
ASX Announcement

14 September 2015

Oil Search rejects Woodside non-binding conditional indicative proposal

The Board of Oil Search Limited (ASX Code: OSH) advises that it has unanimously decided to reject Woodside's (ASX Code: WPL) non-binding conditional indicative proposal to acquire all the shares in Oil Search for a consideration of one Woodside share for every four Oil Search shares held (the "Proposal").

Following a detailed evaluation of the Proposal, the Board has concluded that the Proposal is highly opportunistic and grossly undervalues the Company.

Since receiving the Proposal, the Company has undertaken substantial shareholder engagement. The overwhelming feedback has been that this Proposal has little merit.

Oil Search is a pure PNG oil and gas play with clear growth opportunities and an excellent track record of delivery. The Proposal would significantly alter the fundamental characteristic of an investment in the Company and dilute the present growth profile available to its shareholders.

Oil Search has a material equity position in the world class PNG LNG Project and in attractive, low cost, LNG growth opportunities. These include the expansion of the PNG LNG Project through debottlenecking, the construction of a third LNG train and the development of the proposed Papua LNG Project. This, combined with the Company's low cost oil production and an extensive and high quality exploration portfolio, provides substantial scope for capital growth, with the potential for production to double from current levels by the early 2020s. In addition, with exposure to oil prices, through both its oil sales and LNG contracts, the Company is in a strong position to capitalise from a recovery in the oil price.

Oil Search is in a very robust financial position, with strong operating cash flows from its producing assets, even at current low oil prices, and current liquidity of US\$1.6 billion, comprising US\$850 million in cash and US\$750 million in undrawn corporate credit facilities. Together with our operators, ExxonMobil and Total, and our other joint venture partners, Oil Search has access to competitively priced project finance for its LNG developments and substantial corporate debt capacity. The Company is well placed to fund the development of its growth projects.

Commenting on the Proposal, the Company's Chairman, Mr Rick Lee said:

"The Board of Oil Search believes our Company is in a very strong position, both operationally and financially. We have a low cost, high quality, production base which is generating strong cash flows and excellent growth opportunities, with the proposed PNG LNG Train 3 and Papua LNG among the most competitive new developments in the world. Oil Search provides its shareholders with a pure exposure to PNG and is fully committed to PNG. Our focus is on continuing to build and create shareholder value through the Company's strong future growth prospects.

If any proposals are tabled in the future that reflect compelling value for Oil Search shareholders, we will engage on them. Clearly this proposal falls well short of that test.”

Oil Search has appointed Luminis Partners and Morgan Stanley as its financial advisers and Allens as its legal adviser.

RICK LEE, AM

Chairman

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A briefing for analysts and fund managers, hosted by Oil Search’s Chairman, Mr Rick Lee, will take place at 9.30 am AEST today, 14 September 2015. This will be live streamed through Oil Search’s website. To listen in, please access via www.oilsearch.com. If you experience any technical difficulties, please call: +61 2 8280 6000.