
ASX Announcement

ExxonMobil and PNG Government sign MoU regarding expansion of the PNG LNG Project

(ASX: OSH | ADR: OISHY | POMS0X: OSH)

19 January 2015

Exxon Mobil Corporation, as operator of the PNG LNG Project and of PRL 3, has announced that it has signed a Memorandum of Understanding (MoU) with the PNG Government with respect to the expansion of the PNG LNG Project (see press release attached).

Under the MoU, the PNG LNG Project will supply electricity and gas for domestic power generation, providing a reliable and clean source of energy to support PNG's urgent power needs. The agreement details the provisions for an LNG expansion project, including the award of a petroleum development licence (PDL) and associated pipeline licences for the P'nyang gas field in PRL 3 (Oil Search – 38.51%). P'nyang will provide additional long-term gas reserves for power generation and Project expansion, including expected debottlenecking of the existing trains and a third LNG train.

The MoU sets out an agreed timeline between the PRL 3 co-venturers and Government to a final investment decision for an additional LNG train. The commitment from the PRL 3 owners is for the sanction of the third train in the earliest timeframe, subject to completion of typical activities including appraisal, marketing, financing and development engineering on P'nyang. Under the agreement, a final investment decision is to be taken by the end of 2017 at the latest.

The PRL 3 licencees are in the process of finalising the PDL application for P'nyang which, under the MoU timeline, is expected to be offered by the end of the first quarter of 2015. Preparations are underway for appraisal drilling and development engineering studies, which will commence this year.

Oil Search is currently updating its resource estimate for P'nyang. Preliminary interpretation of recently acquired data has indicated a larger resource base than currently booked, which is providing confidence that the field can underpin the expansion train. The commitment under the MoU to near-term appraisal drilling will be undertaken to better quantify 1C contingent resource volumes.

Oil Search's Managing Director, Peter Botten said:

"We are delighted that ExxonMobil, as operator of the PNG LNG Project and PRL 3, has signed this MoU. This agreement meets the needs of all stakeholders. It will deliver much needed power to the people of PNG and provides an agreed timeline and activities for an expansion train at PNG LNG supported by P'nyang, a major gas field which is a key growth asset in Oil Search's portfolio.

The arrangement supports the PNG Government's vision to improve the delivery of long-term, reliable and accessible power in PNG. Importantly, it demonstrates how LNG developments, such as the PNG LNG Project, can deliver both substantial export revenues and gas-for-power solutions to the local economy, for the benefit of all of PNG. Oil Search will continue to work with, and support, the Government to deliver an integrated power solution for the nation."

PETER BOTTEN, CBE

Managing Director

19 January 2015

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MEDIA RELEASE | FOR IMMEDIATE RELEASE | 16 January 2015

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ExxonMobil and PNG Government to Develop Domestic Gas for Electricity Generation

- Memorandum of understanding includes framework to provide domestic gas for power generation for Port Moresby and Hides
- PNG LNG to provide up to 25 megawatts of electrical power for Port Moresby for near term use
- State to award a petroleum development license for P'nyang field

PORT MORESBY, Papua New Guinea – ExxonMobil PNG Limited, operator of the PNG LNG Project, and the government of Papua New Guinea have reached an agreement to supply up to 20 million cubic feet a day of domestic natural gas for 20 years to support government plans to improve the capacity and reliability of the country's power supply.

The agreement is in addition to an existing gas commitment for Hides domestic power generation.

"This agreement enables a reliable long-term supply of natural gas to support Port Moresby's urgent power generation needs," said Peter Graham, ExxonMobil PNG managing director.

Under a memorandum of understanding, a portion of the natural gas supply allocated for domestic use will enable PNG LNG to provide up to 25 megawatts of electrical power, or about 20 percent of Port Moresby's current generation capacity, for an interim period while the government addresses long-term power generation options. The remainder of the gas supply will be used to fuel a new state-owned gas-fired power generation unit expected to be located near the LNG Plant outside of Port Moresby.

The agreement provides for the award of a petroleum development license and associated pipeline licenses for the P'nyang field in order to provide access to the long-term natural gas reserves needed for power generation, and to enable expansion of the PNG LNG Project, which could include the development of a possible additional train.

Esso PNG P'nyang Limited, the operator of the P'nyang field and an ExxonMobil subsidiary, and its coventure partners will commence preparations to drill a P'nyang appraisal well within two years of the awarding of the petroleum development license.

Preparations for appraisal drilling are anticipated to commence in 2015, subject to progress of technical work, permitting and budgeting.

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About ExxonMobil in Papua New Guinea:

ExxonMobil has been in Papua New Guinea since the 1920s. It currently has interests in fuels marketing and oil production, as well as is responsible for operating the \$19 billion PNG LNG Project. The PNG LNG Project is an integrated development that includes gas production and processing facilities, onshore and offshore pipelines and liquefaction facilities. Participating interests are affiliates of Exxon Mobil Corporation (including ExxonMobil PNG Limited as operator), Oil Search Limited, National Petroleum Company Papua New Guinea, Santos Limited, JX Nippon Oil and Gas Exploration, Mineral Resources Development Company and Petromin PNG Holdings Limited. For additional information on ExxonMobil PNG please visit www.pnglng.com.

