

## Senex completes asset portfolio review to support gas project development; expects non-cash impairment of non-core Cooper Basin exploration assets

Release Date: 20 February 2018

Senex Energy Limited (Senex, ASX: SXY) today announced that its east coast gas business will drive major production and earnings growth from 2019, with Senex completing a comprehensive asset portfolio review to prioritise future capital allocation to accelerate gas project development. As a result, Senex expects to recognise a non-cash impairment charge of \$80 million in its half year results to be released on 22 February 2018 in respect of non-core Cooper Basin exploration assets.

### Key points:

- Material production, cash flow and earnings to be delivered from Senex's east coast gas business and western flank oil assets
- Following asset portfolio review, strategic focus and capital allocation to be prioritised to core assets to drive growth through Senex's east coast gas development projects and Cooper Basin oil assets
- Financing discussions with lenders progressing positively and on schedule for financial close in mid-2018
- No plans for substantive exploration expenditure in non-core Cooper Basin exploration assets resulting in expected accounting non-cash impairment charge of \$80 million (before and after tax) in H1 FY18. This charge does not impact Senex's oil and gas production, reserves, EBITDAX or cash.

In September 2017 Senex was awarded prime coal seam gas acreage (**Project Atlas**) by the Queensland Government following a competitive tender. The Project Atlas acreage contains 201 PJ<sup>1</sup> of recoverable gas from highly productive coal seams, to be delivered into the domestic east coast gas market from 2019.

The accelerated development of Project Atlas in combination with development of the Western Surat Gas Project and Cooper Basin core assets will deliver a step-change in production and earnings for Senex from calendar year 2019.

Given substantially increased capital requirements following the award of Project Atlas, Senex has undertaken a comprehensive review of its asset portfolio to focus the business on the high value opportunities ahead. Corporate and development financing discussions with lenders are progressing positively and on schedule for financial close in mid-2018.

Managing Director and CEO Ian Davies said, "We are embarking on major investments in our Surat Basin gas projects that will provide very material production and earnings growth in the near term, and importantly deliver additional gas supply to the east coast of Australia.

"Our announcement today underscores our focus and commitment to achieving superior results from our suite of core assets," he said.

<sup>1</sup> P50 recoverable gas volumes estimated by SRK Consulting Pty Ltd as part of tender process.

Following a comprehensive asset portfolio review, Senex is to prioritise allocation of capital as follows:

- Successful development of Senex's suite of high quality east coast gas development projects, including Project Atlas, the Western Surat Gas Project and the Cooper Basin Vanessa gas field;
- Disciplined exploration, appraisal and development of Cooper Basin western flank oil assets;
- Unconventional gas exploration opportunities in the Cooper Basin in joint venture with Beach Energy, whilst those activities are free-carried by Beach Energy under the Lattice Energy arrangements (approximately \$43 million of committed funds remaining); and
- Other opportunities that complement Senex's strategic priorities and do not compromise the above.

Given the capital allocation priorities outlined above, Senex has no plans for substantive expenditure on non-core Cooper Basin exploration assets. In line with the accounting treatment for the evaluation of mineral resources<sup>2</sup>, the Company expects to recognise an accounting non-cash impairment charge of \$80 million in its 2018 half year accounts. In parallel, Senex has commenced a process to rationalise non-core Cooper Basin assets, which may include divestment, farm-down or relinquishment.

The impairment does not impact Senex's oil and gas production, reserves, EBITDAX or cash, and is subject to finalisation of Senex's half year accounts.

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Senex Energy Limited (Senex, ASX: SXY) will release its results for the half year ended 31 December 2017 on Thursday 22 February 2018.

Results will be discussed in a live webcast held that day by Senex Managing Director and Chief Executive Officer Ian Davies and Chief Financial Officer Graham Yerbury. The webcast will be streamed live at this time and can be accessed via the Senex company page on the Open Briefing website. A recording of the webcast will be available from 5.00pm (AEST) via the same link.

#### Webcast details

**Time:** 9.00am AEST (9am Brisbane time, 10am Sydney and Melbourne time)  
**Date:** Thursday 22 February 2018  
**Webcast:** [Senex Energy Webcast](#)

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#### FURTHER INFORMATION

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#### ABOUT SENEX ENERGY

*Senex is an ASX listed oil and gas exploration and production company focused on generating shareholder value by growing reserves and production. It holds extensive onshore oil and gas acreage in the Cooper and Surat Basins, two of Australia's most prolific onshore energy regions. Senex is well capitalised and has built strong operating credentials over its 30 year history. Senex operates low cost oil producing assets in the Cooper Basin and is progressing a portfolio of gas projects including the Western Surat Gas Project and Project Atlas in Queensland.*

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<sup>2</sup> Under the relevant accounting rules (AASB 6), exploration assets are required to be reviewed for impairment when a trigger is identified, for example, when substantive expenditure on further exploration is neither budgeted nor planned. In such a case, an entity shall perform an impairment test and any impairment loss is to be recognised in that period.