

Dear Mr Botten,

RE: OIL SEARCH LIMITED PLACEMENT

I am writing to you following our discussion in Port Moresby on 23 February 2014 regarding a share placement by Oil Search Limited ("Oil Search" or "the Company") to the State (together, "the Placement").

This letter is intended to convey the State's willingness to participate in the Placement in order to form a long term investment in Oil Search, with a view to further strengthening our existing relationship.

The State offers to invest an amount of A\$1.225 billion at a subscription price of A\$8.20 per share on the basis that this occurs on or before March 10, 2014.

Given the significance of the transaction, the State wants to ensure that the financing and hedging arrangements that are put in place minimize the cost to the State and also provide for an orderly solution in the market for the Company. Accordingly, the State requests the assistance of Oil Search to help maximize the price achieved via, hedging arrangements.

The State's commitment to the Placement is subject to the following-

- The PNG Government receiving formal approval from the PNG's National Executive Council, which I intend to secure on or before March 6, 2014, [and signing final binding financing agreements]; and
- Oil Search entering into a contingent placement agreement with UBS, as the State's Strategic Advisor, under which Oil Search will gain the benefit of hedging arrangements that UBS will have undertaken on its behalf.

Please find attached a draft announcement to the market. Please liaise with Mr Dairi Vele, Secretary of the Treasury, who will be co-ordinating the Placement on behalf of the PNG Government.

*(signed)*

Yours sincerely,  
HON PETER O'NEILL, CMG, MP  
Prime Minister