

Oil Search clarifies facts surrounding UBS loan

Media Release

Wednesday, 29 May 2019

Oil Search is aware of recent media regarding a Union Bank of Switzerland (UBS) loan to the Government of Papua New Guinea (PNG). We are also aware of a report dated December 2018 by the Ombudsman Commission of PNG into this UBS loan. At the time of this Media Release, the report has not been tabled in parliament.

As Oil Search and others were not contacted by the Ombudsman Commission during its investigations or given any opportunity to provide evidence or comment before issuing its final report, we wish to clarify some facts surrounding the UBS loan matter.

The Facts are as follows:

- Oil Search was not involved in, or a party to, the UBS loan, and no allegations have been made against Oil Search or Oil Search officers.
- In early 2014, Oil Search decided to acquire an interest in the Elk/Antelope gas fields – attractive assets which complemented Oil Search’s existing PNG assets.
- Oil Search was well progressed in finalising funding options for this acquisition, including entering into an underwriting agreement for a share offer.
- The PNG Government subsequently approached Oil Search and expressed interests in acquiring Oil Search shares via a share placement. The rationale was the PNG Government wanted to maintain a shareholding in the country’s biggest oil and gas company and the largest investor in-country (noting they would no longer hold shares post the exercise of International Petroleum Investment Company’s (IPIC) exchangeable bonds).
- The share placement was executed at a price of A\$8.20 per share. The price was assessed by the Oil Search Board to be fair and reasonable for all Oil Search shareholders based on the alternative share issue opportunities and transactions by other companies at the time.

Oil Search wishes to address the following inaccurate comments circulating in the media:

| No. | Inaccurate Comment | Correction |
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| 1 | Share placement to the PNG Government was made to block any future takeover bids of Oil Search by IPIC. | This is false. PNG already had the power to prevent a takeover of Oil Search, regardless of the share placement to the Government of Papua New Guinea, by the <i>Takeovers Code 1998</i> (PNG) which at the time provided the PNG Securities Commission with the ability to prevent any takeovers on national interest grounds. In any case, Oil Search’s Board would always consider a takeover bid on its merits and have no interest in preventing a takeover which generates shareholder value. Oil Search’s Board would always consider the interests of all shareholders, when determining their attitude to any potential takeover. |

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| 2 | Oil Search or an Oil Search officer may have been involved in illegal conduct in the UBS loan matter. | This is false. Oil Search and Oil Search officers were not involved in, or a party to, the UBS loan arrangements and have breached no laws. The execution of this share placement to the PNG Government followed all standard market practices and was in full compliance with all relevant laws and regulations. |
| 3 | Share placement to the PNG Government was finalised within an unusually fast period. | This is false. Share placements are normally executed and settled within a period of less than five days. With the knowledge that the PNG Government had to go through an extensive approval process, a generous completion period was provided, with Oil Search establishing a fallback standby equity placement arrangement, in case the relevant approvals could not be procured within the extended completion period. At no time did Oil Search put pressure on the PNG Government to complete the transaction with undue haste. In addition, Oil Search disclosures to the ASX and POMSoX at the time of the placement disclosed transparently the need for government approvals, the extended timeframe offered to the PNG Government to obtain those approvals, and our fallback standby share placement agreement. |
| 4 | Managing Director Peter Botten has resigned as a result of the UBS loan matter. | This is false. Mr Botten has not resigned and continues to lead the organisation as Managing Director. He has successfully led Oil Search for more than 25 years and it is a necessary course of action for any organisation to ensure succession plans are in place for executive leadership positions. |

Ends.

Media queries

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BACKGROUND INFORMATION

About Oil Search

Established in January 1929, Oil Search has grown into PNG's largest company and investor, operating all the country's producing oil fields and holding an extensive appraisal and exploration portfolio. Its 29 per cent interest in the ExxonMobil-operated PNG LNG Project has transformed Oil Search into a regionally significant oil and gas producer. The Company also holds material interests in the Elk-Antelope and P'nyang gas fields and is undertaking a range of activities to support further LNG expansion in PNG.

Oil Search operates in a socially responsible manner. Respectful, open relationships with local landowners and government are at the heart of its current and future success. The Company is committed to addressing important social issues and aspires to set the standard for private sector contribution to sustainable development.

Oil Search is listed on the Australian and Port Moresby security exchanges and its ADRs trade on the US Over the Counter market. For more information, please visit www.oilsearch.com.

Papua LNG Project

Following the share placement to the PNG Government, Oil Search acquired 22.835% equity in Petroleum Retention Licence 15 (PRL 15), containing the Elk-Antelope gas fields. The Elk-Antelope gas fields (which underpin the Papua LNG Project) comprise the largest undeveloped gas resource in PNG. In addition, there is significant exploration upside within the licence.

This acquisition in 2014 was consistent with Oil Search's strategy to aggregate high value gas resources to support LNG expansion in PNG and to develop those resources in the most capital efficient manner. The purchase diversified Oil Search's portfolio and was highly complementary to Oil Search's existing assets and operating platform in PNG.