

	Consolidated 2015 cents	2014 cents
8 Earnings per share		
Basic (loss)/earnings per share	**(2.59)**	23.84
Diluted (loss)/earnings per share	**(2.59)**	23.77

	No.	No.
Weighted average number of ordinary shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
Basic earnings per share	**1,522,692,587**	1,481,502,290
Employee share appreciation rights and share rights	**-**	540,762
Employee performance rights	**-**	3,815,607
Diluted earnings per share	**1,522,692,587**	1,485,858,659

Basic earnings and diluted earnings per share have been calculated on a net loss after tax of $39.4 million (2014: net profit of $353.2 million). There are nil share appreciation rights and share rights (2014: 1,968,748), and nil performance rights (2014: 4,070,768) which are dilutive potential ordinary shares and are therefore included in the weighted average number of shares for the calculation of diluted earnings per share. In 2014, the Restricted Share Plan Trust held 34,003 Oil Search Limited shares that may be used to settle dilutive potential ordinary shares which were taken into account in the calculation of diluted earnings per share.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
9 Dividends paid or proposed				
Unfranked [(1)] dividends in respect of the year, proposed subsequent to the year end:				
Ordinary dividend [(2)]	**60,908**	121,815	**60,908**	121,815
Special dividend [(2)]	**-**	60,908	**-**	60,908
	60,908	182,723	**60,908**	182,723
Unfranked [(1)] dividends paid during the year:				
Ordinary – previous year final	**121,815**	29,892	**121,815**	29,892
Special – previous year final	**60,908**	-	**60,908**	-
Ordinary – current year interim [(3)]	**91,362**	30,416	**91,362**	30,416
	274,085	60,308	**274,085**	60,308

(1) As Oil Search Limited is a Papua New Guinea incorporated company, there are no franking credits available on dividends.
(2) On 22 February 2016, the Directors declared a final unfranked dividend of 4 cents per ordinary share for the current year (2014: 8 cents final dividend and a special dividend of 4 cents per ordinary share) to be paid on 31 March 2016. The proposed final dividend for 2015 is payable to all holders of ordinary shares on the Register of Members on 9 March 2016 (record date). The proposed final dividend has not been included as a liability in these financial statements.
(3) On 24 August 2015, the Directors declared an interim unfranked dividend of 6 cents per ordinary share (2014: 2 cents interim dividend), paid to the holders of ordinary shares on 29 September 2015.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
10 Receivables				
Current				
Trade debtors [(1)(2)]	**54,887**	126,652	**-**	-
Other debtors [(1)]	**26,187**	110,416	**199**	573
Amounts due from subsidiary entities[(3)]	**-**	-	**1,280,165**	775,440
	81,074	237,068	**1,280,364**	776,013

(1) During 2015, no current receivables have been determined to be impaired and no related impairment loss has been charged to the statement of comprehensive income (2014: nil).
(2) Credit sales are on terms between 8 and 30 days.
(3) Receivables from related entities are payable on call.

11 Inventories

	Consolidated		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current				
At cost				
Materials and supplies	**102,565**	129,706	**-**	-
Petroleum products	**34,221**	30,483	**-**	-
	136,786	160,189	**-**	-

12 Other financial assets

Non-current				
Loan receivable	**104,125**	91,249	**-**	-

The loan receivable relates to cash advanced by Oil Search under a farm-in arrangement in respect of an exploration licence that remains subject to government approvals. The balance is comprised of both interest bearing, $39.0 million (2014: $30.9 million) and non-interest bearing, $65.2 million (2014: $60.3 million) components. Interest accrues at the lesser of 10% per annum or Libor plus 7.5%. An option agreement and a share pledge agreement are held over this receivable balance, permitting Oil Search to acquire an equity interest in the issued share capital of the borrower. This asset is not past due or impaired at the end of the reporting period. The loan receivable is payable based on contractual arrangements.

13 Exploration and evaluation assets

(a) Exploration and evaluation assets

At cost	**2,067,115**	1,823,862	**84,053**	79,725
Less impairment	**(646,464)**	(247,194)	**(23,793)**	(23,793)
	1,420,651	1,576,668	**60,260**	55,932
Balance at start of year	**1,576,668**	594,169	**55,932**	56,360
Additions	**275,699**	1,246,939	**2,816**	398
Exploration costs expensed during the year	**(50,889)**	(109,132)	**(906)**	(826)
Changes in restoration obligations	**19,474**	5,326	**2,418**	-
Net exchange differences	**(1,030)**	(859)	**-**	-
Impairment	**(399,271)**	(159,775)	**-**	-
Balance at end of year	**1,420,651**	1,576,668	**60,260**	55,932

Exploration and evaluation assets include $1,056.6 million (2014: $1,109.1 million) of licence acquisition costs and signature bonuses that are classified as intangible assets.

(b) Impairment of non-current assets – Exploration and evaluation

At 31 December 2015 the Group assessed each exploration and evaluation asset to determine whether an indicator of impairment existed.

Where indicators were identified, the estimated recoverable amount for exploration and evaluation assets was determined based on their fair values less costs of disposal. If the recoverable amount of an asset was less than its carrying amount, the difference was realised as an impairment loss. The following impairment loss was recognised at 31 December 2015:

Asset	Segment	Events and circumstances	Impairment amount $'000	Recoverable amount $'000
K42 (Taza PSC)	MENA	Results from appraisal drilling programme that indicated the re-estimated resources are not economically recoverable	399,271	-
			399,271	**-**

Fair value less costs of disposal for the Taza PSC was determined using the market approach. The fair value measurement is categorised as Level 3 in the fair value hierarchy.

14 Property, plant and equipment

	Consolidated Oil and gas			Consolidated Other plant and equipment			
	Development	Producing	Total	Marine	Rigs	Corporate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
At cost	446	8,880,329	8,880,775	75,101	84,479	125,392	284,972
Accumulated amortisation, depreciation and impairment	-	(1,857,001)	(1,857,001)	(3,980)	(57,835)	(94,650)	(156,465)
	446	**7,023,328**	**7,023,774**	**71,121**	**26,644**	**30,742**	**128,507**
Balance at 1 January 2015	143,320	7,038,824	7,182,144	8,653	34,765	29,648	73,066
Additions	135,211	111,830	247,041	66,098	-	16,438	82,536
Transfers	(278,085)	278,085	-	-	-	-	-
Disposals	-	-	-	-	-	(5,528)	(5,528)
Changes in restoration obligations	-	(17,056)	(17,056)	-	-	(183)	(183)
Net exchange differences	-	-	-	-	-	(1,986)	(1,986)
Amortisation and depreciation	-	(388,355)	(388,355)	(3,630)	(8,121)	(7,647)	(19,398)
Balance at 31 December 2015	**446**	**7,023,328**	**7,023,774**	**71,121**	**26,644**	**30,742**	**128,507**
2014							
At cost	143,320	8,507,470	8,650,790	9,003	84,479	116,651	210,133
Accumulated amortisation, depreciation and impairment	-	(1,468,646)	(1,468,646)	(350)	(49,714)	(87,003)	(137,067)
	143,320	**7,038,824**	**7,182,144**	**8,653**	**34,765**	**29,648**	**73,066**
Balance at 1 January 2014	6,400,179	330,828	6,731,007	-	41,739	26,707	68,446
Additions	456,621	105,677	562,298	9,003	702	12,088	21,793
Transfers	(6,759,425)	6,759,425	-	-	-	-	-
Borrowing costs capitalised	45,945	-	45,945	-	-	-	-
Changes in restoration obligations	-	120,698	120,698	-	-	40	40
Net exchange differences	-	-	-	-	-	(710)	(710)
Amortisation and depreciation	-	(256,986)	(256,986)	(350)	(7,676)	(8,477)	(16,503)
Impairment	-	(20,818)	(20,818)	-	-	-	-
Balance at 31 December 2014	**143,320**	**7,038,824**	**7,182,144**	**8,653**	**34,765**	**29,648**	**73,066**

15 Payables

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Current				
Payables and accruals[(1)]	**209,755**	312,665	**1,832**	9,399
Deferred lease liability	**4,828**	5,420	**-**	-
	214,583	318,085	**1,832**	9,399
Non-current				
Other payables	**8,055**	8,462	**-**	-
Deferred lease liability	**10,615**	12,578	**-**	-
	18,670	21,040	**-**	-

[(1)] Trade creditors are normally settled on 30 day terms.

		Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000

16 Provisions

		Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Current					
Employee entitlements	**(i)**	**6,106**	6,923	**-**	-
Site restoration	**(ii)**	**7,179**	-	**-**	-
Contingent consideration		**2,000**	2,000	**-**	-
Other provisions		**704**	750	**-**	-
		15,989	9,673	**-**	-
Non-current					
Employee entitlements	**(i)**	**10,628**	13,128	**-**	-
Site restoration	**(ii)**	**384,136**	392,524	**2,418**	-
		394,764	405,652	**2,418**	-

(i) Movement in employee entitlements provision

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Balance at start of year	**20,051**	20,025	**-**	-
Additional provision recognised	**9,064**	9,083	**-**	-
Provision utilised	**(12,381)**	(9,057)	**-**	-
Balance at end of year	**16,734**	20,051	**-**	-

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

(ii) Movement in site restoration provision

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Balance at start of year	**392,524**	256,519	**-**	-
Additional provision recognised	**516**	126,064	**2,418**	-
Provision utilised	**(12,028)**	-	**-**	-
Unwinding of discount	**10,303**	9,941	**-**	-
Balance at end of year	**391,315**	392,524	**2,418**	-

These provisions are in relation to the estimated costs associated with the restoration of sites that will be incurred at the conclusion of the economic life of the producing assets in which the Group holds a participating interest.

17 Borrowings

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Current				
Finance lease	**1,117**	249	**-**	-
Secured loan from joint operation[1]	**289,255**	102,139	**-**	-
	290,372	102,388	**-**	-
Non-current				
Finance lease	**72,902**	8,622	**-**	-
Revolving credit facility[1]	**-**	150,000	**-**	-
Secured loan from joint operation[1]	**3,939,376**	4,160,055	**-**	-
	4,012,278	4,318,677	**-**	-

[1] Details regarding borrowings are contained in Note 26(f).

	Consolidated 2015 $'000	Consolidated 2014 $'000

18 Share capital and reserves

	2015 $'000	2014 $'000
Issued 1,522,692,587 (2014: 1,522,692,587)		
Ordinary shares, fully paid (no par value)	**3,147,340**	3,147,340

Movements in issued and fully paid shares	**2015 Shares**	**2014 Shares**	**2015 $'000**	**2014 $'000**
Balance at the beginning of the year	**1,522,692,587**	1,343,361,150	**3,147,340**	1,821,957
Shares issued through private placement	**-**	149,390,244	**-**	1,097,037
DRP underwriting agreement [1]				
Ordinary shares issued at $7.65 (2013 final dividend)	**-**	2,196,784	**-**	16,794
Ordinary shares issued at $8.35 (2014 interim dividend)	**-**	2,309,820	**-**	19,287
DRP [2]				
Ordinary shares issued at $7.58 (2013 final dividend)	**-**	1,744,275	**-**	13,066
Ordinary shares issued at $7.79 (2014 interim dividend)	**-**	1,360,542	**-**	11,161
Shares issued under share purchase plan	**-**	22,329,772	**-**	169,466
Share issue costs	**-**	-	**-**	(1,428)
Balance at the end of the year	**1,522,692,587**	1,522,692,587	**3,147,340**	3,147,340

(1) A fully underwritten DRP was utilised for all dividends paid during 2014.

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

		Consolidated		Parent	
		2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Reserves at the end of the year					
Foreign currency translation reserve	(i)	**(18,741)**	(14,523)	**-**	-
Amalgamation reserve	(ii)	**-**	-	**(2,990)**	(2,990)
Reserve for treasury shares	(iii)	**(5,391)**	(8,099)	**(2,771)**	(5,479)
Employee equity compensation reserve	(iv)	**11,158**	12,236	**5,496**	6,573
		(12,974)	(10,386)	**(265)**	(1,896)

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

(ii) The amalgamation reserve was used to record the retained earnings of entities amalgamated into the parent entity in 2006.

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

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

19 Statement of cash flows

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
(a) Cash and cash equivalents				
Cash at bank and on hand [1]	**454,258**	772,946	**103,355**	40,718
Share of cash in joint operations	**31,221**	43,540	**105**	-
Interest-bearing short-term deposits [2][3][4]	**425,000**	143,680	**-**	108,680
	910,479	960,166	**103,460**	149,398

[1] Includes $270.8 million (2014: $696.5 million) escrowed in the PNG LNG Project account. Refer to note 26 for further details.
[2] Includes $nil (2014: $2.0 million) held as security for letters of credit on issue.
[3] Includes $nil (2014: $107.0 million) held in escrow to meet future PNG LNG Project base equity commitments. Refer to note 26(f) for further details.
[4] Includes $10.1 million (2014: $10.1 million) in a debt service reserve account held with Australia & New Zealand Banking Group Limited, as required by the $500 million revolving facility agreement.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
(b) Reconciliation of cash flows from operating activities				
Net (loss)/profit after tax	**(39,382)**	353,218	**739,159**	42,980
Add/(deduct):				
Exploration costs expensed [1]	**18,088**	84,782	**199**	826
Impairment expense	**399,271**	180,593	**-**	-
Loss/(gain) on disposal of non-current assets	**5,528**	(150)	**-**	-
Dividend income	**-**	-	**(750,000)**	(46,230)
Depreciation and amortisation	**407,753**	252,671	**-**	-
Non-cash interest expense	**-**	108,289	**-**	-
Unwinding of site restoration discount	**10,303**	9,941	**-**	-
Employee share-based remuneration	**10,199**	10,335	**-**	-
Exchange losses/(gain) - unrealised	**172**	(8,782)	**1,790**	(199)
Movement in tax provisions	**58,533**	49,370	**465**	(2,035)
Decrease/(Increase) in receivables	**81,011**	(16,585)	**(5,043)**	2,483
Decrease/(Increase) in inventories	**13,225**	(55,882)	**(200)**	177
Decrease/(Increase) in other current and non-current assets	**7,414**	(33,987)	**-**	-
Increase/(decrease) in payables	**(166)**	57,602	**8,692**	1,275
(Decrease)/Increase in provisions	**(19,210)**	889	**-**	-
	992,121	639,086	**(744,097)**	(43,703)
Net cash from/(used in) operating activities	**952,739**	992,304	**(4,938)**	(723)

[1] Exploration costs expensed totalled $50.9 million (2014: $109.1 million) of which $18.1 million (2014: $84.8 million) represents the write-off of costs for unsuccessful wells which are not included in operating cash flows.

(c) Non-cash investing and financing activities	Consolidated 2015 $'000	Consolidated 2014 $'000
Borrowing costs capitalised into developing assets [1]	**-**	44,685
Acquisition of marine assets by means of finance lease	**66,098**	9,003

[1] This amount differs to the amount disclosed in Note 14 as interest on the Group's revolving credit facility is cash-settled when due.

20 Employee benefits and share-based payments

	Consolidated		Parent	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Salaries and short-term benefits	**174,422**	201,087	**-**	-
Post-employment benefits	**4,925**	5,299	**-**	-
Employee share-based payments	**10,199**	10,335	**-**	-
Total	**189,546**	216,721	**-**	-

Employee Share Rights, Share Option Plan and Share Appreciation Rights Plans

Share Rights (SR's) are granted for $nil consideration. A Share Right is a right to an allocation of ordinary shares in Oil Search Limited (at no cost) subject to continued employment at the vesting date. On the vesting date, the number of Share Rights that have vested will be automatically exercised and converted to ordinary shares in Oil Search Limited. Commencing with the 2014 grant, share appreciation rights (SAR's) are no longer awarded. Commencing with the 2010 grant, share options are no longer awarded.

There are currently 988 (2014: 1,064) employees participating in the Employee Share Rights, Share Options Plan and Share Appreciation Rights plans.

	2015	2014	2013	2012	2011	2009
Share price at grant date	A$8.15	A$9.04	A$8.04	A$6.72	A$6.92	A$5.73
Fair value	A$6.86	A$8.46	A$1.67	A$1.29	A$1.73	A$2.02
Exercise date	18 May 2018	19 May 2017	13 May 2016	15 May 2015	16 May 2014	13 May 2012
Exercise price	A$nil	A$nil	A$7.82	A$7.26	A$6.98	A$5.22
Number of awards						
Balance as at 1 Jan 2015	-	581,748	1,661,400	1,387,000	-	-
Granted during year	682,736	-	-	-	-	-
Forfeited during year	(114,467)	(130,479)	(405,600)	(1,312,264)	-	-
Exercised during year	-	(930)	-	(74,736)	-	-
Balance at 31 Dec 2015	**568,269**	**450,339**	**1,225,800**	**-**	**-**	**-**
Avg. share price at date of exercise	-	A$7.13	-	A$7.52	-	-
Balance at 1 Jan 2014	-	-	1,854,450	1,559,900	1,239,840	121,350
Granted during year	-	611,045	-	-	-	-
Forfeited during year	-	(29,297)	(193,050)	(172,900)	(65,520)	(24,000)
Exercised during year	-	-	-	-	(1,174,320)	(97,350)
Balance at 31 Dec 2014	-	**581,748**	**1,661,400**	**1,387,000**	-	-
Exercisable at 31 Dec2014	-	-	-	-	-	-
Avg. share price at date of exercise	-	-	-	-	A$9.13	A$9.02

SR's, Options and SAR's were priced using a binomial option pricing model with the following inputs:

	2015	2014	2013	2012	2011	2009
Volatility	30%	20%	25%	30%	30%	40%
Dividend yield	2.2%	2.2%	0.48%	0.60%	0.60%	2.00%
Risk-free interest rate	2.1%	2.85%	2.53%	2.43%	4.88%	4.55%

Performance Rights Plan

An employee Performance Rights Plan was established in 2004 where selected employees of the Group are granted rights over ordinary shares of Oil Search Limited. Vesting of the awards depends on Oil Search's Total Shareholder Return (TSR) performance over a three-year period relative to peer Groups of companies. The two peer groups are:

- The ASX50 (excluding property trusts and non-standard listings); and
- The constituents of the Standard and Poor's Global Energy Index. TSR outcomes for this international group are normalised against a US dollar base currency to provide consistency of measurement.

To determine the level of vesting of the awards, Oil Search's TSR over the three year performance period is ranked against the TSR of each company in the peer Groups over the same period.

For each peer Group, if Oil Search's TSR performance is:

- below median, that is the 50th percentile, no performance rights will vest;
- at the median, 25% of the performance rights granted will vest;
- greater than the median and less than the 75th percentile, the number of performance rights that will vest increases on a straight line basis from 25% to 50% of the total number of performance rights granted;
- at or above the 75th percentile, 50% of the performance rights granted will vest.

20 Employee benefits and share-based payments (continued)

Performance Rights Plan (continued)
The rights are granted for nil consideration and are granted in accordance with guidelines approved by shareholders at the Annual Meeting in 2004. The rights cannot be transferred and are not quoted on the Australian Securities Exchange. There are currently 117 (2014: 163) employees participating in the Performance Rights Plans.

	2015	2014	2013	2012	2011	2009
Grant date	18 May 2015	19 May 2014	24 May 2013	21 May 2012	23 May 2011	1 June 2009
Share price at grant date	A$8.15	A$9.04	A$8.16	A$6.72	A$6.92	A$5.73
Fair value	A$3.00	A$5.59	A$5.28	A$4.52	A$4.40	A$4.70
Exercise date	18 May 2018	19 May 2017	20 May 2016	15 May 2015	23 May 2014	13 May 2012
Exercise price	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of rights						
Balance at 1 January 2015	-	934,100	1,610,868	1,525,800	-	-
Granted during year	1,052,876	-	-	-	-	-
Forfeited during year	(32,382)	(57,835)	(85,384)	(958,887)	-	-
Exercised during year	-	-	-	(566,913)	-	-
Balance at 31 December 2015	**1,020,494**	**876,265**	**1,525,484**	**-**	**-**	**-**
Average share price at date of exercise	-	-	-	A$7.70	-	-
Balance at 1 January 2014	-	-	1,635,200	1,595,900	1,307,400	115,131
Granted during year	-	934,100	-	-	-	-
Forfeited during year	-	-	(24,332)	(70,100)	(235,056)	-
Exercised during year	-	-	-	-	(1,072,344)	(115,131)
Balance at 31 December 2014	-	**934,100**	**1,610,868**	**1,525,800**	**-**	**-**
Average share price at date of exercise	-	-	-	-	A$9.13	A$9.03

	2015	2014	2013	2012	2011	2009
Volatility	30%	20%	25%	30%	30%	40%
Dividend yield	2.2%	2.2%	0.48%	0.60%	0.60%	2.00%
Risk-free interest rate	2.1%	2.85%	2.60%	2.43%	4.88%	4.16%

For performance rights granted prior to 2010, the terms of the allocations provided for a 3 year vesting period followed by a 2 year exercise period. From 2010, all awards that satisfy their respective vesting conditions at the end of the 3 years vesting period are automatically exercised.

20 Employee benefits and share based-payments (continued)

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

Restricted shares are granted under the plan in two situations. Firstly, as a way of retaining key management and other employees, secondly, by way of a mandatory deferral of a portion of a selected participant's short-term incentive award. Awards under the Restricted Share Plan are structured as grants of restricted shares for nil consideration. Restricted shares will be held on behalf of participants in trust, subject to the disposal restrictions and forfeiture conditions, until release under the terms of the plan and in accordance with guidelines approved by shareholders at the Annual Meeting in 2007. There are currently 14 (2014: 10) employees participating in the Restricted Share Plan.

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

Executives	**2015**	**2015**	**2015**	**2014**	**2014**	**2014**	**2014**	**2014**	**2014**	**2014**
Grant date	2 Nov 2015	18 May 2015	2 Mar 2015	7 Nov 2014	14 Oct 2014	14 Oct 2014	19 May 2014	19 May 2014	19 May 2014	10 Jan 2014
Share price at grant date	A$7.79	A$7.33	A$8.12	A$8.69	A$8.43	A$8.43	A$8.80	A$7.92	A$7.92	A$7.72
Exercise date	30 Oct 2017	1 Jan 2017	31 Dec 2017	1 Mar 2016	1 Oct 2016	1 Oct 2015	1 Jan 2016	1 Jan 2016	1 Jan2015	24 Feb 2016
Exercise price	$A nil	$A nil	$A nil	$A nil	$A nil	$A nil	$Anil	$A nil	$A nil	$A nil
Number of shares										
Balance at 1 January 2015	-	-	-	40,000	4,889	4,889	292,328	15,150	15,150	16,200
Granted during year	31,250	599,991	50,000	-	-	-	-	-	-	-
Forfeited during year	-	-	-	-	-	-	-	-	-	-
Vested during year	-	(45,162)	-	-	-	(4,889)	(28,489)	-	(15,150)	-
Balance at 31 December 2015	**31,250**	**554,829**	**50,000**	**40,000**	**4,889**	**-**	**263,839**	**15,150**	**-**	**16,200**
Balance at 1 January 2014	-	-	-	-	-	-	-	-	-	-
Granted during year	-	-	-	40,000	4,889	4,889	292,328	15,150	15,150	16,200
Forfeited during year	-	-	-	-	-	-	-	-	-	-
Vested during year	-	-	-	-	-	-	-	-		-
Balance at 31 December 2014	**-**	**-**	**-**	**40,000**	**4,889**	**4,889**	**292,328**	**15,150**	**15,150**	**16,200**

.

Executives	**2014**	**2013**	**2013**	**2012**	**2010**
Grant date	10 Jan 2014	7 Mar 2013	7 Mar 2013	5 Mar 2012	27 Apr 2010
Share price at grant date	A$7.72	A$7.87	A$7.87	A$7.21	A$5.79
Exercise date	24 Feb 2015	31 Oct 2014	1 Jan 2015	1 Jan 2014	27 Apr 2014
Exercise price	$A nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of shares					
Balance at 1 January 2015	16,200	-	321,230	-	-
Granted during year	-	-	-	-	-
Forfeited during year	-	-	-	-	-
Vested during year	(16,200)	-	(321,230)	-	-
Balance at 31 December 2015	**-**	**-**	**-**	**-**	**-**
Balance at 1 January 2014	-	40,000	321,230	72,648	100,000
Granted during year	16,200	-	-	-	-
Forfeited during year	-	-	-	-	-
Vested during year	-	(40,000)	-	(72,648)	(100,000)
Balance at 31 December 2014	**16,200**	**-**	**321,230**	**-**	**-**

21 Key management personnel remuneration

Directors' and executive remuneration

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

	Directors'		Executives	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Short-term benefits	**5,116,289**	6,384,952	**6,551,341**	7,561,613
Long-term benefits	**39,816**	131,575	**69,056**	44,089
Post-employment benefits	**53,416**	85,276	**161,347**	132,016
Share-based payments	**2,099,471**	2,392,579	**3,180,303**	2,823,572
	7,308,992	8,994,382	**9,962,047**	10,561,290

The number of directors and executives of Oil Search Limited whose remuneration falls within the following bands:

	No.	**No.**	**No.**	**No.**
$110,000 – $119,999	**1**	-	**-**	-
$170,000 – $179,999	**2**	-	**-**	-
$180,000 – $189,999	**1**	-	**-**	-
$190,000 – $199,999	**2**	1	**-**	-
$210,000 – $219,999	**-**	3	**-**	-
$220,000 – $229,999	**-**	1	**-**	-
$230,000 – $239,999	**-**	1	**-**	-
$390,000 – $399,999	**1**	-	**-**	-
$460,000 – $469,999	**-**	1	**-**	-
$660,000 – $669,999	**-**	-	**1**	-
$840,000 – $849,999	**-**	-	**1**	-
$960,000 – $969,999	**-**	-	**1**	-
$970,000 – $979,999	**-**	-	**1**	-
$1,070,000 – $1,079,999	**-**	-	**-**	1
$1,130,000 – $1,139,999	**-**	-	**1**	1
$1,140,000 – $1,149,999	**-**	-	**1**	-
$1,170,000 – $1,179,999	**1**	-	**1**	-
$1,200,000 – $1,209,999	**-**	-	**-**	1
$1,330,000 – $1,339,999	**-**	-	**-**	1
$1,360,000 – $1,369,999	**-**	-	**1**	-
$1,380,000 – $1,389,999	**-**	-	**-**	1
$1,410,000 – $1,419,999	**-**	-	**-**	1
$1,430,000 – $1,439,999	**-**	-	**-**	1
$1,490,000 – $1,499,999	**-**	1	**-**	-
$1,570,000 – $1,579,999	**-**	-	**-**	1
$1,680,000 – $1,689,999	**-**	-	**1**	-
$4,680,000 – $4,689,999	**1**	-	**-**	-
$5,730,000 – $5,739,999	**-**	1	**-**	-

22 Key management personnel transactions

The directors and other key management personnel of Oil Search Limited during the year to 31 December 2015, and their interests in the shares of Oil Search Limited at that date were:

	No. of ordinary shares		No. of performance rights[1]		No. of restricted shares[1]	
Directors	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
PR Botten	**2,387,394**	2,222,403	**698,600**	711,300	**325,503**	236,221
G Aopi	**451,444**	394,602	**152,200**	154,400	**65,589**	62,460
KG Constantinou	**-**	-	**-**	-	**-**	-
FE Harris[2]	**31,961**	31,961	**-**	-	**-**	-
AJ Kantsler	**45,736**	45,736	**-**	-	**-**	-
RJ Lee	**96,829**	71,829	**-**	-	**-**	-
B Philemon	**7,241**	7,241	**-**	-	**-**	-
KW Spence	**25,000**	25,000	**-**	-	**-**	-
ZE Switkowski	**201,829**	201,829	**-**	-	**-**	-
Other key management personnel						
P Cholakos	**230,417**	174,770	**156,909**	159,800	**69,319**	61,833
G Darnley-Stuart	**10,000**	-	**154,931**	128,700	**66,787**	26,471
J Fowles	**49,505**	1,829	**159,925**	161,200	**118,948**	54,597
S Gardiner	**347,484**	295,167	**154,697**	146,700	**69,947**	61,856
M Herrett	**1,829**	1,829	**132,781**	87,700	**58,630**	33,206
I Munro	**-**	-	**120,431**	68,100	**92,868**	49,258
K Wulff	**8,590**	-	**55,638**	-	**-**	-
M Kay[2]	**-**	-	**124,399**	72,068	**57,277**	32,400
P Caldwell[2]	**-**	-	**57,348**	169,700	**-**	67,656

[1] Refer to note 20 for key terms.
[2] Number of ordinary shares held by the Director or Executive at date of ceasing employment with the Group.

Some directors and other key management personnel, or their related parties, hold positions in other entities that result in them having control or joint control over those entities.

Four of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Transactions value year ended 31 December	
Consolidated	**2015 $'000**	**2014 $'000**
Airways Hotel and Apartments Limited [1]	**7**	55
Airways Residence Limited[1]	**122**	152
Alotau International Hotel[1]	**2**	9
Lamana Hotel Port Moresby [1]	**41**	69

[1] The Group acquired hotel, conference facility and accommodation services in PNG from Airways Hotel and Apartments Limited, Airways Residence Limited, Alotau International Hotel and Lamana Hotel Port Moresby, companies of which Sir KG Constantinou is a Director.

All services acquired were based upon normal commercial terms and conditions.

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000

23 Commitments

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Finance lease commitments				
Lease of PNG LNG marine vessels				
Payable within 12 months	**10,436**	1,284	**-**	-
Payable 1 to 5 years	**41,744**	5,135	**-**	-
Payable greater than 5 years	**139,697**	12,088	**-**	-
	191,877	18,507	**-**	-
Future finance charges	**(117,858)**	(9,636)	**-**	-
Finance lease liability	**74,019**	8,871	**-**	-
Operating lease commitments				
Rental of premises, equipment and LNG charter vessels				
Payable within 12 months	**27,586**	36,271	**-**	-
Payable 1 to 5 years	**86,395**	114,294	**-**	-
Payable greater than 5 years	**142,123**	139,561	**-**	-
	256,104	290,126	**-**	**-**
Expenditure commitments				
Capital expenditure commitments	**266,557**	791,390	**16,220**	17,739
Other expenditure commitments	**181,864**	190,606	**-**	-
	448,421	981,996	**16,220**	17,739

24 Auditor's remuneration

	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Amounts paid or due and payable in respect of:				
Audit and review of the Group's financial report	**303**	**377**	**100**	**125**
Other services	**38**	**91**	**-**	**-**
	341	**468**	**100**	**125**

The audit fees are in Australian dollars and are translated at 0.7530 (2014: 0.9028).

25 Subsidiaries and interests in joint arrangements

(a) Subsidiaries

	Ownership interest % 2015	Ownership interest % 2014	Country of Incorporation
Parent entity			
Oil Search Limited			PNG
Consolidated entities			
Oil Search (Middle Eastern) Limited	**100**	100	British Virgin Is.
Oil Search (Iraq) Limited	**100**	100	British Virgin Is.
Oil Search (Libya) Limited	**100**	100	British Virgin Is.
Oil Search (Tunisia) Limited	**100**	100	British Virgin Is.
Oil Search (Newco) Limited	**100**	100	British Virgin Is.
Oil Search (ROY) Limited	**100**	100	British Virgin Is.
Oil Search (Gas Holdings) Limited	**100**	100	PNG
Oil Search (Tumbudu) Limited	**100**	100	PNG
Oil Search (P'nyang) Holdings Limited	**100**	100	PNG
Oil Search (P'nyang) Limited	**100**	100	PNG
Oil Search (PNG) Limited	**100**	100	PNG
Oil Search (Drilling) Limited	**100**	100	PNG
Oil Search (Exploration) Inc.	**100**	100	Cayman Is.
Oil Search (LNG) Limited	**100**	100	PNG
Oil Search Finance Limited	**100**	100	British Virgin Is.
New Guinea Investments Limited	**100**	100	PNG
New Guinea (Petroleum) Limited	**100**	100	PNG
Oil Search Foundation Limited [(1)]	**100**	100	PNG
Papuan Oil Search Limited	**100**	100	Australia
Oil Search (Uramu) Pty Limited	**100**	100	Australia
Oil Search Limited Retention Share Plan Trust	**100**	100	Australia
Pac LNG Investments Limited	**100**	100	PNG
Pac LNG Assets Limited	**100**	100	PNG
Pac LNG International Limited	**100**	100	PNG
Pac LNG Overseas Limited	**100**	100	PNG
Pac LNG Holdings Limited	**100**	100	PNG

(1) Oil Search Foundation Limited is Trustee of the Oil Search Foundation Trust, a not-for-profit organisation established for charitable purposes in PNG. This Trust is not controlled by Oil Search and is not consolidated within the Group.

25 Subsidiaries and interests in joint arrangements (continued)

(b) Interests in joint operations

The principal activities of the following joint operations, in which the Group holds an interest, are for the exploration and production of crude oil and natural gas. The Group's interests in joint operations are as follows:

		Principal place of business	% Interest 2015		% Interest 2014	
(i)	**Exploration licences**					
	PPL 233[2]	PNG	**52.50**		52.50	
	PPL 234 [1][2]	PNG	**80.00**		80.00	
	PPL 339[1] [4]	PNG	**70.00**		-	
	PPL 277 [2]	PNG	**50.00**		50.00	
	Block 7 [1]	Yemen	**34.00**	[3]	34.00	[3]

[1] Joint operation operated by an Oil Search Group entity.
[2] Subject to government approval.
[3] Participating interest is 34%. Paying interest is 40%.
[4] Subject to farm out/in agreement.

			Principal place of business	% Interest 2015	% Interest 2014
(ii)	**Gas licences**				
	PDL 1	Hides gas field	PNG	**16.66**	16.66
	PDL 7	South Hides gas field	PNG	**40.69**	40.69
	PDL 8	Angore gas field	PNG	**40.69**	40.69
	PDL 9	Juha gas field	PNG	**24.42**	24.42
	PRL 3	P'nyang gas field	PNG	**38.51**	38.51
	PRL 9 [1]	Barikewa gas field	PNG	**45.11**	45.11
	PNG LNG	PNG LNG Project	PNG	**29.00**	29.00
	PPFL 2	PNG LNG Project	PNG	**29.00**	29.00
	PL 4	PNG LNG Project	PNG	**29.00**	29.00
	PL 5	PNG LNG Project	PNG	**29.00**	29.00
	PL 6	PNG LNG Project	PNG	**29.00**	29.00
	PL 7	PNG LNG Project	PNG	**29.00**	29.00
	PL 8	PNG LNG Project	PNG	**29.00**	29.00

[1] Joint operation operated by an Oil Search Group entity.

		Principal place of business	% Interest 2015		% Interest 2014
(iii)	**Other projects**				
	Papua New Guinea Liquefied Natural Gas Global Company LDC	Bahamas	**29.00**		29.00
	Biomass	PNG	**70.00**	[1]	67.00

[1] Participating interest is 70%. Paying interest is 100%.

(c) Interests in other arrangements

The Group participates in arrangements with other parties that have the same legal form as a joint operation but are not subject to joint control (as described in note 1(q)). The Group's interests in these arrangements are as follows:

			Principal place of business	% Interest 2015	% Interest 2014
(i)	**Production licences**				
	PDL 1 [1]	Hides gas to electricity project	PNG	**100.00**	100.00
	PDL 2 [2]	Kutubu & Moran oil fields	PNG	**60.05**	60.05
	PDL 2 [2]	South East Mananda oil field	PNG	**72.27**	72.27
	PDL 3 [2]	South East Gobe oil field	PNG	**36.36**	36.36
	PDL 4 [2]	Gobe Main and South East Gobe oil fields	PNG	**10.00**	10.00
	PDL 5	Moran oil field	PNG	**40.69**	40.69
	PDL 6 [2]	Moran oil field	PNG	**71.07**	71.07
	PL 1 [2]	Hides gas pipeline	PNG	**100.00**	100.00
	PL 2 [2]	Kutubu oil pipeline	PNG	**60.05**	60.05
	PL 3 [2]	Gobe oil pipeline	PNG	**17.78**	17.78

[1] The Group is operator of the gas to electricity project.
[2] Operated by an Oil Search Group entity.

		Principal place of business	% Interest 2015		% Interest 2014	
(ii)	**Exploration licences**					
	PPL 219 [1]	PNG	**71.25**		71.25	
	PPL 244 [1]	PNG	**40.00**		40.00	
	PPL 260 [1]	PNG	**40.00**		40.00	
	PPL 269	PNG	**10.00**		-	
	PPL 385[2]	PNG	**100.00**		100.00	
	PPL 402[1]	PNG	**50.00**		-	
	PPL 464	PNG	**50.00**		-	
	Taza (K42) [1]	Iraq	**60.00**	[3]	60.00	[3]
	Tajerouine	Tunisia	**-**	[5]	50.00	[4]

[1] Operated by an Oil Search Group entity.
[2] Licence 100% owned by the Group. Disclosed for information purposes.
[3] Participating interest is 60%. Paying interest is 75%.
[4] Participating interest is 50%. Paying interest is 100%.
[5] Licence relinquished on 4 May 2015.

25 Subsidiaries and interests in joint arrangements (continued)

(iii)	Gas licences		Principal place of business	% Interest 2015	2014
	PRL 8 [(1)]	Kimu gas field	PNG	**60.71**	60.71
	PRL 10 [(1)]	Uramu gas field	PNG	**100.00**	100.00
	PRL 14 [(1)]	Cobra, lehi, Bilip gas fields	PNG	**62.56**	62.56
	PRL 15	Elk/Antelope	PNG	**22.84**	22.84

[(1)] Operated by an Oil Search Group entity.

26 Financial and capital risk management

Financial risk exposures arise in the course of the day-to-day operating activities of the Group, primarily due to the impact of oil price movements on revenue items and exchange rate and interest rate impacts on expenditure and statement of financial position items. The management of borrowings and cash also create liquidity and credit risk exposures. Monetary assets and liabilities denominated in currencies that are different to the Group's functional currency may also give rise to translation exposures.

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

(a) Foreign exchange risk

The Group's revenue and major capital obligations are predominantly denominated in US$.

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

- Administrative and business development expenditures incurred at the corporate level in Australian dollars (A$); and
- Operating and capital expenditures incurred by the Group in relation to its PNG operations in Papua New Guinea Kina (PGK) and A$.

The Group is not exposed to material translation exposures as the majority of its assets and liabilities are denominated in US$.

Foreign exchange risk management

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

Cash flows related to joint ventures where Oil Search is the operator are managed independently to the Group's corporate exposures, reflecting the interests of joint arrangement partners in the operator cash flows. The operator's A$ and PGK requirements are bought on the spot market. Where these currencies are purchased in advance of requirements, A$ and PGK cash balances do not exceed three months' requirements.

As at 31 December 2015, there were no foreign exchange hedge contracts outstanding (2014: nil).

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

(b) Interest rate risk

The Group is exposed to interest rate movements directly through borrowings and investments in each of the currencies of its operations. Surplus cash is invested in accordance with Board approved credit counterparty limits, based on minimum credit ratings, and managed to ensure adequate liquidity is maintained. Whilst some cash is held in PGK and A$, the Group's primary exposure is to US interest rates.

Interest rate risk management

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

As at 31 December 2015, there was no interest rate hedging in place (2014: nil). Cash was invested in short-term instruments with an average maturity of 1 to 3 months.

Interest rate sensitivity

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

26 Financial and capital risk management (continued)

(b) Interest rate risk (continued)

At the reporting date, if interest rates had been 25 basis points (2014: 25 basis points) higher or lower and all other variables were held constant, the Group's net (loss)/profit after tax would increase/decrease by $8.4 million (2014: $9.2 million).

At the reporting date, if interest rates had been 25 basis points (2014: 25 basis points) higher or lower and all other variables were held constant, the Parent entity's net profit after tax would increase/decrease by $0.3 million (2014: $0.4 million).

Consolidated

Financial Instruments	Floating Interest Rate $'000	Fixed interest rate maturing in: 1 year or less $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total carrying amount in the statement of financial position $'000
2015						
Financial assets						
Cash and cash equivalents	**485,479**	**425,000**	**-**	**-**	**-**	**910,479**
Trade debtors	**-**	**-**	**-**	**-**	**54,887**	**54,887**
Other debtors	**-**	**-**	**-**	**-**	**26,187**	**26,187**
Loan receivable	**38,956**	**-**	**-**	**-**	**65,169**	**104,125**
Non-current receivables	**-**	**-**	**-**	**-**	**2,084**	**2,084**
Total financial assets	**524,435**	**425,000**	**-**	**-**	**148,327**	**1,097,762**
Financial liabilities						
Payables and accruals	**-**	**-**	**-**	**-**	**209,755**	**209,755**
Other payables	**-**	**-**	**-**	**-**	**8,055**	**8,055**
Finance leases	**-**	**1,117**	**6,302**	**66,600**	**-**	**74,019**
Borrowings	**3,437,031**	**-**	**-**	**791,600**	**-**	**4,228,631**
Total financial liabilities	**3,437,031**	**1,117**	**6,302**	**858,200**	**217,810**	**4,520,460**
2014						
Financial assets						
Cash and cash equivalents	816,486	143,680	-	-	-	960,166
Trade debtors	-	-	-	-	126,652	126,652
Other debtors	-	-	-	-	110,416	110,416
Loan receivable	30,926	-	-	-	60,323	91,249
Non-current receivables	-	-	-	-	1,078	1,078
Total financial assets	847,412	143,680	-	-	298,469	1,289,561
Financial liabilities						
Payables and accruals	-	-	-	-	312,665	312,665
Other payables	-	-	-	-	8,462	8,462
Finance lease	-	249	1,795	6,827	-	8,871
Borrowings	3,592,409	-	-	819,786	-	4,412,194
Total financial liabilities	3,592,409	249	1,795	826,613	321,127	4,742,192

Parent

Financial Instruments	Floating Interest Rate $'000	Fixed interest rate maturing in: 1 year or less $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total carrying amount in the statement of financial position $'000
2015						
Financial assets						
Cash and cash equivalents	**103,460**	**-**	**-**	**-**	**-**	**103,460**
Other debtors	**-**	**-**	**-**	**-**	**199**	**199**
Total financial assets	**103,460**	**-**	**-**	**-**	**199**	**103,659**
Financial liabilities						
Payables and accruals	**-**	**-**	**-**	**-**	**1,832**	**1,832**
Total financial liabilities	**-**	**-**	**-**	**-**	**1,832**	**1,832**
2014						
Financial assets						
Cash and cash equivalents	40,718	108,680	-	-	-	149,398
Other debtors	-	-	-	-	573	573
Total financial assets	40,718	108,680	-	-	573	149,971
Financial liabilities						
Payables and accruals	-	-	-	-	9,399	9,399
Total financial liabilities	-	-	-	-	9,399	9,399

26 Financial and capital risk management (continued)

(c) Commodity price risk

The Group has exposure to commodity price risk associated with the production and sale of oil, condensate, natural gas and liquefied natural gas.

Commodity risk management

The Group does not seek to limit its exposure to fluctuations in oil prices; rather the central aim of oil price risk management is to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of low oil prices. Hedge cover targets are determined through detailed modelling of the Group's position under various oil price scenarios. Any hedging programmes entered into will ensure that maturities are spread over time and there are maximum hedge cover levels that apply to future years. This avoids the Group being forced to price a significant proportion of its exposure in an unfavourable oil price environment.

Under the PNG LNG Project financing there are restrictions relating to hedging activities that may be undertaken. Permitted hedging instruments as defined in the financing agreements, which must be non-recourse to the participant's Project interest and the Project property.

As at 31 December 2015, there was no oil price hedging in place (2014: nil). No commodity price sensitivity analysis is required as there was no hedging in place.

(d) Credit risk

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

- Financial transactions involving money market, surplus cash investments and derivative instruments;
- Direct sales of liquefied natural gas, oil, condensate and gas;
- Other receivables; and
- Loan receivable.

Credit risk management

Global credit limits have been established across all categories of financial transactions. These limits are based on the counterparties' credit rating as issued by Standard and Poor's and Moody's.

The Group markets Kutubu crude oil, blended with PNG LNG condensate, on behalf of the Joint Lifting Consortium, primarily selling this product to investment grade counterparties. Sales to non-investment grade counterparties are secured by letters of credit from an investment grade bank.

An option agreement and a share pledge agreement are held as security for the third party loan receivable balance, permitting Oil Search Limited to acquire an equity interest in the issued share capital of the borrower (note 11).

At 31 December 2015 there was no significant concentration of credit risk exposure to any single counterparty (2014: nil).

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

		Consolidated		Parent	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current					
Cash at bank and on hand	19(a)	**454,258**	772,946	**103,355**	40,718
Share of cash in joint operations	19(a)	**31,221**	43,540	**105**	-
Interest-bearing short-term deposits	19(a)	**425,000**	143,680	**-**	108,680
Receivables	10	**81,074**	237,068	**1,280,364**	776,013
Borrowings	17	**290,372**	102,388	**-**	-
		1,281,925	1,299,622	**1,383,824**	925,411
Non-current					
Other assets - receivables		**2,084**	1,078	**-**	-
Loan receivable	12	**104,125**	91,249	**-**	-
Borrowings	17	**4,012,278**	4,318,677	**-**	-
		4,118,487	4,411,004	**-**	-

26 Financial and capital risk management (continued)

(e) Liquidity risk

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

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

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

As at 31 December 2015, the Group has cash of $910.5 million (2014: $960.2 million), of which $425.0 million was invested in short-term instruments (2014: $143.7 million) and undrawn loan facilities of $748.0 million (2014: $600.0 million).

The table below shows the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Contractual cash flows			
	Carrying amount $'000	**Total $'000**	**Less than 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**
Non-derivative financial liabilities					
2015					
Payables and accruals	**209,755**	**209,755**	**209,755**	**-**	**-**
Other payables	**8,055**	**8,055**	**8,055**	**-**	**-**
Secured loan from joint operation	**4,228,631**	**5,479,128**	**449,662**	**1,962,007**	**3,067,459**
Finance leases	**74,019**	**191,877**	**10,436**	**41,744**	**139,697**
Total	**4,520,460**	**5,888,815**	**677,908**	**2,003,751**	**3,207,156**
2014					
Payables and accruals	312,665	312,665	312,665	-	-
Other payables	8,462	8,462	8,462	-	-
Secured loan from joint operation	4,262,194	5,910,631	262,541	2,039,912	3,609,178
Revolving credit facility	150,000	151,772	895	150,877	-
Finance lease	8,871	18,507	1,284	5,135	12,088
Total	4,742,192	6,402,037	585,847	2,194,920	3,621,266

(f) Financing facilities

Syndicated revolving credit facility
Oil Search (Finance) Limited ("OSFL") signed a five year non-amortising syndicated financing facility effective 29 October 2012 for $500 million. As part of the terms and conditions of this facility, OSFL has provided a charge over its credit account in Melbourne with Australia & New Zealand Banking Group Limited and Oil Search (PNG) Limited as guarantor, provided a charge over its credit account in Melbourne with Australia & New Zealand Banking Group Limited.

Bilateral facilities
Oil Search (PNG) Limited ("OSP") entered into two separate three year bilateral revolving facilities effective 18 December 2015, with facility limits of $125 million each. As part of the terms and conditions of these facilities, OSP provided a charge over its credit account in Melbourne with Australia & New Zealand Banking Group Limited and the lenders have the benefit of security over OSFL's credit account in Melbourne with Australia & New Zealand Banking Group Limited.

Secured loan from joint operation
Papua New Guinea Liquefied Natural Gas Global Company LDC, a limited duration company incorporated under the laws of the Commonwealth of the Bahamas (the "Borrower") was organised to conduct certain activities of the PNG LNG Project outside of PNG, including the borrowing and on-lending to the Project participants of the Project Finance Debt Facility, and the purchase and re-sale of PNG LNG Project liquids and LNG. The Borrower is owned by each Project participant in a percentage equal to its interest in the PNG LNG Project (the Oil Search Limited Group interest at 31 December 2015 is 29.0% (December 2014: 29.0%)). Oil Search (LNG) Limited and Oil Search (Tumbudu) Limited are the Company's participants in the PNG LNG Project (the "OSL Participants").

Interest and principal on the Project Finance Debt Facility is payable on specified semi-annual dates, which commenced in June 2015, with the principal being repayable over 11.5 years based on a customised repayment profile.

26 Financial and capital risk management (continued)

(f) Financing facilities (continued)

The liquids and LNG sales proceeds from the PNG LNG Project are received into a sales escrow account from which agreed expenditure obligations and debt servicing are firstly made and, subject to meeting certain debt service cover ratio tests, surpluses are distributed to the Project participants.

The Borrower granted to the security trustee for the Project Finance Debt Facility:

- a first-ranking security interest in all of its assets, with a few limited exceptions;
- a fixed and floating charge over existing and future funds in the offshore accounts; a deed of charge (and assignment) over the sales contracts, LNG charter party agreements, rights under insurance policies, LNG supply and sales commitment agreements, on-loan agreements and the sales, shipping and finance administration agreements, collectively known as "Borrower Material Agreements"; and
- a mortgage of contractual rights over Borrower Material Agreements.

The OSL Participants have granted the security trustee for the Project Finance Debt Facility a security interest in all their rights, titles, interests in and to all of their assets, excluding any non-PNG LNG Project assets. The Company, as the shareholder in the OSL Participants, has provided the security trustee for the Project Finance Debt Facility a share mortgage over its shares in the OSL Participants.

The Project Finance Debt Facility is subject to various covenants and a negative pledge restricting further secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge have been breached at any time during the reporting period.

Financial Completion for the PNG LNG Project was achieved on 5 February 2015. From that date, the completion guarantee that was provided by the Company for its share of the Project Finance Debt Facility was released. The Company has not provided any other security.

(g) Capital management

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

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

(h) Fair values

All financial assets and financial liabilities are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at amortised cost. The fair values of financial assets and liabilities approximate their carrying amounts.

27 Events occurring after the reporting period

Subsequent to balance date, the Directors declared an unfranked final dividend of US 4 cents per share, to be paid on 31 March 2016. The proposed final dividend for 2015 is payable to all holders of ordinary shares on the Register of Members on 9 March 2016.

There were no other significant events after balance date.

Directors' Declaration

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

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

  (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2015, and its performance for the year ended on that date; and
  (ii) comply with International Financial Reporting Standards; and
  (iii) the attached financial statements and notes thereto comply with the reporting requirements of the Australian Securities Exchange Listing Rules; and

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

This declaration has been made after receiving unqualified declarations from the Managing Director and the Chief Financial Officer, that are consistent with requirements under section 295A of the Australian Corporations Act 2001, for the year ended 31 December 2015.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

....

RJ LEE

Chairman

....

PR BOTTEN

Managing Director

Sydney, 22 February 2016

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

Report on the Financial Report

We have audited the accompanying financial statements of Oil Search Limited (the Company), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 36 to 67.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and the *Papua New Guinea Companies Act 1997* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Deloitte.

Opinion

In our opinion,

(i) the financial statements of Oil Search Limited give a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2015 and of their performance for the year ended on that date in accordance with International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and the *Papua New Guinea Companies Act 1997*; and

(ii) proper accounting records have been kept by the Company.

Other Information

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 33 of the directors' report for the year ended 31 December 2015. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report and have voluntarily complied with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with International Standards on Auditing.

Opinion

In our opinion the Remuneration Report of Oil Search Limited for the year ended 31 December 2015, has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 22 February 2016

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Murray
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 22 February 2016