
ASX Announcement

18 July 2016

Oil Search receives notification from InterOil of Superior Proposal

Oil Search Limited (ASX Code: OSH, POMSoX: OSH, ADR: OISHY) (Oil Search) has today been notified by InterOil Corporation (NYSE: IOC, POMSoX: IOC) (InterOil) that InterOil has received what the InterOil Board has determined constitutes a 'Superior Proposal' from Exxon Mobil Corporation (ExxonMobil), Oil Search's co-venturer in, and operator of, the PNG LNG Project. InterOil has advised that it intends to make a change in its recommendation and enter into an Arrangement Agreement with ExxonMobil.

The proposal from ExxonMobil for InterOil comprises a fixed price of US\$45 per InterOil share paid in ExxonMobil shares and a contingent resource payment (CRP) of US\$0.90 per mcf of Elk-Antelope 2C resource in excess of 6.2 tcf, subject to a cap of 10 tcf. The CRP will be payable in cash at resource certification and will not be transferable or listed on an exchange.

Under the Arrangement Agreement between Oil Search and InterOil dated 20 May 2016, InterOil must provide Oil Search a minimum of three days (up to 21 July 2016) to submit a revised offer before it is able to enter into an Arrangement Agreement with ExxonMobil.

Total SA, with which Oil Search has a memorandum of understanding regarding the InterOil assets, is aware of these developments and Oil Search's right to submit a revised offer. The parties are in active dialogue and have the flexibility to submit a revised offer either during the three day notice period or after InterOil enters into an Arrangement Agreement with ExxonMobil.

Oil Search's Board and management are committed to acting in the best interests of shareholders at all times and are presently considering their position. The proposal from ExxonMobil endorses Oil Search's view on the quality of the Elk-Antelope gas fields and the value of the Papua LNG Project. Given its existing material interests in both the PNG LNG Project and in the Papua LNG Project, Oil Search is well placed to participate in the potentially very significant benefits that are expected to arise from cooperation between, and/or integration of, the projects.

In the event that the Oil Search Arrangement Agreement is terminated following a change in recommendation from InterOil's Board, Oil Search is entitled to be paid a US\$60 million break fee (of which Total is entitled to 20%), which would more than cover the costs associated with its offer.

Oil Search will update shareholders and the market in due course. In light of the above development, the Company intends to delay the release of its Activities Report for the Second Quarter of 2016 until Thursday 21 July.

PETER BOTTEN, CBE

Managing Director

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