



OIL SEARCH LIMITED

# STRATEGY ON TRACK

2013 NOTICE OF MEETING

## NOTICE OF MEETING – 2013 ANNUAL MEETING

Notice is hereby given that the eighty second Annual Meeting (the Meeting) of Members of Oil Search Limited (Oil Search or the Company) will be held in the Ballroom at the Crowne Plaza Hotel, Port Moresby, Papua New Guinea, on Friday, 10 May 2013, at 10:00 am (Port Moresby time).

### ORDINARY BUSINESS

1. To receive and consider the financial statements for the Company, together with the Directors' Report and Auditor's Report, for the year ended 31 December 2012.
2. To re-elect Gereia Aopi as a director of the Company. Gereia Aopi retires in accordance with clause 15.3(b) of the Company's Constitution and, being eligible to do so, offers himself for re-election.
3. To elect Richard (Rick) Lee as a director of the Company. Rick Lee retires in accordance with clause 15.3(a) of the Company's Constitution and, being eligible to do so, offers himself for election.
4. To elect Keith Spence as a director of the Company. Keith Spence retires in accordance with clause 15.3(a) of the Company's Constitution and, being eligible to do so, offers himself for election.
5. To elect Bartholomew (Bart) Philemon as a director of the Company. Bart Philemon retires in accordance with clause 15.3(a) of the Company's Constitution and, being eligible to do so, offers himself for election.
6. To elect Fiona Harris as a director of the Company. Fiona Harris retires in accordance with clause 15.3(a) of the Company's Constitution and, being eligible to do so, offers herself for election.
7. In accordance with Section 190 of the Companies Act (1997), to appoint an auditor and in accordance with Section 191 of the Companies Act (1997) to authorise the directors to fix the fees and expenses of the auditor. Deloitte Touche Tohmatsu retires in accordance with Section 190 of the Companies Act (1997) and, being eligible to do so, offers itself for re-appointment.

### SPECIAL BUSINESS

1. To approve the issue of 240,000 Performance Rights to the Managing Director, Peter Botten, pursuant to the rules and terms of issue of the Long Term Incentive Plan (LTI Plan).
2. To approve the issue of 52,300 Performance Rights to Executive Director, Gereia Aopi, pursuant to the rules and terms of issue of the LTI Plan.
3. To approve the issue of 136,761 Restricted Shares to the Managing Director, Peter Botten, pursuant to the LTI Plan by way of a mandatory deferral of 50% of the Managing Director's short term incentive in respect of the 2012 year.
4. To approve the issue of 36,464 Restricted Shares to the Executive Director, Gereia Aopi, pursuant to the LTI Plan by way of a mandatory deferral of 50% of the Executive Director's short term incentive in respect of the 2012 year.
5. To approve the increase by A\$550,000, to A\$2,500,000, in the maximum aggregate amount that may be paid to Non-Executive Directors by way of fees in any calendar year.

All items of Special Business will be treated as ordinary resolutions.

By Order of the Board



**Stephen Gardiner**  
Group Secretary

Date: 27 March 2013

**NOTE**

A Member entitled to attend and vote at the Meeting may appoint a proxy, who need not necessarily be a Member of the Company. A proxy form is enclosed and, where a proxy is to be appointed, the proxy form should be completed and lodged at any one of the following addresses not less than 48 hours before the time at which the Meeting is to be held:

**THE REGISTERED OFFICE OF THE COMPANY:**

Level 7  
Credit House  
Cuthbertson Street  
Port Moresby, NCD

PO Box 842, Port Moresby  
PAPUA NEW GUINEA

Facsimile: (675) 322 5566

**THE OFFICE OF THE COMPANY IN AUSTRALIA:**

1 Bligh Street  
Sydney NSW 2000

GPO Box 2442  
Sydney NSW 2001  
AUSTRALIA

Facsimile: (61 2) 8207 8500

**THE OFFICE OF THE COMPANY'S SHARE REGISTRY:**

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
AUSTRALIA

Facsimile: 1800 783 447 (within Australia)  
(61 3) 9473 2555 (outside Australia)

**VOTING EXCLUSION STATEMENT (SPECIAL BUSINESS ITEMS 1, 2, 3, 4 AND 5)**

Pursuant to ASX Listing Rules 10.14 and 10.15A.6, the Company will disregard any votes cast on Items 1, 2, 3 and 4 of the Special Business by Peter Botten and Gereia Aopi, being the only directors eligible to participate in the Long Term Incentive Plan, and any of their associates.

Pursuant to ASX Listing Rule 10.17, the Company will disregard any votes cast on Item 5 of the Special Business by any director, and any of their associates.

However, the Company need not disregard a vote if:

- ▶ it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- ▶ it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**EXPLANATORY NOTES (ORDINARY BUSINESS ITEMS 1, 2, 3, 4, 5, 6 AND 7)**

**RESOLUTION 1 – FINANCIAL STATEMENTS, DIRECTORS' REPORT AND AUDITOR'S REPORT**

The Company's financial statements, together with the Directors' Report and the Auditor's Report for the year ended 31 December 2012, will be put to the Meeting for consideration.

There is no requirement for the Meeting to approve these reports. However, the Chairman will allow reasonable opportunity for shareholders to ask questions or make comments about the reports and regarding the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and the contents of the Auditor's Report.

As Oil Search is a company incorporated in Papua New Guinea, it is not bound by Australian Corporations Law provisions requiring the inclusion of a remuneration report in the Directors' Report, nor the requirement to submit the report to a non-binding advisory vote at the Annual Meeting. However, in the interest of good governance, the Company elects to include a Remuneration Report in the Directors' Report that has been prepared in accordance with section 300A of the Australian Corporations Act 2001.

Oil Search's 2012 Annual Report has been made available to shareholders and can be found on the Company's website at the following address:

<http://www.oilsearch.com/Investors/ASX-Releases/Annual-Reports.html>

**RESOLUTIONS 2 TO 6 – RE-ELECTION AND ELECTION OF DIRECTORS**

**Gerea Aopi, BEc, BAC, MBA, CBE, 58 years**

Mr Aopi retires by rotation and offers himself for re-election.

Mr Aopi was appointed to the Board as an Executive Director on 18 May 2006.

Mr Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, serving in a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He was previously the Chairman of Telikom PNG Ltd and Independent Public Business Corporation (IPBC). Mr Aopi is a Director of Steamships Trading Company Limited, Bank of South Pacific Limited and a number of other private sector and charitable organisations in Papua New Guinea.

The other directors recommend that shareholders vote in favour of Mr Aopi's re-election.

## NOTICE OF MEETING – 2013 ANNUAL MEETING

### **Rick Lee, BEng (Chem) (Hons), MA (Oxon), FAICD, 63 years**

Mr Lee retires as his appointment to the Board occurred subsequent to the last Annual Meeting and offers himself for election.

Mr Lee joined the Board on 9 May 2012.

Mr Lee has extensive resource banking and international commercial experience. His previous senior executive roles include 16 years with CSR Limited and 9 years in the position of Chief Executive Officer of NM Rothschild Australia Limited. Mr Lee is Chairman of Salmat Limited, Deputy Chairman of Ridley Corporation Limited and a Director of Newcrest Mining Limited.

The other directors recommend that shareholders vote in favour of Mr Lee's election.

### **Keith Spence, BSc (Geophysics) (Hons), 59 years**

Mr Spence retires as his appointment to the Board occurred subsequent to the last Annual Meeting and offers himself for election.

Mr Spence joined the Board on 9 May 2012.

Mr Spence brings over thirty years of oil and gas experience to the Board, having served in senior executive positions with Woodside Petroleum Limited, including Chief Operating Officer and Acting Chief Executive. Mr Spence was with Shell for 18 years prior to Woodside. Mr Spence is Chairman of Clough Limited and Geodynamics Limited. He is a Director of Verve Energy and also chairs a number of other bodies including the National Offshore Petroleum Safety and Environmental Management Authority Advisory Board and the Australian Institute of Management (WA).

The other directors recommend that shareholders vote in favour of Mr Spence's election.

### **Bart Philemon, 68 years**

Mr Philemon retires as his appointment to the Board occurred subsequent to the last Annual Meeting and offers himself for election.

Mr Philemon joined the Board on 5 November 2012.

Mr Philemon is acknowledged as one of Papua New Guinea's most influential leaders, with distinguished careers in both business and public service. Mr Philemon's career highlights include serving as Chairman of Air Nuigini and holding a number of ministerial posts in PNG Government, including Minister of Foreign Affairs and Minister for Finance and Treasury. Mr Philemon served as the member for Lae Open in Government from 1992 until the 2012 elections. Mr Philemon is a Director of Highlands Pacific Limited.

The other directors recommend that shareholders vote in favour of Mr Philemon's election.

### **Fiona Harris, BCom, FAICD, FCA (Aust), 52 years**

Ms Harris retires as her appointment to the Board occurred subsequent to the last Annual Meeting and offers herself for election.

Ms Harris joined the Board on 1 March 2013.

Ms Harris has over 17 years of experience as a non-executive director, including on the boards of numerous resource and other companies in the ASX50, ASX100

and ASX200, and several with international operations. Ms Harris was formerly a member of the National Board of the Australian Institute of Company Directors (and a previous Western Australian State President). She is currently a Director of Aurora Oil & Gas Limited, BWP Trust, Infigen Energy Limited and Sundance Resources Limited. Prior to commencing her career as non-executive director, Ms Harris was a partner at KPMG, working in Perth, San Francisco and Sydney.

The other directors recommend that shareholders vote in favour of Ms Harris's election.

## **RESOLUTION 7 – RE-APPOINTMENT OF AUDITOR**

The resolution to re-appoint the Company's auditor, Deloitte Touche Tohmatsu, to hold office from the conclusion of this Meeting until the conclusion of the Company's next Annual Meeting, is formally put to shareholders, in accordance with Section 190 of the PNG Companies Act.

The Board recommends that shareholders vote in favour of the re-appointment of Deloitte Touche Tohmatsu.

## **EXPLANATORY NOTES (SPECIAL BUSINESS ITEMS 1, 2, 3 AND 4)**

### **1) ISSUE OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR, PETER BOTTEN, AND TO EXECUTIVE DIRECTOR, GERE A AOPI, UNDER THE LONG TERM INCENTIVE PLAN**

Items 1 and 2 of the Special Business deal with the proposed issue of Performance Rights to the Managing Director, Peter Botten, and Executive Director, Gere A Aopi, under the LTI Plan.

At the Annual Meeting in 2004, shareholders approved equity incentive arrangements for senior executives and other employees of the Company. Following changes in Australian tax legislation, the existing equity incentive arrangements were reviewed and consolidated as the Long Term Incentive Plan. The review did not change the manner in which existing arrangements operate in the future.

Under the LTI Plan, awards of the following can be made:

- Performance Rights (PRs) for key executives;
- Share Appreciation Rights or Share Options for other employees; and
- Restricted Shares for key executives.

The key terms applying to the award of PRs under the LTI Plan are summarised below.

### **A) TYPE OF AWARD**

Awards of PRs are structured as rights to acquire ordinary shares in the Company for nil consideration, provided specified performance hurdles are met within defined time restrictions.

The LTI Plan rules allow participation by any executive, executive director or any other employee deemed to be eligible by the Board.

Awards under the plan are expressed as a number of PRs to acquire a certain number of ordinary shares in the Company (generally one share for each PR).

## NOTICE OF MEETING – 2013 ANNUAL MEETING

### B) PURCHASE PRICE

Recipients of PRs are not required to pay any amount in respect of the PRs or on acquisition of the shares pursuant to the PRs.

### C) SIZE OF AWARD

The Board determines the size of the annual PR award to be issued to each participant through an assessment of market remuneration practices and in line with Oil Search's executive remuneration strategy.

### D) FREQUENCY OF AWARDS

Awards under the LTI Plan are made annually, normally following the Company's Annual Meeting.

### E) VESTING OF PRS

PRs vest three years after the date of issue to the extent performance criteria have been met and automatically exercise.

### F) PERFORMANCE CRITERIA

The performance criteria for the vesting of PRs are based on the Company's Total Shareholder Return (TSR) over the three-year performance period.

The performance period for PR awards made in 2013 will be the three-year period from 1 January 2013 to 31 December 2015.

To determine the number of awards vesting, the Company's TSR over the performance period will be ranked:

- i) as regards 50% of the award, against the TSR of each of the constituents of the ASX 50 Index (excluding property trusts and non-standard listings) as at the commencement of the three-year performance period; and
- ii) as regards the other 50% of the award, against the TSR of each of the constituents of the Standard & Poor's Global Energy Index at the commencement of the three-year performance period.

If, in regard to either part of the award described in i or ii above, the Company's TSR performance is:

- below median, that is, the 50th percentile, the number of PRs comprising that part of the award that vest will be zero;
- at median, the number of PRs that vest will be 50% of the total number of PRs comprised in that part of the award;
- greater than median and less than the 75th percentile, the number of PRs that vest will increase on a straight line basis from 50% to 100% of the total number of PRs comprised in that part of the award; or
- equal to or greater than the 75th percentile, the number of PRs that vest will be 100% of the total number of PRs comprised in that part of the award.

The Board retains discretion to allow vesting of all PRs and to waive any restrictions in the event of a change of control or de-merger of the Company.

### G) LAPSING OF PRS

PRs that do not vest following assessment of the performance conditions lapse immediately.

Generally, unvested PRs will lapse on cessation of employment, unless the Board determines otherwise. If the participant's employment ends by reason of death, illness, total or permanent disablement, redundancy or in circumstances approved by the Board, unvested

PRs will not vest or lapse but will remain on foot after cessation of employment and will vest or lapse in due course depending on whether the performance conditions are achieved (subject to the Board's discretion to determine otherwise prior to or around the time of cessation).

The Board may also determine to cancel a participant's unvested PRs if, in the opinion of the Board, the participant has breached their obligations to the Oil Search Group.

### H) MANAGEMENT OF THE LTI PLAN AND OTHER GENERAL TERMS

The LTI Plan is administered by the Board.

The LTI Plan rules provide flexibility to allow the use of newly issued or existing shares (for example, through purchase on-market) to satisfy awards under the LTI Plan.

PRs do not attract dividends or voting rights.

The Board may engage third party share managers to assist with the administration of the LTI Plan.

### I) MAXIMUM NUMBER OF SHARES TO BE ISSUED

The aggregate number of shares and shares subject to outstanding rights (that is, rights that have not yet been exercised and that have not lapsed) that have been awarded under all of Oil Search's equity incentive plans will not exceed 5% of Oil Search's issued share capital.

ASX Listing Rule 10.14 requires shareholder approval before the following persons can acquire securities in the Company under an employee incentive plan:

- a director;
- an associate of the director; and
- a person whose relationship with the entity is, in the ASX's opinion such that approval should be obtained.

Accordingly, shareholder approval is sought in respect of the issue of 240,000 PRs to the Managing Director, Peter Botten and the issue of 52,300 PRs to Executive Director, Gereia Aopi, in accordance with the LTI Plan.

ASX Listing Rule 10.15A requires certain information to be given in a notice of meeting to approve the acquisition of securities under an employee incentive plan.

For the purposes of Listing Rule 10.15A, it is noted that:

- under the terms of the LTI Plan, it is proposed that Peter Botten be awarded 240,000 PRs and that Gereia Aopi be awarded 52,300 PRs in respect of the 2013 financial year. Peter Botten and Gereia Aopi may each acquire one ordinary share in the capital of the Company for each PR awarded to them. However, the ability of Peter Botten and Gereia Aopi to exercise the PRs is subject to the performance conditions described in the summary of the LTI Plan set out above being met;
- the acquisition price for the shares will be nil;
- persons referred to in ASX Listing Rule 10.14 who received PRs under the PR Plan following the last approval at the 2012 Annual Meeting were:

NAME OF PARTICIPANT	NO. OF PRS RECEIVED	ACQUISITION PRICE
Peter Botten	248,700	Nil
Gereia Aopi	53,600	Nil

- ▶ Peter Botten and Gereia Aopi are the only persons participating in the LTI Plan who require shareholder approval for the right to acquire shares in the capital of the Company under the LTI Plan;
- ▶ details of any PRs issued under the LTI Plan will be published in each annual report of the Company relating to a period in which PRs have been issued, and the report will state that approval for the issue of those PRs was obtained under ASX Listing Rule 10.14;
- ▶ no person for whom shareholder approval is required under ASX Listing Rule 10.14 may participate in the PR Plan until approval is obtained in accordance with ASX Listing Rule 10.14; and
- ▶ 2013 PRs will be awarded to Peter Botten and Gereia Aopi as soon as practicable following the close of the Meeting.

## **2) ISSUE OF RESTRICTED SHARES TO THE MANAGING DIRECTOR, PETER BOTTEN, AND TO EXECUTIVE DIRECTOR, GEREIA AOPI**

Items 3 and 4 of the Special Business deal with the proposed issue of 136,761 Restricted Shares to the Managing Director, Peter Botten and with the proposed issue of 36,464 Restricted Shares to Executive Director, Gereia Aopi, pursuant to the LTI Plan.

The Company introduced the Restricted Share Plan in 2007. Following changes in Australian tax legislation, the existing equity incentive arrangements were reviewed and consolidated as the LTI Plan. The review did not change the manner in which existing arrangements operate in the future.

The key terms applying to the issue of Restricted Shares under the LTI Plan are summarised below.

### **A) TYPE OF AWARDS**

Awards of Restricted Shares under the LTI Plan are structured as grants of Restricted Shares for nil consideration. Restricted Shares are held on behalf of participants in trust, subject to disposal restrictions and forfeiture conditions, until released under the terms of the LTI Plan.

The LTI Plan rules allow participation by any executive, executive director or any other key employee deemed to be eligible by the Board.

The Board may adopt additional rules for awards of Restricted Shares to take into account legal or tax implications.

### **B) PURCHASE PRICE**

Participants are not required to pay any amount in respect of the Restricted Shares.

### **C) SIZE OF AWARDS**

The number of Restricted Shares to be granted to the participant is the number of ordinary shares that can be acquired on-market with a specific percentage of the participant's total fixed remuneration (TFR) determined at the time of the grant.

### **D) FREQUENCY OF AWARDS**

Awards of Restricted Shares under the LTI Plan are made from time to time where the Board determines that retention of the individual is a key Company objective.

### **E) PERFORMANCE CRITERIA**

The vesting of Restricted Shares is subject to continued employment – no additional performance conditions

apply. Unless the Board otherwise determines, unvested Restricted Shares will be forfeited where a participant ceases employment before the vesting date.

### **F) DISPOSAL RESTRICTIONS/FORFEITURE CONDITIONS ON SHARES**

Restricted Shares are held in trust prior to the Restricted Shares vesting. Restricted Shares will be automatically released from the trust on the vesting date. Whilst the Restricted Shares are held in trust, the Restricted Shares will be subject to disposal restrictions and forfeiture conditions. Restricted Shares held in trust (whether vested or not) will be forfeited by participants who are considered by the Board to have acted fraudulently or dishonestly.

### **G) CESSATION OF EMPLOYMENT**

Unless the Board otherwise determines, participants who cease employment prior to vesting will forfeit their unvested Restricted Shares except on death or cessation due to ill health, permanent disablement, redundancy or where the Board determines in its discretion that unvested Restricted Shares should vest.

### **H) MANAGEMENT OF THE LTI PLAN AND OTHER GENERAL TERMS**

The LTI Plan is administered by the Board.

The LTI Plan rules provide flexibility to allow the use of newly issued or existing shares (for example through purchase on-market) to satisfy awards under the LTI Plan.

Participants are not entitled to dividends and voting rights.

### **I) MAXIMUM NUMBER OF RESTRICTED SHARES TO BE ISSUED**

The aggregate number of Restricted Shares and shares subject to outstanding rights (that is, rights that have not yet been exercised and have not lapsed) that have been awarded under all of Oil Search's equity incentive plans will not exceed 5% of Oil Search's issued share capital.

## **GRANT OF RESTRICTED SHARES IN LIEU OF STI AWARDS**

Grants of Restricted Shares in lieu of a portion of a participant's short term incentive (STI) award may be made under the LTI Plan. These awards are made on the same terms as outlined above, except for the following specific terms:

### **A) TYPE OF AWARD**

Participants are required to defer 50% of their STI award for a financial year into Restricted Shares. Deferral of the prescribed portion of the STI award will be mandatory for employees, including all senior executives, selected to participate in the arrangement.

### **B) SIZE OF AWARDS**

The number of Restricted Shares issued will be the number of ordinary shares that can be acquired on market with 50% of the participant's STI award (determined shortly after the end of the performance period).

### **C) FREQUENCY OF AWARDS**

It is envisaged that annual issues will be made to the extent that STI awards are determined for eligible senior management employees.

**D) VESTING OF AWARDS**

Shares issued in the second quarter of 2013 (in respect of the 2012 financial year) will automatically vest on 1 January 2015.

**E) PERFORMANCE CRITERIA**

Performance criteria determine the quantum of the STI award based on achievement of operating, financial, exploration success and business growth targets set by the Board over the relevant financial year. No additional performance conditions apply to the Restricted Shares granted by way of the mandatory deferral of a portion of a participant’s STI award other than continued employment until the vesting date.

**F) DIVIDENDS**

Participants who receive Restricted Shares in lieu of STI Awards will be entitled to receive dividends on those Restricted Shares.

ASX Listing Rule 10.14 requires shareholder approval before the following persons can acquire securities in the Company under an employee incentive plan:

- a director;
- an associate of the director; and
- a person whose relationship with the entity is, in the ASX’s opinion, such that approval should be obtained.

Accordingly, shareholder approval is sought in respect of the grant of 136,761 Restricted Shares to the Managing Director, Peter Botten and the grant of 36,464 Restricted Shares to Executive Director, Gereia Aopi, in accordance with the LTI Plan.

ASX Listing Rule 10.15A requires certain information to be given in a notice of meeting to approve the acquisition of securities under an employee incentive plan.

For the purposes of Listing Rule 10.15A it is noted that:

- the Managing Director, Peter Botten, will be granted pursuant to the LTI Plan with 136,761 Restricted Shares by way of mandatory deferral of 50% of the Managing Director’s STI award for 2012;
- Executive Director, Gereia Aopi, will be granted pursuant to the LTI Plan with 36,464 Restricted Shares by way of mandatory deferral of 50% of the Executive Director’s STI award for 2012;
- the acquisition price for the Restricted Shares will be nil;
- persons referred to in ASX Listing Rule 10.14 who received Restricted Shares under the Restricted Shares Plan following the last approval at the 2012 Annual Meeting were:

<b>NAME OF PARTICIPANT</b>	<b>NO. OF RESTRICTED SHARES RECEIVED</b>	<b>ACQUISITION PRICE</b>
Peter Botten	37,905	Nil
Gereia Aopi	9,454	Nil

- Peter Botten and Gereia Aopi are the only persons participating in the LTI Plan who require shareholder approval to acquire Restricted Shares under the LTI Plan;
- no person for whom shareholder approval is required under Listing Rule 10.14 may participate in the LTI Plan until approval is obtained in accordance with Listing Rule 10.14;

- details of any Restricted Shares issued under the LTI Plan will be published in each annual report of the Company relating to a period in which Restricted Shares have been issued and the report will state that approval under ASX Listing Rule 10.14 was obtained; and
- Peter Botten and Gereia Aopi will be required to defer 50% of their short term incentive awards for the 2012 financial year into restricted shares during the second quarter 2013 and awards will vest no later than two years after the date of the Meeting.

**EXPLANATORY NOTES (SPECIAL BUSINESS ITEM 5)**

**1) INCREASE THE MAXIMUM AGGREGATE AMOUNT THAT MAY BE PAID TO NON-EXECUTIVE DIRECTORS BY WAY OF FEES IN ANY CALENDAR YEAR**

Item 5 of the Special Business covers an increase of A\$550,000, to A\$2,500,000, in the maximum aggregate fees that may be paid to non-executive directors in any calendar year.

The current aggregate payment limit of A\$1,950,000 for non-executive directors’ fees was approved by shareholders at the 2009 Annual Meeting.

Maintaining an optimal Board structure over time will remain a key focus area as the PNG LNG Project nears completion and the Company pursues the next phase of growth, both within Papua New Guinea and internationally. The proposed increase in the aggregate limit to A\$2,500,000 for fees that may be paid to non-executive directors will provide the Board with the flexibility to continue to recruit and retain non-executive directors with the requisite skills and experience to support the Company as it progresses delivery of its strategic objectives. In particular, it may desirable at some point to recruit an additional non-executive director, either to introduce additional competencies to the Board or to facilitate Board succession objectives.

The increase in the payment limit will provide headroom to pay market competitive fees to the Company’s non-executive directors over a period of years, if necessary. The proposed aggregate payment limit is broadly in line with limits adopted by peer group companies. Non-executive directors’ fees were last reviewed and increased in 2011. The fees paid to non-executive directors will be increased by approximately 10 percent in 2013, following a recently completed benchmarking exercise that considered the growing complexity of the Company’s business and strategic growth activities, the additional time commitment of directors in light of that complexity and sector specific remuneration pressures generally.



---

OIL SEARCH LIMITED