

ASX Announcement

Receipt of improved non-binding indicative proposal from Santos, intention to unanimously recommend

2 August 2021

ASX: OSH | PNGX: OSH | ADR: OISHY

Oil Search Limited ("Oil Search") has received an improved, non-binding and indicative merger proposal from Santos Limited ("Santos") under which Santos would acquire all of the shares in Oil Search for a consideration of 0.6275 new Santos shares for each Oil Search share held, via a scheme of arrangement (the "Revised Proposal"). This follows an earlier proposal from Santos to acquire all of the shares in Oil Search for a consideration of 0.589 new Santos shares per Oil Search share, which was rejected by the Oil Search Board.

Under the Revised Proposal, Oil Search shareholders would own approximately 38.5% of the merged group, compared to 36.9% under Santos' earlier proposal.

The Revised Proposal implies a transaction price of A\$4.52 per Oil Search share, based on the closing price of Santos shares on 24 June 2021 (being the day prior to when Santos submitted its first proposal). This represents a 19.7% premium to the closing price of Oil Search's shares on that date.

Due Diligence

The Oil Search Board has considered the Revised Proposal and has determined to grant due diligence access to Santos, subject to the parties entering into an acceptable confidentiality agreement. It is expected that due diligence will take approximately 4 weeks. Oil Search will also undertake due diligence on Santos during this period. It is a requirement of Santos' Revised Proposal that the mutual due diligence be conducted on an exclusive basis.

Intention to recommend

The Oil Search Board believes that the Revised Proposal presents Oil Search shareholders with an opportunity to maintain ongoing exposure to Oil Search's portfolio of world-class assets as part of a merged group for which there is strategic logic. The merged group would be within the S&P ASX-20 index and amongst the top 20 largest global oil and gas companies.

Subject to each party completing due diligence on the other to its satisfaction, and entry into a merger implementation agreement, the Oil Search board intends to unanimously recommend that shareholders vote in favour of the Revised Proposal, in the absence of a superior proposal and subject to the conclusion of an independent expert that the Revised Proposal is in the best interests of Oil Search shareholders.

Any merger implementation agreement entered into between the parties would itself be subject to a number of conditions including Oil Search shareholder approval, PNG court approval and regulatory approvals.

Each party will be free to declare ordinary dividends in accordance with its existing dividend policy through to the entry into a merger implementation agreement for the transaction. Should a party declare a dividend outside its existing dividend policy before the signing of a merger implementation agreement, there would be an appropriate adjustment to the merger ratio.

Next Steps

The Oil Search Board will update shareholders and the market in due course. Shareholders do not need to take any action in relation to the Revised Proposal at this stage. There is no certainty that the Revised Proposal will result in a transaction.

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This ASX announcement was authorised for release by the Board of Directors

About Oil Search

Oil Search is a responsible energy company, with a proud history and strong heritage, that contributes to a sustainable future. Established in 1929, the organisation's purpose is to deliver low cost, high value energy that meets society's needs, and its ambition is to be the preferred energy company for all stakeholders. With activities well supported by a clear hierarchy for allocating capital, prioritising sustaining capital and a strong, flexible balance sheet, Oil Search is a safe, low-cost, reliable business with a clear path to future growth. Recognised for its proven capability to operate in challenging environments, Oil Search has a world-class resource base and a strong track record of working with communities and stakeholders. Sustainability is embedded across the Company and it aspires to set the standard for sustainable development. Oil Search is listed on the Australian and PNG security exchanges (ticker: OSH) and its ADRs trade on the US Over the Counter market (ticker: OISHY)