
Non-cash impairment expected to be recognised in 2020 interim results

13 July 2020

SYDNEY (ASX: OSH | ADR: OISHY | PNGX: OSH)

Oil Search expects to recognise a non-cash, pre-tax impairment charge of US\$360 - 400 million (US\$250 – 300 million on a post-tax basis) in its 2020 interim results, which are scheduled to be released on Tuesday 25 August 2020.

Oil Search has assessed the carrying value of the Company's assets for impairment as at 30 June 2020, in accordance with the relevant accounting standards and after taking into account the potential longer-term impact of prevailing economic conditions, the outlook for oil and gas prices and the current status of other factors that could impact on value realisation.

The impairments that are expected to be recognised largely relate to PNG exploration licences. As part of the Strategic Review currently underway and in line with the Company's commitment to prioritising capital allocation, a number of exploration and evaluation assets in PNG have been identified as being of reduced priority due to lower prospectivity or sub-optimal economics. As there is no current intention to pursue activities on these assets, the full value of these exploration assets is expected to be written down. An immaterial impairment relating to exploration leases in Alaska, which are scheduled to be relinquished, also is anticipated.

Given the ongoing gas supply uncertainties resulting from the recent suspension of mining activities at the Porgera Project, the carrying value of the Hides Gas-to-Electricity Project is also expected to be fully impaired.

The expected impairment expense is a non-cash item and will not impact cash earnings or cashflow.

The final impairment expense to be recognised is subject to the finalisation of the half year accounts and completion of the half year review by the Company's auditor.

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This ASX announcement was authorised for release by Oil Search Managing Director, Dr Keiran Wulff.