Senex

To:	Company Announcement Office	**From:**	Senex Energy Limited
Company:	ASX Limited	**Pages:**	28
Date:	19 February 2019		
Subject:	Senex Energy Limited (ASX:SXY) FY19 Half Year Report		

I provide the following for the Senex Energy Limited FY19 Half Year Report:

With regards

David Pegg
Company Secretary

Senex

Half year report for the period ended 31 December 2018

Appendix 4D

Based on accounts that have been reviewed

Results for announcement to the market

All comparisons to half year ended 31 December 2017

				$ million
Revenue from ordinary activities	Increased	44%	to	42.8
Loss after tax from ordinary activities	Improved	95%	to	(4.5)
Underlying profit/(loss) after tax from ordinary activities	Improved	n/a	to	1.4

Underlying profit/(loss) after tax is a non-IFRS measure and a reconciliation to 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/(loss) 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

	2018	2017
Net tangible assets per ordinary security	$0.24	$0.25

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

This report is based on the consolidated financial year 2019 half year financial statements which have been reviewed by Ernst & Young.

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

	2018	2017
Loss after tax from ordinary activities	(4.5)	(82.3)
Loss/(gain) on sale of exploration assets	-	(0.4)
Impairment expense	-	79.9
Net impact of Beach Energy transaction	5.9	-
Underlying net profit/(loss) after tax from ordinary activities	**1.4**	**(2.8)**

This FY19 Half Year Report is to be read in conjunction with the 2018 Annual Report.

Senex Energy Limited

ABN 50 008 942 827

FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 R Davies (Managing Director and Chief Executive Officer) Timothy B I Crommelin (Non-Executive Director) Ralph H Craven (Independent Non-Executive Director) Debra L Goodin (Independent Non-Executive Director) John Warburton (Independent Non-Executive Director) Andrey Zhmurovsky (Non-Executive Director)
SECRETARY:	David A 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 2018.

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 R Davies (Managing Director and Chief Executive Officer)

Timothy B I Crommelin (Non-Executive Director)

Ralph H Craven (Independent Non-Executive Director)

Debra L Goodin (Independent Non-Executive Director)

John Warburton (Independent Non-Executive Director)

Andrey Zhmurovsky (Non-Executive Director)

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 FY19

- Production up 49% to 557 kboe (H1 FY18: 374 kboe)
- Sales revenue up 44% to $42.8 million (H1 FY18: $29.8 million)
- Operating cash flow up $20.2 million to $13.9 million (2018: -$6.3 million)
- Financial close of $150 million debt facility to fund Surat Basin gas development projects
- Final Investment Decisions for Project Atlas and Roma North
- Major Surat Basin project milestones achieved
- Gemba-1 gas discovery flow rates of 8 mmscfd on test

Financial performance

- The Group's oil and gas sales revenue for the half year ended 31 December 2018 was $42.8 million, an increase of 44% from the half year ended 31 December 2017. Oil sales revenue increased primarily as a result of higher realised prices of A$97 per barrel compared with A$88 per barrel for the half year ended 31 December 2017. Gas sales contributed an additional $7.7 million in revenue for the half year ended 31 December 2018.
- Cost of sales increased from $21.1 million in the half year ended 31 December 2017 to $30.2 million in the half year ended 31 December 2018 as a result of higher production volumes and royalties, partially offset by a continuing focus on strict cost control.
- Exploration expense of $10.1 million was recognised for the half year ended 31 December 2018 and primarily represents unsuccessful drilling in the Cooper Basin.
- The Group's statutory net loss before tax for the half year ended 31 December 2018 was $4.5 million, compared with a loss of $82.3 million for the half year ended 31 December 2017. The prior period includes a non-cash impairment expense of $79.9 million. Higher exploration expense was partly offset by higher gross profit and a $1.6 million gain recognised from successful drilling activities under the Beach free carry agreement.
- At 31 December 2018, the Group held cash reserves of $74.0 million and a secured $150.0 million debt facility, on which $35.0 million in drawdowns have been made. Net cash at 31 December 2018 was $39.0 million.

Operational performance

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

- Improved safety performance, with the total recordable injury frequency decreasing to 9.7 incidents per million hours worked (H1 FY18: 11.5). One lost time injury was recorded (H1 FY18: three).
- Oil production was 374 kboe compared with 356 kboe in the previous corresponding period.
- Gas production was 183 kboe compared with 18 kboe in the previous corresponding period.
- Oil operating costs reduced to $29 per barrel (H1 FY18: $32 per barrel).

Gas exploration and development

Project Atlas, Surat Basin, Queensland

Project Atlas is a top tier dedicated domestic gas tenure awarded to Senex by the Queensland Government in September 2017. On 29 October 2018, Senex announced its Final Investment Decision and sanctioning of a multi-year work program.

Progress made in the half year ended 31 December 2018 included:

- Detailed planning, design and land access activities for the initial drilling campaign and gas processing facility. Tendering for the rig and associated well site services contract is underway.
- Submission of an Environmental Protection and Biodiversity Conservation (EPBC) Act referral to the Federal Government, with satisfaction of all requirements confirmed subsequent to half year end.
- Engagement with potential domestic gas customers.

Western Surat Gas Project (Roma North), Surat Basin, Queensland

Development of the Western Surat Gas Project (WSGP) will initially focus on progressive development of the Glenora and Eos blocks, and appraisal of the Mimas and Tethys blocks (collectively, Roma North). On 29 October 2018, Senex announced its Final Investment Decision and sanctioning of a multi-year work program.

Progress made in the half year ended 31 December 2018 included:

- Increased production from existing Roma North wells of 134 kboe (H1 FY18: 18 kboe), with a maximum daily rate of 5.7 TJ.
- Agreed with GLNG to separate existing gas sales arrangements, enabling a Final Investment Decision for Roma North.
- Received final approvals to develop all WSGP acreage.
- Commenced civil works at the gas processing facility and constructed and laid the underground pipeline.
- Drilled five gas appraisal wells across the WSGP and Don Juan acreage.

Cooper-Eromanga Basin, South Australia

Senex brought online the Vanessa gas field, which produced approximately 49 kboe during the period.

Senex successfully drilled and tested the Gemba-1 gas exploration well, and completed a seven-stage hydraulic fracturing program and a seven-day flow-test. A stabilised flow rate of ~8 million standard cubic feet per day was achieved (with ~20% CO_2 content in line with expectations based on regional data). The test recovered 44 million standard cubic feet of gas and 88 barrels of oil.

Oil exploration and development

Cooper-Eromanga, South Australia

Senex commenced its free-carried FY19 oil exploration, appraisal and development drilling campaign. Results from the half year included:

- Exploration success at Breguet-1 and Snatcher North-1, which were brought online in Q2 FY19.
- The Growler-16 horizontal development well was drilled and brought online in January 2019 at an initial production rate of ~1,300 bopd (gross).
- The Growler Northeast-1 appraisal well proved an extension of the Growler field.
- The Flanker-1 oil exploration well discovered and flowed hydrocarbons but was deemed non-commercial. The Huey-1, Avenger-1 and Voodoo-1 oil exploration wells did not encounter hydrocarbons.

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

	2018	2017
Statutory net loss after tax from ordinary activities	(4.5)	(82.3)
Loss/(gain) on sale of exploration assets	-	(0.4)
Impairment expense	-	79.9
Net impact of Beach Energy transaction	5.9	-
Tax (benefit)/expense	-	-
Underlying net profit/(loss) after tax from ordinary activities	**1.4**	**(2.8)**

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

Net impact of Beach Energy transaction
In April 2018 Senex entered into an agreement with Beach Energy to terminate the Senex-Beach Energy joint venture 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. This agreement resulted in the recognition of a gain of $16.9 million in the second half of the year ended 30 June 2018. The net expense of $5.9 million recognised in the period ended 31 December 2018 relates to:

- A gain of $1.6 million from additional agreed contingent free-carry activity as a result of drilling results during the period. Further additional activity may be agreed as drilling results are appraised.
- An expense of $6.0 million relating to unsuccessful free carried wells. This has been removed from underlying net profit/(loss) in order to consistently present the gains and losses from the Beach Energy transaction period on period.
- To facilitate the Beach Energy transaction, Senex entered into an agreement with Planet Gas Limited in September 2018 to acquire and relinquish additional interests in the Cooper Basin where Planet Gas and the Group were in a joint venture. Senex has expensed the remaining capitalised value of the associated assets of $1.5 million to the profit and loss.

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 2018.

EVENTS AFTER THE BALANCE SHEET 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 2018.

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
18 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	For the half-year ended 31 December 2018 $'000	For the half-year ended 31 December 2017 $'000
Continuing operations			
Revenue from sales	5 (a)	42,752	29,843
Cost of sales	5 (b)	(30,247)	(21,059)
Gross profit		**12,505**	**8,784**
Other revenue		1,090	1,342
Other income	5 (c)	2,771	377
Oil and gas exploration expense		(10,120)	(3,153)
General and administrative expense		(9,599)	(5,668)
Other expenses		(406)	(3,202)
Impairment		-	(79,875)
Finance expense		(771)	(886)
Loss before tax		**(4,530)**	**(82,281)**
Income tax benefit/(expense)		-	-
Loss after tax		**(4,530)**	**(82,281)**
Net loss for the period attributable to owners of the parent entity		**(4,530)**	**(82,281)**
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)	3	15,612	(844)
		15,612	(844)
Total comprehensive profit/(loss) for the period attributable to owners of parent entity		**11,082**	**(83,125)**
Earnings per share attributable to the ordinary equity holders of the parent entity (cents per share):			
Basic earnings (cents per share)		(0.31)	(5.69)
Diluted earnings (cents per share)		(0.31)	(5.69)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 $'000	As at 30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	73,986	66,541
Prepayments		2,443	3,909
Trade and other receivables	7	39,746	53,366
Inventory		10,288	10,755
Other financial assets	8	9,824	-
Total current assets		**136,287**	**134,571**
Non-current assets			
Trade and other receivables		49	49
Property, plant and equipment		84,019	88,194
Intangibles		4,881	1,099
Exploration assets		70,729	71,104
Oil and gas properties		176,656	132,302
Other financial assets	8	5,613	-
Total non-current assets		**341,947**	**292,748**
TOTAL ASSETS		**478,234**	**427,319**
LIABILITIES			
Current liabilities			
Trade and other payables		36,966	23,668
Other financial liabilities		103	1,278
Provisions		3,588	4,244
Total current liabilities		**40,657**	**29,190**
Non-current liabilities			
Other financial liabilities		1,161	1,035
Provisions		53,028	50,821
Interest-bearing liabilities	9	24,753	-
Total non-current liabilities		**78,942**	**51,856**
TOTAL LIABILITIES		**119,599**	**81,046**
NET ASSETS		**358,635**	**346,273**
EQUITY			
Contributed equity		540,468	540,213
Reserves		33,487	16,850
Accumulated losses		(215,320)	(210,790)
TOTAL EQUITY		**358,635**	**346,273**

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 2018

	Note	For the half-year ended 31 December 2018 $'000	For the half-year ended 31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers		56,718	23,907
Payments to suppliers and employees		(39,207)	(20,062)
Payments for exploration expenditure		(9,121)	(3,555)
Payments for rehabilitation of wells		(26)	(4,124)
Payment for cessation of contract		-	(5,775)
Interest received		699	1,229
Interest paid		(307)	-
Fees received for technical services		2,527	2,447
Payments for commodity hedges		(810)	(437)
Reimbursement of third party costs		2,576	-
Other receipts		825	102
Net cash inflow/(outflow) from operating activities		**13,874**	**(6,268)**
Cash flows from investing activities			
Payments for oil and gas properties		(23,819)	(6,204)
Purchase of property, plant and equipment & intangibles		(6,424)	(4,061)
Payments for exploration assets		(14,535)	(43,781)
Beach Energy's free carry contribution		10,145	-
Proceeds from sale of fixed assets and exploration assets		14	1,210
Proceeds from Government grant		-	6,387
Net cash outflow from investing activities		**(34,619)**	**(46,449)**
Cash flows from financing activities			
Proceeds from share issues		255	255
Proceeds from debt funding		35,000	-
Payments for debt facility commitment fee		-	(126)
Payments for debt facility transaction costs		(7,336)	-
Payment to Halliburton under tight oil agreement		(117)	(105)
Net cash inflow from financing activities		**27,802**	**24**
Net increase/(decrease) in cash and cash equivalents		7,057	(52,693)
Net foreign exchange gain/(loss)		388	(172)
Cash and cash equivalents at the beginning of the period		66,541	134,760
Cash and cash equivalents at the end of the period	6	**73,986**	**81,895**

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 2018

The following table presents the consolidated statement of changes in equity for the half year ended 31 December 2018:

	Contributed equity $'000	Accumulated losses $'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 half-year	-	(4,530)	-	-	(4,530)
Other comprehensive profit	-	-	-	15,612	15,612
Total comprehensive profit	**-**	**(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**

The following table presents the consolidated statement of changes in equity for the half year ended 31 December 2017:

	Contributed equity $'000	Accumulated losses $'000	Share based payments reserve $'000	Hedging Reserve $'000	Total $'000
Balance at 1 July 2017	**539,958**	**(116,780)**	**16,307**	**-**	**439,485**
Loss for the half-year	-	(82,281)	-	-	(82,281)
Other comprehensive income	-	-	-	(844)	(844)
Total comprehensive loss	**-**	**(82,281)**	**-**	**(844)**	**(83,125)**
Transactions with owners, recorded directly in equity:					
Shares issued	255	-	-	-	255
Share based payments expense	-	-	648	-	648
Balance at 31 December 2017	**540,213**	**(199,061)**	**16,955**	**(844)**	**357,263**

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 2018 were authorised for issue on 18 February 2019 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 2018.

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 2018 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, which have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting.*

The half year financial statements have been prepared on a historical cost basis and are presented in Australian dollars ($).

For the purpose of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

(b) Significant accounting policies

Changes in accounting policies adopted in the preparation of the half-year financial statements are listed below but are otherwise consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2018.

A number of other new standards are effective from 1 July 2018 but they do not have a material impact on the Group's half-year financial statements.

New and amended accounting standards and interpretations adopted

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 as at 1 July 2018 using the full retrospective method.

AASB 15 provides a five step model for recognising revenue earned from a contract with a customer and is applicable to all contracts with customers.

(b) Significant accounting policies (continued)

Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Following a detailed review of the Group's revenue contracts it was identified that some sale contracts contain provisional pricing features which are considered to be embedded derivatives. AASB 15 does not change the assessment of the existence of embedded derivatives. These embedded derivatives are outside the scope of AASB 15 and are accounted for in accordance with AASB 9. Refer to discussion below. No adjustments were required to net profit or opening retained earnings upon the Group adopting AASB 15.

The Group's new revenue accounting policy is detailed below:

> Revenue is recognised when the Group transfers control of goods to a customer at the amount to which the Group expects to be entitled. Where the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled at the time the revenue is recognised. The following specific recognition criteria must also be met before revenue is recognised:
>
> ***Sale of oil and gas***
>
> Revenue from the sale of produced hydrocarbons is recognised at a point in time when control of the asset is transferred to the customer, which is typically on delivery of the goods (the 'sales' method). This policy is applied to the Group's different operating arrangements.
>
> ***Flowline revenue***
>
> Flowline revenue represents third party charges for usage of flowlines for transport of oil from Lycium to Moomba. Revenue is recognised in the period in which the third party has used the flowline.
>
> ***Interest income***
>
> Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

AASB 9 Financial Instruments

The Group has adopted AASB 9 *Financial Instruments* as at 1 July 2018. The Group has applied AASB 9 retrospectively and has adjusted the comparative information for the period beginning 1 July 2017. There were no material impacts on the comparative balances other than the reclassification of the gain/(loss) on provisionally priced trade receivables and reclassification of provisionally priced trade receivables within Trade and other receivables. There was no impact on hedging as the Group early adopted the hedging requirements of AASB 9 in the financial year ended 30 June 2015.

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets whereby financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

The Group's assessment resulted in the following changes to the classification of the Group's financial assets:

- Trade receivables (not subject to provisional pricing) and other current financial assets previously classified as Loans and receivables: these were assessed as being held to collect contractual cash flows. These are now classified and measured as financial assets at amortised cost.
- Trade receivables (subject to provisional pricing): The exposure of unsettled trade receivable to future commodity price movements requires the entire receivable to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the Consolidated Statement of Comprehensive Income each period until final settlement. The Group previously presented such fair value changes in 'Oil sales' and 'Gas and gas liquids sales' within Revenue but will now present them as 'Fair value gains/(losses) on provisionally priced trade receivables' within Revenue. There was no impact on the profit within the Consolidated Statement of Comprehensive Income arising from this change.

(b) Significant accounting policies (continued)

In summary, the Group had the following required reclassifications for financial assets:

As at 30 June 2018

AASB 139 Category	AASB 139 carrying value $'000	AASB 9 Category		
		Fair value through profit or loss $'000	**Amortised cost $'000**	**Fair value through OCI $'000**
Trade and other receivables				
Trade receivables (not subject to provisional pricing)	955	-	955	-
Trade receivables (subject to provisional pricing)	26,347	26,347	-	-
Deferred consideration owing by Beach Energy	20,400	-	20,400	-
Sundry receivables non-interest bearing and unsecured	3,092	-	3,092	-
Attributable share of receivables for joint operations	2,621	-	2,621	-
	53,415	**26,347**	**27,068**	**-**

As at 1 July 2017

AASB 139 Category	AASB 139 carrying value $'000	AASB 9 Category		
		Fair value through profit or loss $'000	**Amortised cost $'000**	**Fair value through OCI $'000**
Trade and other receivables				
Trade receivables (not subject to provisional pricing)	702	-	702	-
Trade receivables (subject to provisional pricing)	10,631	10,631	-	-
Sundry receivables non-interest bearing and unsecured	1,531	-	1,531	-
Attributable share of receivables for joint operations	1,405	-	1,405	-
	14,269	**10,631**	**3,638**	**-**

The adoption of AASB 9 has also changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking, simplified, expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of AASB 15. As all of the Group's trade receivables (not subject to provisional pricing) and other current receivables which the Group measures at amortised cost are short term (i.e. less than 12 months) and the Group has credit assessment and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements (less than 0.5%).

(b) Significant accounting policies (continued)

New accounting policies

Interest-bearing liabilities

Interest-bearing liabilities are classified, at initial recognition, as loans and borrowings and are recognised at fair value and net of directly attributable transaction costs.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Consolidated Statement of Comprehensive Income.

Interest-bearing loans are derecognised when the associated obligation is discharged or cancelled or expires.

(c) Significant accounting estimates and judgements

Recoverability of oil and gas properties and exploration assets

The carrying value of oil and gas properties is tested for impairment annually (as at 30 June) and at other periods when circumstances indicate the carrying value may be impaired. Exploration assets are assessed at each reporting date to determine if any indicators of impairment exist. At 31 December 2018, the group performed a review of indicators of impairment for oil and gas properties and exploration assets. These reviews did not result in an impairment charge at 31 December 2018 (30 June 2018: $113.3 million; 31 December 2017: $79.9 million against non-core Cooper Basin exploration assets).

Reserves estimates

Estimates of recoverable quantities of proven and probable reserves, that are used to review the carrying value of oil and gas properties and amortisation of oil and gas properties, 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. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reserves can impact asset carrying values, the provision for rehabilitation and the recognition of deferred tax assets, due to changes in estimated future cash flows. Reserves are integral to the amount of depreciation and amortisation charged to the Consolidated Statement of Comprehensive Income.

Rehabilitation obligations

The Group estimates the future removal costs of oil and gas wells and production facilities at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating future cost, future removal technologies in determining the removal cost, and a ten-year government bond discount rate to determine the present value of these cash flows.

3. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash and cash equivalents, cash flow hedges, receivables, payables, borrowings and other financial liabilities.

All financial assets are recognised initially at fair value plus transaction costs, and financial liabilities are recognised initially at fair value. Subsequent measurement of financial assets and liabilities depends on their classification, summarised in the table below.

3. FINANCIAL INSTRUMENTS (continued)

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.

AASB 7 *Financial Instruments: Disclosures* requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

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.

	As at 31 December 2018			As at 30 June 2018		
	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income
Financial Assets						
Cash and cash equivalents	73,986	-	-	66,541	-	-
Trade and other receivables	9,957	-	-	6,668	-	-
Deferred consideration owing by Beach Energy	11,892			20,400	-	-
Trade and other receivables - subject to provisional pricing[1]	-	17,946	-	-	26,347	-
Cash flow hedges - crude oil price contracts[2]	-	-	15,437	-	-	-
	95,835	**17,946**	**15,437**	**93,609**	**26,347**	**-**
Financial Liabilities						
Trade and other payables	36,966	-	-	23,668	-	-
Other financial liabilities[4]	1,053	-	-	1,171	-	-
Interest bearing liabilities	35,000	-	-	-	-	-
Cash flow hedges - interest rate swaps[3]	-	-	211	-	-	-
Cash flow hedges - crude oil price contracts[2]	-	-	-	-	-	1,142
	73,019	**-**	**211**	**24,839**	**-**	**1,142**

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.

2) Level 2

The fair value of crude oil price contracts 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 (AUD) along with the volatility of the underlying commodity price and the expiry of the instrument. Gains or losses arising from movements in the fair value of the crude oil price contract that are effective are recognised in OCI, and any ineffective gains or losses are recognised in the profit and loss.

3) Level 2

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. Gains or losses arising from movements in the fair value of the interest rate swaps that are effective are recognised in OCI, and any ineffective gains or losses are recognised in the profit and loss.

3. FINANCIAL INSTRUMENTS (continued)

4) Level 3

The carrying value of the other financial liability owing to Halliburton under the tight oil agreement approximates fair value at 31 December 2018. 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.

The Group does not have any level 1 financial instruments as at 31 December 2018 or 30 June 2018.

4. OPERATING SEGMENTS

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 (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments identified by management are based on the geographical location of the resources which correspond to the Group's strategy.

The reportable segments are based on operating segments determined by the geographical location of the resources, as these are 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 eastern Australia.

Major customers

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

In December 2017 Senex commenced selling raw gas produced from Roma North to Santos GLNG. In July 2018, Senex commenced selling gas from the Vanessa field to Pelican Point Power Limited. All customers are located within Australia.

Accounting policies

The accounting policies used by the Group in reporting segments internally is the same as those used to prepare the financial statements in the current and prior period.

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 2018 and 31 December 2017:

	Consolidated					
	Surat Basin		Cooper/Eromanga Basins		Total	
	31 December 2018 $'000	31 December 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	31 December 2018 $'000	31 December 2017 $'000
Revenue						
Oil sales[1]	-	-	35,416	29,843	35,416	29,843
Gas and gas liquids sales	5,657	-	2,066	-	7,723	-
Fair value gains/(losses) on provisionally priced trade receivables	-	-	(387)	-	(387)	-
Flowline revenue	-	-	583	516	583	516
Total segment revenue	**5,657**	**-**	**37,678**	**30,359**	**43,335**	**30,359**
Corporate item:						
Interest income					507	826
Total revenue per statement of comprehensive income					**43,842**	**31,185**

	Consolidated					
	Surat Basin		Cooper/Eromanga Basins		Total	
	31 December 2018 $'000	31 December 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	31 December 2018 $'000	31 December 2017 $'000
Results						
Segment profit / (loss)	**(2,706)**	**(232)**	**7,348**	**(77,023)**	**4,642**	**(77,255)**
Reconciliation of segment net profit / (loss) after tax to net profit / (loss) from continuing operations before tax						
Corporate items:						
Interest income					507	826
Other income					14	-
Interest expense					(94)	(184)
General and administrative expenses					(9,599)	(5,668)
Net loss before tax per the statement of comprehensive income					**(4,530)**	**(82,281)**

[1] Inclusive of hedge gains and premiums

4. OPERATING SEGMENTS (CONTINUED)

Segment assets and segment liabilities at 31 December 2018 and 30 June 2018 are as follows:

	Consolidated					
	Surat Basin		**Cooper/Eromanga Basins**		**Total**	
	31 December 2018 $'000	**30 June 2018 $'000**	**31 December 2018 $'000**	**30 June 2018 $'000**	**31 December 2018 $'000**	**30 June 2018 $'000**
Segment assets						
Segment operating assets	**149,690**	**112,477**	**227,076**	**258,984**	**376,766**	**371,461**
Corporate assets [1]					101,468	55,858
Total assets per the statement of financial position					**478,234**	**427,319**
Segment liabilities	**16,927**	**10,311**	**57,358**	**56,987**	**74,285**	**67,298**
Corporate liabilities [2]					45,314	13,748
Total liabilities per the statement of financial position					**119,599**	**81,046**
Additions and acquisitions of non current assets (other than financial assets and deferred tax assets):						
Property, plant and equipment and intangibles	2,689	901	382	3,521	3,071	4,422
Exploration assets	5,924	41,053	19,377	17,521	25,301	58,574
Oil and gas properties	24,302	14,538	6,636	4,611	30,938	19,149
	32,915	**56,492**	**26,395**	**25,653**	**59,310**	**82,145**
Corporate additions					3,141	4,456
Total Additions					**62,451**	**86,601**

[1] The corporate assets include cash and cash equivalents of $73,083,000 (30 June 2018: $43,792,000), accrued interest of $57,000 (30 June 2018: $239,000), prepayments of $2,434,000 (30 June 2018: $2,683,000), receivables, including financial assets, of $14,387,000 (30 June 2018: $572,000) and plant, equipment and intangibles of $11,507,000 (30 June 2018: $8,572,000).

[2] The corporate liabilities include trade and other payables, including financial liabilities, of $17,799,000 (30 June 2018: $9,899,000), provisions of $2,762,000 (30 June 2018: $3,849,000) and interest bearing liabilities of $24,753,000 (30 June 2018: nil).

5. REVENUE AND EXPENSES

	For the half-year ended 31 December 2018 $'000	For the half-year ended 31 December 2017 Restated $'000
(a) Revenue		
Oil sales[1]	35,416	28,759
Gas and gas liquids sales	7,723	-
Fair value gains/(losses) on provisionally priced trade receivables	(387)	1,084
	42,752	**29,843**
(b) Cost of sales		
Operating costs	(19,847)	(12,908)
Amortisation of oil and gas properties	(6,083)	(5,197)
Depreciation of facilities	(4,317)	(2,954)
	(30,247)	**(21,059)**
(c) Other income		
Net gain on sale of exploration assets	14	377
Net gain on termination of unconventional gas joint venture	1,636	-
Joint venture recharge income	1,121	-
	2,771	**377**

[1] Inclusive of $0.1 million hedge premium expense net of settlements (31 December 2017: $0.6 million premium net of settlements). The ineffective portion of hedges is included in other expenses.

6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	As at 31 December 2018 $'000	As at 30 June 2018 $'000
Cash at bank and in hand	73,083	63,493
Cash advanced to joint operations	903	3,048
	73,986	**66,541**

Cash and cash equivalent balances advanced to joint operations are not available for use by the Group for settlement of corporate liabilities.

7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 $'000	As at 30 June 2018 Restated $'000
Trade receivables (not subject to provisional pricing)	1,449	906
Trade receivables (subject to provisional pricing)	17,946	26,347
Deferred consideration owing by Beach Energy	11,892	20,400
Sundry receivables non-interest bearing and unsecured	4,199	3,092
Attributable share of receivables for joint ventures	4,260	2,621
	39,746	**53,366**

7. 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.

8. CURRENT & NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	As at 31 December 2018 $'000	As at 30 June 2018 $'000
Current		
Cash flow hedges - crude oil price contracts	9,824	-
	9,824	-
Non-current		
Cash flow hedges - crude oil price contracts	5,613	-
	5,613	**-**

Cash flow hedges

Crude oil financial instruments measured at fair value through Other Comprehensive Income are designated as hedging instruments in cash flow of forecast oil invoices in US and Australian dollars. These forecast transactions are highly probable and comprise a portion of the Group's forecast expected invoiced sales from existing well stock production for the period 1 January 2019 to 30 June 2021.

The Group has entered into put options covering 213,900 barrels of oil production for the period 1 January 2019 to 30 June 2019. The quantity of put options each month is designed to cover a portion of the highly probable forecast sales in each month. The Group has also entered into monthly settled oil price swaps covering 765,702 barrels for the period 1 January 2019 to 30 June 2021. The quantity of swaps each month is designed to cover a portion of highly probably forecast sales for the month. The Group has swapped the average AUD Brent oil price for a fixed weighted average AUD price of $96.17 over the period to 30 June 2021.

9. NON-CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES

	As at 31 December 2018 $'000	As at 30 June 2018 $'000
Bank loan facility	35,000	-
Debt facility transaction costs	(10,247)	-
	24,753	**-**

On 26 October 2018, the Group completed financial close of a $150 million Senior Secured Multi-Currency Facility Agreement (SFA) with ANZ.

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). Facility A has a limit of $125 million and Facility B has a limit of $25 million.

Facility A matures on 25 October 2025 and carries an effective interest rate of AUD BBSY plus margin. Facility B matures on 25 October 2021 and attracts varying cost dependent on the purpose for which drawings are made.

At 31 December 2018 the Group has drawn down $35 million of Facility A.

Borrowing costs relating to assets currently under development, which have been capitalised in 'Oil and gas properties' during the period, amounted to $0.4 million (30 June 2018 and 31 December 2017: $nil) at an interest rate of BBSY plus margin.

10. 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.

11. COMMITMENTS

There has been no 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 $24.3 million (30 June 2018: $10.1 million):

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 2018 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
18 February 2019

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

As lead auditor for the review of Senex Energy Limited for the half-year ended 31 December 2018, 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

Anthony Jones
Partner
18 February 2019

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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 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 2018, 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 2018 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 2018 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

Anthony Jones
Partner
Sydney
18 February 2019