
ASX Announcement

Oil Search advises intention not to submit a revised offer for InterOil

21 July 2016

Oil Search Limited (ASX Code: OSH, POMSoX: OSH, ADR: OISHY) (Oil Search) has today informed InterOil Corporation (NYSE: IOC, POMSoX: IOC) (InterOil) that it does not intend to submit a revised offer for InterOil under the Arrangement Agreement between Oil Search and InterOil dated 20 May 2016. This follows notification on 18 July from InterOil that it had received a 'Superior Proposal' from Exxon Mobil Corporation (ExxonMobil) and that the InterOil Board intended to change its recommendation and enter into an Arrangement Agreement with ExxonMobil.

Following a detailed review of the ExxonMobil proposal, including an analysis of the recent Elk-Antelope resource certification, the value and opportunities offered by cooperation between Papua LNG and PNG LNG and the likelihood of realising this value by having ExxonMobil in the Papua LNG Joint Venture, the Oil Search Board has decided it is not in the best interests of shareholders to submit a revised offer for InterOil.

Commenting on the decision, Oil Search's Managing Director, Peter Botten, said:

"Given the decision by ExxonMobil to make an offer for InterOil on the terms it has announced, we do not believe it is in the best interests of our shareholders for Oil Search to submit a revised offer to acquire InterOil."

The bid by ExxonMobil clearly underscores the merits of our offer for InterOil and highlights both the quality of our LNG assets in PNG and the potential value that would be created by cooperation between PNG's two world class LNG projects. Total SA and Oil Search have already signalled their desire to cooperate with the PNG LNG Project, to maximise synergy values for all stakeholders. Should ExxonMobil be successful in its proposed bid for InterOil, its entry into Papua LNG would significantly enhance the likelihood of material project cooperation. Opportunities to add value include possible project acceleration, capital and operating cost savings, resource utilisation optimisation and various operating, financing and marketing synergies. Considerable work remains to be done by all stakeholders to realise these opportunities, but the entry of ExxonMobil into Papua LNG would be a material step forward.

For Oil Search shareholders, the successful takeover of InterOil by ExxonMobil will deliver a major part of our original objectives in the acquisition of InterOil and our agreement with Total SA, without shareholder dilution and any acquisition risk.

We are pleased to have created a catalyst for potential LNG project cooperation in PNG and look forward to continued strong working relationships with Total SA, ExxonMobil and the other PNG LNG stakeholders, as well as with the PNG Government, with a focus on progressing a potential expansion of the PNG LNG Project and the development of Papua LNG in the earliest practicable timeframe. The PNG LNG and Papua LNG projects remain two of the most competitive new LNG developments globally."

Oil Search and Total SA have mutually agreed that they will terminate their Memorandum of Understanding (including its exclusivity provisions) if InterOil terminates the Arrangement Agreement with Oil Search so that it can enter into a binding agreement with ExxonMobil,

In addition, if InterOil terminates the Arrangement Agreement with Oil Search, Oil Search will receive a US\$60 million break fee (of which Total is entitled to 20%), which will more than cover the costs associated with the offer.

PETER BOTTEN, CBE

Managing Director

21 July 2016

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