
ASX Announcement

15 September 2015

Chairman's Letter to Shareholders – Rejection of Non-binding Conditional Indicative Proposal from Woodside

Attached is a letter from the Chairman of Oil Search Limited (ASX Code: OSH) to the Company's shareholders regarding the Oil Search Board's unanimous rejection of 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.

STEPHEN GARDINER

Group Secretary

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Group Secretary

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15 September 2015

Oil Search rejects Woodside non-binding conditional indicative proposal

Dear Shareholder,

On Tuesday 8 September 2015, Oil Search (ASX Code: OSH), announced that it had received a non-binding, conditional indicative proposal from Woodside (ASX Code: WPL) under which Woodside would acquire all of the shares in Oil Search for a consideration of one Woodside share for every four Oil Search shares held (the "Proposal"). The Proposal was subject to the following conditions:

- Completion by Woodside of satisfactory due diligence on Oil Search;
- Execution of a mutually acceptable confidentiality agreement;
- Oil Search granting an agreed period of exclusivity;
- Oil Search obtaining support from key stakeholders and shareholders; and
- Woodside being satisfied that the transaction is likely to be supported by the PNG Government on acceptable terms.

Following a detailed evaluation by the Company in conjunction with our financial and legal advisers, your Board has concluded that the Proposal is highly opportunistic and grossly undervalues the Company. The Proposal would significantly alter the fundamental characteristic of an investment in the Company and dilute the present growth profile available to our shareholders.

Further, since receiving the Proposal, the Company has undertaken substantial shareholder engagement, with the overwhelming feedback being that this Proposal has little merit.

Consequently, your Board has unanimously decided to **REJECT** Woodside's Proposal.

Oil Search provides a pure exposure to PNG oil and gas with clear growth opportunities and an excellent track record of delivery:

- Material equity position in the world class PNG LNG Project;
- Attractive, low cost LNG growth opportunities including: expansion of the PNG LNG Project through debottlenecking, construction of a third PNG LNG train and development of the proposed Papua LNG Project;
- Extensive and high quality exploration portfolio;
- Low cost oil production and strong position to capitalise from a recovery in the oil price.

Additionally, Oil Search is in a very robust financial position with significant corporate liquidity and strong operating cash flows from its producing assets, even at current low oil prices. Together with our operators, ExxonMobil and Total, and other joint venture partners, the Company is well placed to fund the development of its growth projects.

Should any proposals be tabled in the future that reflect compelling value for Oil Search shareholders, having regard to the Company's strong operating and financial position and future growth prospects, your Board will assess them. Meanwhile, Oil Search remains fully committed to PNG and our existing strategy, as we continue to focus on creating long-term value for our shareholders.

We thank you for your continued support.



Rick Lee, AM

Chairman