

# ASX Announcement

Release Date: 12 August 2020



## Non-cash impairment of Cooper Basin oil assets

**Senex Energy Ltd (Senex, ASX: SXY) today announced it expects to recognise a non-cash impairment charge of approximately \$52 million<sup>1</sup> in its FY20 full year results to be released on 24 August 2020.**

The non-cash impairment charge is in respect of Senex's Cooper Basin oil assets and is due to a material downward revision in oil price assumptions resulting from the effects of the COVID-19 pandemic on energy market fundamentals. Senex has reduced its long-term Brent oil price assumption to US\$62.50/bbl from FY25 (real 1 July 2020) and is forecasting a slower recovery to these levels over the short to medium-term (see table below).

Approximately two thirds of the expected non-cash impairment charge relate to small, late-life non-western flank oil fields in the Cooper Basin, with a lack of oil transportation infrastructure and materially lower near-term oil price assumptions disproportionately affecting these fields' carrying values, notwithstanding their cashflow positive operations. The balance of the expected non-cash impairment charge largely relates to capitalised Cooper Basin exploration and obsolete oil field inventory.

In addition, following a comprehensive organisational review as a result of the COVID-19 pandemic and the changed economic outlook, Senex expects to book a restructuring cost provision of approximately \$2.6 million in its FY20 full year results. The restructure is expected to be completed during Q1 FY21 and deliver material and ongoing cost savings and efficiencies across the business.

Senex Managing Director and CEO Ian Davies said Senex's low-cost operations are generating material and growing free cashflow following successful completion of its \$400 million Surat Basin gas development.

"Despite our already low operating cost structure, we continue to focus on cost control and are successfully making further reductions to operating costs, with an expected free cashflow breakeven of less than US\$15/bbl in FY21<sup>2</sup>.

"Senex's transition to a diversified oil and gas producer is now complete. We are now much less reliant on oil prices, we have material acceleration and expansion growth opportunities within our existing gas portfolio, and our valuable western flank oil business continues to generate free cashflow with exploration and appraisal upside to pursue.

"Our success in FY20 culminated in a 108% increase in Surat Basin 1P gas reserves to 210 petajoules and a 21% increase in Surat Basin 2P gas reserves to 739 petajoules. This extensive gas reserves position will see Senex generating material free cashflow for decades to come, even in lower-for-longer oil price environments", Mr Davies said.

The expected impairment is non-cash in nature and does not affect Senex's oil and gas reserves position, financing arrangements or underlying financial strength. It will be excluded from underlying earnings and is subject to finalisation of the FY20 full year accounts, auditor processes and Board approval.

<sup>1</sup> Before tax and after tax

<sup>2</sup> Includes Surat Basin sustaining capital to maintain plateau production, excluding growth projects

### Oil price and A\$:US\$ exchange rate assumptions

Oil price and A\$:US\$ exchange rate assumptions used in the assessment of asset carrying values as at 30 June 2020 are set out below.

	FY21	FY22	FY23	FY24	Long term
Brent oil price (real, US\$) <sup>1</sup>	47.0	51.3	55.0	59.3	62.5
Exchange rate (A\$:US\$)	0.69	0.69	0.69	0.70	0.70

<sup>1</sup> Brent oil prices presented on a real 1 July 2020 basis; nominal escalation factors of 1.0% - 2.0% assumed.

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#### About Senex

Senex is a growing Australian oil and natural gas explorer and producer. We are focused on creating sustainable value for all stakeholders through low-cost, efficient and safe operations in the Surat and Cooper basins. Senex is helping to meet the energy challenge on the east coast of Australia through natural gas development projects which include Project Atlas, Australia's first dedicated domestic gas acreage.