Senex Energy Limited

To:	Company Announcement Office	**From:**	Senex Energy Limited
Company:	ASX Limited	**Pages:**	28
Date:	21 February 2020		
Subject:	Senex Energy Limited (ASX:SXY) FY20 Half Year Report		

I provide the following for the Senex Energy Limited FY20 Half Year Report:

With regards

David Pegg
Company Secretary

Senex
Senex Energy Limited

Half year report for the period ended 31 December 2019

Appendix 4D

Based on accounts that have been reviewed

Results for announcement to the market

All comparisons are to the half year ended 31 December 2018

				$ million
Revenue from contracts with customers	Increased	25%	to	53.3
Profit/(loss) after tax from ordinary activities	Improved	$6m	to	1.5
Underlying profit after tax from ordinary activities	Increased	91%	to	2.7

Underlying profit after tax is a non-IFRS measure and a reconciliation to profit/(loss) after tax from ordinary activities is included below. Commentary on the Group's operating performance and results from operations are set out in the ASX announcement and Half Year Report. Underlying profit has not been subject to audit or review by Senex's external auditors. Commentary on the Group's operating performance and results from operations are set out in the Half Year Report.

Dividends

No dividends are proposed, and no dividends were declared or paid during the current or prior year.

Net tangible asset backing

	31 Dec 2019	31 Dec 2018
Net tangible assets per ordinary security	$0.24*	$0.24

* Net tangible assets per ordinary security excluding Right of Use Assets recognised from the adoption of AASB 16 *Leases* on 1 July 2019 is $0.12.

Additional Appendix 4D disclosure requirements can be found in the Half Year Report.

This report is based on the consolidated financial year 2020 half year financial statements which have been reviewed by Ernst & Young.

Reconciliation of profit/(loss) after tax from ordinary activities to underlying profit after tax

	2019	2018
Profit/(loss) after tax from ordinary activities	1.5	(4.5)
Gain on sale of Senex Pipeline & Processing Pty Ltd	(0.1)	-
Net impact of the Beach Energy transaction	1.3	5.9
Underlying profit after tax from ordinary activities	**2.7**	**1.4**

This FY20 Half Year Report is to be read in conjunction with the 2019 Annual Report.

Senex Energy Limited

ABN 50 008 942 827

FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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CORPORATE INFORMATION

This half year report covers Senex Energy Limited (**Senex** or **the Company**) and its controlled entities (collectively known as **the Group**).

The Group's presentation currency is Australian dollars ($). The functional currency of the Group is Australian dollars.

The nature of the operations and principal activities of the Group are described in the Directors' Report on page 6.

DIRECTORS*:*	Trevor Bourne (Chairman, Independent Non-Executive Director) Ian Davies (Managing Director and Chief Executive Officer) Timothy Crommelin (Non-Executive Director) Ralph Craven (Independent Non-Executive Director) Debra Goodin (Independent Non-Executive Director) John Warburton (Independent Non-Executive Director) Vahid Farzad (Non-Executive Director) (resigned 27 September 2019)
SECRETARY:	David Pegg
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SECURITIES EXCHANGE:	Australian Securities Exchange (**ASX**) Code: SXY
BANKERS:	ANZ Banking Group Ltd Level 20, 111 Eagle Street Brisbane, Queensland 4000
AUDITORS:	Ernst & Young Level 51, 111 Eagle Street Brisbane, Queensland 4000

Your Directors present their report on the Company and its consolidated entities for the half year ended 31 December 2019.

DIRECTORS

The Directors who served at any time during or since the end of the half year until the date of this report are:

- Trevor Bourne (Chairman, Independent Non-Executive Director)
- Ian Davies (Managing Director and Chief Executive Officer)
- Timothy Crommelin (Non-Executive Director)
- Ralph Craven (Independent Non-Executive Director)
- Debra Goodin (Independent Non-Executive Director)
- John Warburton (Independent Non-Executive Director)
- Vahid Farzad (Non-Executive Director) (resigned 27 September 2019)

PRINCIPAL ACTIVITY

The principal activities during the half year of entities within the consolidated group were oil and gas exploration and production.

REVIEW AND RESULTS OF OPERATIONS

Highlights – First Half FY20

- Sales revenue up 25% to $53.3 million (H1 FY19: $42.8 million).
- NPAT up $6 million to $1.5 million (H1 FY19: loss of $4.5 million).
- Underlying NPAT up 91% to $2.7 million (H1 FY19: $1.4 million).
- Operating cash flow up 31% to $18.2 million (H1 FY19: $13.9 million).
- Surat Basin gas production up 1.3 PJ to 2.1 PJ (H1 FY19: 0.8 PJ). First production and sales achieved at Atlas.
- Total production up 40% to 779 kboe (H1 FY19: 557 kboe).
- Major milestones achieved for the Surat Basin project, including 33 wells brought online and the Roma North gas processing facility sold to Jemena for $50 million cash consideration.
- Gemba-1 gas discovery brought online in December 2019.

Financial performance

- The Group's oil and gas sales revenue for the half year ended 31 December 2019 was $53.3 million, an increase of 25% from the half year ended 31 December 2018.
  - Oil revenue increased $2.6 million to $37.7 million as a result of higher average realised prices of $106 per barrel (31 December 2018: $97 per barrel).
  - Gas revenue increased $7.9 million to $15.6 million for the half year, driven by an increase in sales volume to 363 kboe (2.1 PJ) from the continued ramp-up of Roma North and first gas production from the Atlas and Gemba fields. Average realised prices per boe were $43 ($7.40 per GJ).
- Oil unit operating costs decreased 5% to $27.33 per barrel produced (half year ended 31 December 2018: $28.79) primarily from a continued focus on cost control within the Cooper Basin.
- Gas unit operating costs were $22.39 per barrel oil equivalent produced ($3.85 per GJ produced) during the early stage of ramp-up.
- The Group's net profit before tax for the half year ended 31 December 2019 was $1.5 million (half year ended 31 December 2018: loss of $4.5 million). The increase is primarily due to lower exploration expense from less unsuccessful drilling activity in the Cooper Basin and an increase in revenue and margins from higher gas production.
- At 31 December 2019, the Group held cash reserves of $122.7 million and had drawn debt of $125.0 million. Net debt at 31 December 2019 was $2.3 million.

Operational performance

Senex delivered production growth from successful exploration and development activity for both oil and gas in the Cooper Basin and continued ramp-up of gas volumes from the Roma North and Atlas natural gas developments. Results included:

- Broadly flat oil production of 366 kboe (half year ended 31 December 2018: 374 kboe). Natural oil field decline was offset by increased production from the Growler and Spitfire fields following workover activity.
- Gas production of 413 kboe (2.3 PJ) (half year ended 31 December 2018: 183 kboe (1.1 PJ)), driven by the ramp-up of existing and new wells at Roma North and first gas production from the Atlas and Gemba fields.

Exploration and development

Surat Basin

Significant progress and important milestones were achieved during the half year, as outlined below.

Atlas milestones

- **First gas sales achieved ahead of schedule.** Delivery of first gas is a major milestone achieved in what is believed to be record time for a greenfield project. This milestone also marked delivery of new gas molecules from Australia's first acreage dedicated to the domestic market.
- **Gas processing facility construction completed with processing and transportation operations commenced.** In June 2018, Senex partnered with major energy infrastructure provider Jemena to build, own and operate the 40 TJ/day gas processing facility and the 60 km buried pipeline to the Wallumbilla Hub. During the half year Jemena completed construction of the facility and pipeline and commenced commissioning.
- **Continuation of drilling campaign.** 23 wells of the current campaign were brought online in the half year. Drilling results were excellent, with net coal intersections of up to 48 metres.
- **Strong initial gas ramp-up and production outperformance.** The first 23 wells of the current campaign are online and production continues to increase during the early stage of ramp-up.

Roma North milestones

- **Continuation of drilling campaign.** 10 wells of the current campaign were brought online in the half year.
- **Production outperformance.** Roma North production rates exceeded 13.5 TJ/day in the half year. Production rates post the period end have continued to increase, exceeding 15 TJ/day as production tracks ahead of expectations and towards the plant's initial capacity of 16 TJ/day (6 PJ/year).

Cooper Basin

Gemba gas discovery

The Gemba field (PEL 516: Senex 100% and operator) is located on the south-west margin of the Allunga Trough, about 5 km from existing infrastructure and 37 km south-west of the Moomba processing facility. Gemba commenced production in December 2019 with sales gas being sold to the Pelican Point Power Station in South Australia and associated liquids to the SACB JV.

Westeros 3D seismic survey

Processing of the ~600sq km Westeros 3D seismic survey was completed during the half year. A number of material exploration targets were identified with the first wells from the survey expected to be drilled in FY21.

FY20 drilling campaign

Senex and Beach successfully completed the Cooper Basin free-carry drilling program during the half year, with three of four wells drilled achieving objectives. Results are currently under review with a focus on follow-up development opportunities in the Growler and Spitfire fields.

People, environment and community

- Total recordable injury frequency decreased to 5.4 incidents per million hours worked (half year ended 31 December 2018: 9.7). The Group is placing a significant focus on contractor management and behavioural safety.
- Establishment of a 168-hectare environmental offset program with local landowners, providing improved habitat for rare and endangered species.
- Water supply to drought affected graziers through establishment of a Roma North irrigation scheme.
- Ongoing commitment to employing local businesses, staff and contractors and providing active support to initiatives with the communities in which Senex operates.

Commercial and Corporate

Expanded long term gas sales agreement with Orora Limited

Senex expanded its gas sales agreement with leading domestic manufacturer Orora Limited, agreeing to supply 13.2 PJ of natural gas from Atlas.

Additional Atlas domestic gas sales agreements

Senex signed gas sales agreements with new customers, including CleanCo, the new Queensland Government owned corporation focused on delivering affordable clean energy, and Origin, for varying volumes, tenors and supply terms. In aggregate, more than 4 PJ of natural gas will be supplied through to 31 December 2020.

Senex has now contracted more than 32 PJ of natural gas from Atlas (including potential contract volume expansions and term extensions), including a significant portion of expected production in 2020.

Reconciliation of profit/(loss) after tax from ordinary activities to underlying profit after tax

	Half year-ended 31 December 2019	Half year-ended 31 December 2018
Statutory net profit/(loss) after tax from ordinary activities	1.5	(4.5)
Gain on sale of Senex Pipeline & Processing Pty Ltd	(0.1)	-
Net impact of the Beach Energy transaction	1.3	5.9
Tax (benefit)/expense	-	-
Underlying profit after tax from ordinary activities	**2.7**	**1.4**

Underlying net profit after tax is a non-IFRS measure. Items removed from underlying net profit after tax are:

Net impact of the Beach Energy transaction

In April 2018 Senex entered into an agreement with Beach Energy to terminate the Senex-Beach Energy unconventional gas project with consideration of up to $43 million transferred as a free-carry commitment to the mutually owned, Senex-operated, Cooper Basin western flank oil assets.

The net expense of $1.3 million relates to unsuccessful free carried wells. This has been removed from underlying net profit in order to consistently present the gains and losses from the Beach Energy transaction period on period.

Sale of Senex Pipeline & Processing Pty Ltd

During the half year ended 31 December 2019 Senex completed the sale of its Roma North gas processing facility and pipeline to major energy infrastructure operator, Jemena, for $50 million cash consideration.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company in the half year ended 31 December 2019.

EVENTS AFTER THE REPORTING DATE

Except for the items disclosed under 'Review and results of operations' above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

AUDITOR INDEPENDENCE

The independence declaration received from the auditor of Senex Energy Limited is set out on page 26 and forms part of this Directors' Report for the half year ended 31 December 2019.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial statements. Amounts in the financial statements have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Trevor Bourne
Chairman

Brisbane, Queensland
20 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	For the half year ended 31 December 2019 $'000	For the half year ended 31 December 2018 $'000
Continuing operations			
Revenue	5 (a)	53,941	43,336
Other income	5 (b)	1,682	3,277
Expenses excluding net finance costs	6 (a)	(49,853)	(40,252)
Oil and gas exploration expense		(1,856)	(10,120)
Finance expense	6 (b)	(2,397)	(771)
Profit/(loss) before tax		**1,517**	**(4,530)**
Income tax benefit/(expense)		-	-
Profit/(loss) after tax		**1,517**	**(4,530)**
Net profit/(loss) attributable to owners of the parent entity		**1,517**	**(4,530)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss (net of tax)			
Change in fair value of cash flow hedges (net of tax)		(1,837)	15,612
		(1,837)	15,612
Total comprehensive (loss)/income for the period attributable to the owners of the parent entity		**(320)**	**11,082**
Earnings/(loss) per share attributable to the ordinary equity holders of the parent entity:			
Basic earnings/(loss) (cents per share)		0.10	(0.31)
Diluted earnings/(loss) (cents per share)		0.10	(0.31)

The Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	As at 31 December 2019 $'000	As at 30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	122,668	62,669
Prepayments		2,768	1,457
Trade and other receivables	8	30,964	27,385
Inventory		10,045	10,393
Other financial assets		1,194	3,429
		167,639	**105,333**
Assets held for sale	9	-	50,941
Total current assets		**167,639**	**156,274**
Non-current assets			
Trade and other receivables	8	49	49
Property, plant and equipment	2	231,289	57,683
Oil and gas properties		280,241	208,530
Exploration assets		77,124	75,018
Intangible assets		4,822	5,163
Other financial assets		834	949
Total non-current assets		**594,359**	**347,392**
TOTAL ASSETS		**761,998**	**503,666**
LIABILITIES			
Current liabilities			
Trade and other payables		35,355	31,877
Provisions		5,568	6,131
Lease liabilities	2	2,860	-
Other financial liabilities		296	348
		44,079	**38,356**
Liabilities directly associated with the assets held for sale	9	-	4,941
Total current liabilities		**44,079**	**43,297**
Non-current liabilities			
Provisions		75,124	63,352
Interest bearing liabilities	7	115,270	40,006
Lease liabilities	2	169,827	-
Other financial liabilities		947	1,215
Total non-current liabilities		**361,168**	**104,573**
TOTAL LIABILITIES		**405,247**	**147,870**
NET ASSETS		**356,751**	**355,796**
EQUITY			
Contributed equity		540,468	540,468
Reserves		22,261	22,823
Accumulated losses		(205,978)	(207,495)
TOTAL EQUITY		**356,751**	**355,796**

The Consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	For the half year ended 31 December 2019 $'000	For the half year ended 31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers		52,822	56,718
Payments to suppliers and employees		(35,148)	(36,680)
Payments for exploration expenditure		(5)	(9,121)
Payments for rehabilitation of wells		(166)	(26)
Interest received		382	699
Interest paid		(2,561)	(307)
Reimbursement of third party costs		-	2,576
Receipts from/(payments for) commodity hedges		1,510	(810)
Other receipts		1,355	825
Net cash flows from operating activities		**18,189**	**13,874**
Cash flows from investing activities			
Payment for oil & gas assets, plant & equipment and intangibles		(84,625)	(44,778)
Proceeds from free carry funding		3,314	10,145
Proceeds from disposal of assets		50,130	14
Net cash flows used in investing activities		**(31,181)**	**(34,619)**
Cash flows from financing activities			
Proceeds from shares issued		-	255
Proceeds from debt funding		75,000	35,000
Payments for debt facility cost		(301)	(7,336)
Payments for lease arrangements		(1,507)	-
Payments to Halliburton under tight oil agreement		(111)	(117)
Net cash flows from financing activities		**73,081**	**27,802**
Net increase in cash and cash equivalents		60,089	7,057
Net foreign exchange differences		(90)	388
Cash and cash equivalents at the beginning of the period		62,669	66,541
Cash and cash equivalents at the end of the period	7	**122,668**	**73,986**

The Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The following table presents the Consolidated statement of changes in equity for the half year ended 31 December 2018 and 31 December 2019.

	Contributed Equity $'000	Accumulated Loss $'000	Share-based Payments Reserve $'000	Hedging Reserve $'000	Total $'000
Balance at 1 July 2018	**540,213**	**(210,790)**	**17,992**	**(1,142)**	**346,273**
Loss for the period	-	(4,530)	-	-	(4,530)
Other comprehensive income	-	-	-	15,612	15,612
Total comprehensive income	**-**	**(4,530)**	**-**	**15,612**	**11,082**
Transactions with owners, recorded directly in equity:					
Shares issued	255	-	-	-	255
Share based payments expense	-	-	1,025	-	1,025
Balance at 31 December 2018	**540,468**	**(215,320)**	**19,017**	**14,470**	**358,635**
Balance at 1 July 2019	**540,468**	**(207,495)**	**19,415**	**3,408**	**355,796**
Profit for the period	-	1,517	-	-	1,517
Other comprehensive loss	-	-	-	(1,837)	(1,837)
Total comprehensive income	**-**	**1,517**	**-**	**(1,837)**	**(320)**
Transactions with owners, recorded directly in equity:					
Share based payments expense	-	-	1,275	-	1,275
Balance at 31 December 2019	**540,468**	**(205,978)**	**20,690**	**1,571**	**356,751**

The Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The financial statements of Senex Energy Limited ("the Company") and its consolidated entities (collectively known as "the Group") for the half year ended 31 December 2019 were authorised for issue on 20 February 2020 in accordance with a resolution of the Directors.

Senex Energy Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX code "SXY").

The principal activities during the half year of entities within the Group were oil and gas exploration and production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial statements are condensed half year financial statements and do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements.

The half year financial statements should be read in conjunction with the Annual Report of Senex Energy Limited as at 30 June 2019. The half year financial statements present reclassified comparative information where required for consistency with the current period's presentation.

It is also recommended that the half year financial statements be considered together with any public announcements made by the Group during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporation Act 2001* and Australian Securities Exchange Listing Rules.

(a) Basis of preparation

The half year consolidated financial statements:

- are general-purpose condensed financial statements;
- have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting*;
- have been prepared on a historical cost basis;
- are presented in Australian dollars ($); and
- treat the half year as a discrete reporting period.

(b) Significant accounting policies

Except as disclosed below, accounting policies adopted in the preparation of the half year financial statements are consistent with those used in the preparation of the Group's Annual Report for the year ended 30 June 2019.

(c) New and amended accounting standards and interpretations adopted

The group has adopted AASB 16 *Leases* ("AASB 16") as at 1 July 2019 using the modified retrospective approach.

AASB 16 provides a new model for lessee accounting under which all leases will be accounted for by:

a. Recognising right of use assets and lease liabilities for all leases, with the exception of short-term (12 months or fewer) and low value leases (less than $5,000), in the Consolidated statement of financial position. The lease liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the liability if the Group is reasonably certain that it will exercise the option. The right of use asset at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

b. Recognising depreciation of right of use assets and interest on lease liabilities in the Consolidated statement of comprehensive income over the lease term. Upstream gas facility leases are depreciated based on their planned usage profile. All other leases are depreciated on a straight-line basis.
c. Separating the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the Consolidated statement of cash flows. During the first half of 2019, the Group recorded a total cash outflow of $2.6 million on qualifying leases.

Key impacts as a result of adopting AABS 16 on financial metrics for the half year end 31 December 2019 is shown below:

	Impact	$'000
Statement of financial position as at 31 December 2019		
Right of Use Assets (included in Property, plant and Equipment)	Increase	171,105
Lease Liabilities	Increase	172,687
Income statement for the half year ended 31 December 2019		
Depreciation – right of use assets	Increase	1,946
Net finance costs	Increase	1,785
Operating costs	Decrease	2,485
Net impact on profit before tax	Decrease	1,246
Cash flow for the half year ended 31 December 2019		
Operating cash flow	Increase	1,507
Financing cash flow (lease payments)	Decrease	1,507

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments in note 24 of Senex Energy Limited's 30 June 2019 Annual Report as follows:

Operating lease commitments as at 1 July 2019 (undiscounted lease payments)	15,624
Weighted average incremental borrowing rate as at 1 July 2019	5.40%
Discounted operating lease commitments at 1 July 2019	13,363
Less: commitments relating to short term leases	(13)
Lease liabilities as at 1 July 2019	13,350

The increase in the lease liabilities from 1 July 2019 to 31 December 2019 is due to the recognition of new leases for the Roma North and Atlas Gas Processing Facilities which span between 20 and 25 years and other office leases. The Group has other lease arrangement for office premises, motor vehicles and an evacuation helicopter for terms ranging between one and seven years. Some lease arrangements contain variable pricing elements for annual cost increases from a CPI measure.

(d) Significant accounting estimates and judgements

Recoverability of oil and gas properties and exploration assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Previously impaired assets are reviewed for possible reversal of impairment at each reporting date. Impairment reversal cannot exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised for the asset or cash generating units (CGUs). There were no reversals of impairment in the current or prior year. At 31 December 2019, the group performed a review of indicators of impairment for oil and gas properties and exploration assets. The Group determined that no indicators of impairment were present.

Reserves estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, foreign exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries.

Changes in the estimate of reserves can impact:

- Asset carrying values due to changes in estimated future production levels;
- Provision for rehabilitation due to the potential to impact the timing and cost of rehabilitation;
- Recognition of deferred tax assets due to changes in the likely recovery of tax benefits; or
- Charge for depreciation and amortisation particularly where the charge is determined on a units of production basis.

Rehabilitation obligations

The Group estimates the future rehabilitation costs of oil and gas wells and production facilities at the time of installation of the assets. In most instances, rehabilitation of assets occurs many years into the future. This requires assumptions to be made on future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating future cost and future rehabilitation technologies in determining the cost. The rehabilitation obligation is discounted to present value using a ten-year government bond discount rate as this is reflective of the risk-free rate.

These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets and the value of rehabilitation obligations at each reporting date.

3. FINANCIAL INSTRUMENTS

All financial assets are recognised initially at fair value plus transaction costs. Financial liabilities are recognised initially at fair value. Subsequent measurement of financial assets and liabilities depends on their classification.

Financial assets and liabilities carried at amortised cost are measured by taking into account any discount or premium on acquisition, and fees or costs associated with the asset or liability. Due to the short-term nature of these assets and liabilities, their carrying value is assumed to approximate their fair value.

For financial assets and liabilities carried at fair value the Group uses the following to categorise the inputs and methodology used to determine fair value at the reporting date:

Level 1	The fair value is calculated using quoted market prices in active markets.
Level 2	The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3	The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

3. FINANCIAL INSTRUMENTS (continued)

The table below outlines the fair value of financial assets and liabilities:

	As at 31 December 2019			As at 30 June 2019		
Fair values	**Amortised cost**	**Fair value through profit or loss**	**Fair value through OCI**	**Amortised cost**	**Fair value through profit or loss**	**Fair value through OCI**
Financial Assets						
Cash and cash equivalents	122,668	-	-	62,669	-	-
Trade and other receivables	5,107	-	-	1,928	-	-
Deferred consideration owing by Beach Energy	1,481	-	-	4,794	-	-
Trade and other receivables - subject to provisional pricing [1]	-	24,425	-	-	20,712	-
Other financial assets - current:						
Cash flow hedges - crude oil pricing contracts [2]	-	-	1,194	-	-	3,429
Other financial assets - non-current:						
Cash flow hedges - crude oil pricing contracts [2]	-	-	834	-	-	949
	129,256	**24,425**	**2,028**	**69,391**	**20,712**	**4,378**
Financial Liabilities						
Trade and other payables	35,355	-	-	31,877	-	-
Lease liabilities	172,687	-	-	-	-	-
Interest bearing liabilities	125,000	-	-	50,000	-	-
Other financial liabilities - current:						
Haliburton tight oil [4]	190	-	-	190	-	-
Interest rate swaps [3]	-	-	106	-	-	158
Other financial liabilities - non-current:						
Haliburton tight oil [4]	628	-	-	740	-	-
Interest rate swaps [3]	-	-	319	-	-	475
	333,860	**-**	**425**	**82,807**	**-**	**633**

3. FINANCIAL INSTRUMENTS (continued)

1) LEVEL 2

The Group recognises trade receivables in relation to its provisionally priced sales contracts at fair value. All derivatives and provisionally priced trade receivables are valued using forward pricing models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value and therefore the other observable parameters outlined above categorise these assets as level 2 instruments.

2) LEVEL 2

Crude oil price swaps have been designated as cash flow hedge instruments. The fair value of crude oil price swaps has been determined with reference to the Brent ICE forward price (USD) and forward exchange rate (AUD:USD) compared with the exercise price of the instrument along with the volatility of the underlying commodity price and the expiry of the instrument.

3) LEVEL 2

Interest rate swaps have been designated as cash flow hedge instruments. The fair value of interest rate swaps has been determined with reference to the floating bank bill swap bid (BBSY) forward rate compared with the fixed price leg that the Group will pay.

4) LEVEL 3

The carrying value of the Halliburton tight oil agreement approximates fair value at 31 December 2019. Fair value has been determined by reference to the initial amount funded by Halliburton and discounted cash flows across the term of the agreement, with reference to expected production from the wells subject to the agreement, Brent ICE forward price (USD), forward exchange rate (AUD:USD), forecast operating costs and royalties and other commercial terms under the agreement.

4. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive leadership team in assessing performance and in determining the allocation of resources.

The operating and reportable segments are based on the geographical location of the resources which correspond to the Group's strategy and are the sources of the Group's major risks and have the most effect on the rates of return.

Geographical segments

Cooper/Eromanga Basins

The Cooper/Eromanga Basins are sedimentary geological basins located mainly in the north east part of South Australia and extending into south west Queensland.

Surat Basin

The Surat Basin is a geological basin in Queensland and extending into New South Wales.

Major customers

Oil revenue is predominantly derived from the sale of crude oil to two major customers: the South Australian Cooper Basin Joint Venture (SACB JV) and IOR Petroleum. The SACB JV is a consortium of buyers made up of Santos Limited and Beach Energy Limited and their subsidiaries.

The Group sells gas produced from Roma North to GLNG. Gas from the Vanessa and Gemba fields in the Cooper Basin is sold to Pelican Point Power Limited. In December 2019, Senex commenced sales from the Atlas gas field which are contracted to a range of domestic customers. All customers are located within Australia.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those used to prepare the financial statements.

Certain revenues, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

4. OPERATING SEGMENTS (continued)

The following tables present the revenue and profit information for reportable segments for the half years ended 31 December 2019 and 31 December 2018:

	SURAT BASIN		COOPER/EROMANGA BASINS		TOTAL	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue						
Oil sales	-	-	36,978	35,416	36,978	35,416
Gas and gas liquids	13,219	5,657	2,387	2,066	15,606	7,723
Fair value gains/(losses) on provisionally priced trade receivables	-	-	695	(387)	695	(387)
Total segment revenue from contracts with customers	**13,219**	**5,657**	**40,060**	**37,095**	**53,279**	**42,752**
Flowline income	-	-	662	584	662	584
Total segment revenue and revenue per the statement of comprehensive income	**13,219**	**5,657**	**40,722**	**37,679**	**53,941**	**43,336**
Results						
Segment profit/(loss)	**(2,814)**	**(2,706)**	**13,249**	**7,348**	**10,435**	**4,642**
Reconciliation of segment net profit/(loss) before tax to net profit/(loss) from continuing operations before tax						
Corporate items:						
Interest income					364	507
Other income					261	14
Interest expense					(493)	(94)
Expenses excluding net finance costs					(9,050)	(9,599)
Net loss before tax per the Consolidated statement of comprehensive income					**1,517**	**(4,530)**

4. OPERATING SEGMENTS (continued)

Segment assets and segment liabilities at 31 December 2019 and 30 June 2019 are as follows:

	Surat Basin		Cooper/Eromanga Basins		Total	
	31 Dec 19 $'000	30 Jun 19 $'000	31 Dec 19 $'000	30 Jun 19 $'000	31 Dec 19 $'000	30 Jun 19 $'000
Segment assets						
Segment operating assets	**396,408**	**158,150**	**209,179**	**213,407**	**605,587**	**371,557**
Assets held for sale					-	50,941
Corporate assets - cash					122,668	62,669
Corporate assets - other					33,743	18,499
Total assets per the statement of financial position					**761,998**	**503,666**
Segment liabilities						
Segment operating liabilities	**257,747**	**69,535**	**54,784**	**55,480**	**312,531**	**125,015**
Liabilities directly associated with the assets held for sale					-	4,941
Corporate liabilities					92,716	17,914
Total liabilities per the statement of financial position					**405,247**	**147,870**
Additions and acquisitions of non-current assets (excluding financial assets, deferred tax assets and right of use assets):						
Property, plant and equipment and intangibles	333	3,872	1,191	7,072	1,524	10,944
Exploration assets	984	13,899	10,074	20,652	11,058	34,551
Oil and gas properties	72,500	82,076	8,786	8,670	81,286	90,746
Total segment additions	**73,817**	**99,847**	**20,051**	**36,394**	**93,868**	**136,241**
Corporate additions					2,960	7,510
Total additions					**96,828**	**143,751**

5. REVENUE

			For the half year ended 31 December 2019 $'000	For the half year ended 31 December 2018 $'000
(a)	**Revenue from contracts with customers**			
	Oil sales		36,978	35,416
	Gas and gas liquids		15,606	7,723
	Fair value gains/(losses) on provisionally priced trade receivables		695	(387)
			53,279	**42,752**
	Other revenue			
	Flowline income		662	584
			53,941	**43,336**
(b)	**Other income**			
	Net gain on sale of exploration assets		288	14
	Net gain on termination of unconventional gas joint venture		-	1,636
	Interest income		364	506
	Other		1,030	1,121
			1,682	**3,277**

6. EXPENSES

(a)	**Expenses excluding net finance costs**			
	Operating costs		24,048	19,847
	Depreciation of field-based assets		3,501	4,774
	Amortisation of oil & gas properties		12,211	6,083
	Employee expenses not included in operating costs		2,839	3,819
	Depreciation & amortisation of corporate assets		3,070	570
	Foreign exchange gain/(loss)		91	(389)
	Operating lease expense		2	665
	Flowline operating costs		524	406
	Other expenses		3,567	4,477
			49,853	**40,252**
(b)	**Finance expenses**			
	Rehabilitation accretion		444	677
	Debt facility fees		45	50
	Interest expense		123	44
	Interest expense - lease liabilities	2	1,785	-
			2,397	**771**
(c)	**Employee costs** [1]			
	Wages, salaries and bonuses		17,555	18,019
	Share based payments		1,275	1,025
	Employee admin expenses		1,759	2,196
			20,589	**21,240**

[1] includes all employee-related costs, including those costs that form part of cost of sales and costs capitalised as part of an exploration or development project, as well as costs that may be recovered from other joint venture parties.

7. NET DEBT

	As at 31 December 2019 $'000	As at 30 June 2019 $'000
Non-current Interest-bearing liabilities		
Bank loan	125,000	50,000
Debt facility transaction costs	(9,730)	(9,994)
	115,270	**40,006**
Cash and cash equivalents		
Cash at bank and in hand	122,668	62,669
	122,668	**62,669**
Net (debt)/cash excluding transaction costs	**(2,332)**	**12,669**

On 26 October 2018, the Group completed financial close of a $150 million Senior Secured Multi-Currency Facility Agreement (SFA). The SFA comprises of Facility A (reserve-based facility to primarily provide funding for key identified projects for Roma North and Atlas) and Facility B (working capital facility for general corporate purposes).

On 20 September 2019 the Group agreed to an additional facility (Facility C) under the SFA (letters of credit and bank guarantees). Facility A has a limit of $125 million, Facility B has a limit of $25 million and Facility C has a limit of $10 million.

Facility A matures on 25 October 2025 and carries an effective interest rate of AUD BBSY plus margin. Facility B and C mature on 25 October 2021 and attract varying cost dependent on the purpose of the utilisation.

At 31 December 2019 the Group has drawn down $125 million of Facility A. Facility B and C have been partially utilised for issuing letters of credit and bank guarantees.

Borrowing costs relating to assets currently under development have been capitalised in 'Oil and gas properties' during the period, at an interest rate of BBSY plus margin.

8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables (not subject to provisional pricing)	1,091	902
Trade receivables (subject to provisional pricing)	24,425	20,712
Deferred consideration owing from Beach Energy	1,481	4,794
Sundry receivables non-interest bearing and unsecured	3,967	977
Total Current trade and other receivables	**30,964**	**27,385**
Sundry receivables non-interest bearing and unsecured	49	49
Total Non-current trade and other receivables	**49**	**49**

8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

The consideration receivable for the termination of the Senex-Beach Energy joint venture unconventional gas project agreement has been transferred as a free-carry commitment whereby the Group's share of cash calls will be paid by Beach Energy for a program of work in the Senex operated Cooper Basin western flank areas in which both parties are joint venture participants.

9. ASSETS HELD FOR SALE

On 12 September 2019 Senex Energy Limited completed the disposal of Senex Pipeline & Processing Pty Ltd ("SPP"). SPP's primary business was the construction and operation of the Roma North gas compression facility and associated pipeline. SPP did not contribute to the Group's result during the half year ended 31 December 2019.

The Group recognised a gain on disposal of SPP of $0.1 million.

10. COMMITMENTS

Except for as disclosed in Note 2(c), there has been no other material change to the leasing and financing commitments disclosed in the most recent annual financial report.

Capital commitments contracted for at the reporting date but not recognised as liabilities was $24.4 million (30 June 2019: $158.8 million).

11. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or declared by the Group during the half year or to the date of this report.

12. EVENTS AFTER THE REPORTING DATE

No events after reporting date that require disclosure have occurred.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Senex Energy Limited, I state that:

In the opinion of the Directors:

a) the financial statements and notes of Senex Energy Limited and its controlled entities (collectively known as "the Group") are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *"Interim Financial Reporting"* and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

On behalf of the Board

Trevor Bourne
Chairman

Brisbane, Queensland
20 February 2020

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Auditor's Independence Declaration to the Directors of Senex Energy Limited

As lead auditor for the review of the half-year financial report of Senex Energy Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Senex Energy Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Anthony Jones
Partner
20 February 2020

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Independent Auditor's Review Report to the Members of Senex Energy Limited.

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying condensed half-year financial report of Senex Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Anthony Jones Partner Sydney 20 February 2020	Matthew Taylor Partner Brisbane 20 February 2020