

Quarterly Report

Q1 FY16 | September 2015

HIGHLIGHTS

- **Cash balance up 9%, solid margins on oil sales**
- **No drawn debt**
- **Low capital expenditure across portfolio during the quarter**
- **Oil production in line with expectations, with new wells to contribute in the second quarter**
- **Significant progress in growth projects**

At the end of the first quarter of FY16, Senex Energy (Senex, ASX:SXY) maintained a strong financial position and delivered steady production, with key milestones achieved in its gas portfolio. Against the previous quarter, highlights include:

- **Cash balance** of \$53.4 million, up by 9%. An unsecured corporate debt facility of \$80 million remains undrawn at 30 September 2015. Senex to receive \$42 million cash from GLNG upon completion of the transactions announced during the quarter.
- **Capital expenditure** of \$9.9 million, down 33%, on track with full year guidance of between \$35 million and \$45 million.
- **Net production** of 0.28 mmboe, down 13%, and **net sales volumes** of 0.26 mmboe, down 10%, primarily due to natural field decline and reduced capital expenditure in the Cooper Basin. Growler-14 was online from late August and Martlet North-1 was online from late September.
- **Sales revenue** of \$18.8 million, down 20%, due to lower sales volumes and a lower average realised oil price.
- Major agreements executed with GLNG for the **Western Surat Gas Project** with continued planning activities for pilot production and appraisal.
- Final preparations completed ahead of a **gas exploration program with Origin Energy**. The first well, Efficient-1, was spudded in October.
- On track to deliver **production guidance** of between 1.0 mmboe and 1.2 mmboe, with Spitfire-7 expected to be online during November 2015 and additional drilling planned during FY16.



Field work in the Surat Basin during the September quarter



Easternwell Rig 106 mobilised to the Efficient-1 gas exploration well site (Origin Energy joint venture)



Spitfire-7 completion activities

FINANCIAL SUMMARY

KEY PERFORMANCE METRICS	September Quarter Q1 FY16	June Quarter Q4 FY15	Quarter on Quarter change	September Quarter Q1 FY15
Net Production (mmboe)	0.28	0.32	(13%)	0.38
Net Sales volumes (mmboe)	0.26	0.29	(10%)	0.37
Sales revenue (\$ million)	18.8	23.6	(20%)	42.4
Cash (\$ million)	53.4	49.0	9%	69.4
Average realised oil price (A\$ per barrel)	73	81	(10%)	113

Sales revenue decreased by 20% to \$18.8 million in the September quarter, due to lower sales volumes and a lower average realised oil price.

- Sales volumes for the September quarter of 0.26 mmboe were down 10% on the previous quarter. The reduced production volumes were primarily due to natural field decline.
- Growler-14 provided initial production contribution for the last month of the quarter, and performed in line with expectations. Martlet North-1 was online from late September and is expected to contribute to the second quarter production and sales volumes.
- The average realised oil price for the September quarter of \$73 per barrel was 10% lower than the \$81 per barrel realised during the previous quarter. This difference was primarily due to a 19% fall in average crude oil prices in US dollar terms, partially offset by hedging gains and the weakening of the AUD/USD exchange rate.

SALES	September Quarter Q1 FY16	June Quarter Q4 FY15	Quarter on Quarter change	September Quarter Q1 FY15
Sales (mmboe)	0.26	0.29	(10%)	0.37
Oil	0.26	0.28	(7%)	0.37
Gas and gas liquids	0.00	0.01	(100%)	-
Sales revenue (\$ million)	18.8	23.6	(20%)	42.4

The company continued to benefit from hedging with \$10 per barrel of margin benefit¹ realised during the quarter.

- Senex has protected revenue from one million barrels of oil sales during the financial year 2016, guaranteeing an average Brent crude oil floor price of A\$75 per barrel over the 12 month period².
- Senex continues to actively assess opportunities for additional hedging in FY17.

¹ Net revenues received per barrel of oil sold after hedge costs.

² Assuming an AUD/USD exchange rate of 0.75 (refer ASX announcement dated 13 March 2015).

FINANCIAL SUMMARY

CAPITAL EXPENDITURE	September Quarter Q1 FY16	June Quarter Q4 FY15	Quarter on Quarter change	September Quarter Q1 FY15
Exploration and appraisal	7.9	11.6	(32%)	18.5
Development, plant and equipment	2.0	3.2	(38%)	5.5
Total	9.9	14.8	(33%)	24.0
Acquisition of additional JV interests	0.0	1.9	(100%)	-
Total	9.9	16.7	(41%)	24.0

Capital expenditure of \$9.9 million was incurred in the quarter, down 33% on the previous quarter.

- The major components of the capital expenditure for the quarter included the drilling of the Spitfire-7 oil appraisal well and the Fulcrum-1 oil exploration well, the completion and connection of western flank oil wells Martlet North-1 and Growler-14, and planning activities for the Western Surat Gas Project.
- As per previous guidance, capital expenditure for FY16 is expected to be between \$35 million and \$45 million across the Cooper Basin and Surat Basin. In addition, Origin Energy will free carry Senex for between \$25 million and \$35 million of expenditure in FY16 for the unconventional gas exploration program in the Cooper Basin.

Senex remains in a strong financial position with total liquidity of \$133 million at 30 September 2015, comprising cash reserves of \$53.4 million and \$80 million of undrawn debt.

- In September 2015 Senex entered into a series of major agreements for the development of the Western Surat Gas Project in Queensland. Under the agreements, Senex will receive \$42 million in cash from GLNG upon completion of the transactions, which is expected by the end of 2015. Further details of the agreements are provided on page 5 of this report.



Drilling commenced at the Efficient-1 well site in October as part of the unconventional gas exploration program with Origin Energy

PRODUCTION

PRODUCTION	September Quarter Q1 FY16	June Quarter Q4 FY15	Quarter on Quarter change	September Quarter Q4 FY15
Net Production (mmboe)	0.28	0.32	(13%)	0.38
Oil	0.27	0.30	(10%)	0.38
Gas and gas liquids	0.01	0.02	(50%)	-

Senex delivered net oil and gas production of 0.28 mmboe for the three months to 30 September 2015.

Senex's major producing oil fields continued to perform in line with expectations. **Oil production** was 0.27 mmboe for the period, down 11% on the previous quarter.

The reduction against the previous period was primarily due to natural field decline, in line with previously stated Senex oil field decline rates of between 2% and 4% per month.

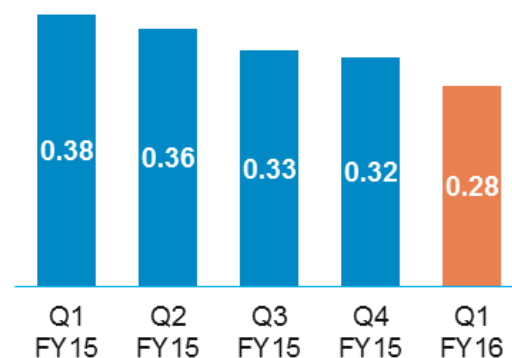
Two new wells were connected during the quarter. Growler-14 commenced production at the end of August and Martlet North-1 commenced production at the end of September. Both wells are performing in line with expectations.

Gas production of 0.01 mmboe was recorded for the period, derived from Kingston Rule-1 and flared gas from an extended production test on Worrior-8, which produces both gas and oil.

As part of the extended production test at the Hornet field, a low cost intervention was undertaken on the Hornet-1 well during the quarter. Hornet-1 remained offline and Kingston Rule-1 was offline for the majority of the quarter. During the second quarter of FY16, Senex is evaluating results of production testing with geological and geophysical data analysis, as part of building an understanding of the resource and to inform future field appraisal. In the current environment and while oil prices remain low, limited capital expenditure will be deployed to the Hornet field.

Senex remains on track to deliver full year oil and gas production of between 1.0 mmboe and 1.2 mmboe. The Company expects to bring Spitfire-7 online during November 2015 and continues to plan for additional drilling during FY16.

Quarterly Net Production (mmboe)



SURAT BASIN

GAS | *Western Surat Gas Project*

During the quarter, Senex achieved key milestones for its Western Surat Gas Project in Queensland.

Senex entered into a series of major agreements with GLNG involving:

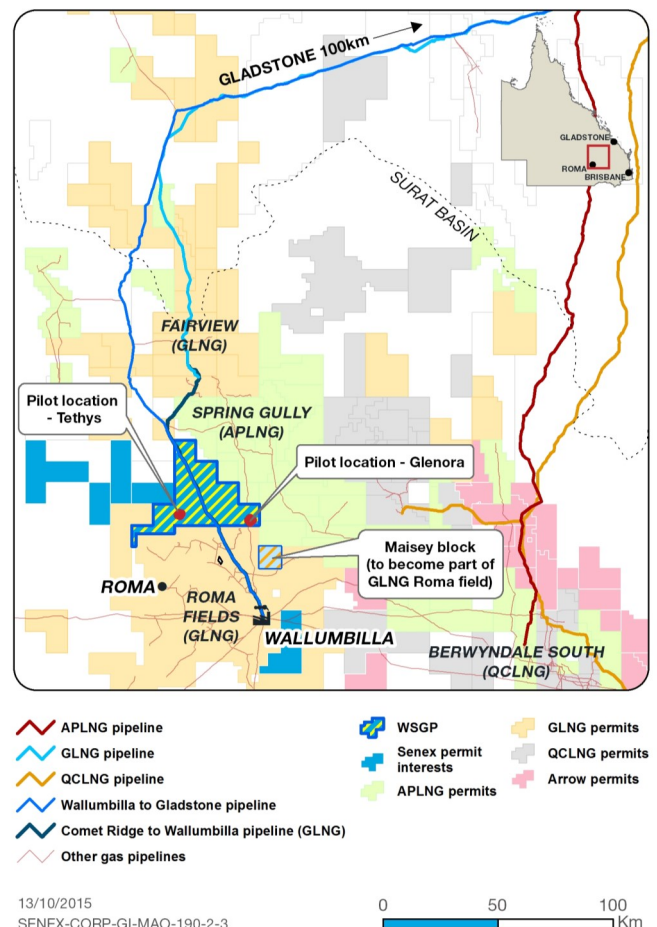
- Senex to receive \$42 million in cash, plus a comprehensive suite of subsurface, production and other technical data that will accelerate and de-risk Senex's project for a successful Final Investment Decision, in exchange for the sale of the 77 km² Maisey block within ATP 889 to GLNG (see map on right);
- Senex to supply up to 50 TJ/day of sales gas from the project area to GLNG under a binding 20-year gas sales agreement at USD JCC oil-linked pricing;
- Potential shared use of existing GLNG water treatment and gas processing infrastructure; and
- Raw gas sales and raw water disposal from the Glenora Pilot agreed in principle, to enable early gas sales.

The transactions provide a clear commercialisation and financing pathway for the project, with completion of the transactions expected by December 2015 subject to certain government approvals. Further details of the agreements are provided in the ASX announcement dated 24 September 2015.

Work program update

During the September quarter, Senex continued to progress key activities in preparation for pilot production and testing. These included land access clearances, cultural heritage clearances and geotechnical surveys in the pilot areas. Senex undertook ancillary studies to further evaluate options provided in the initial Concept Select study. The pilots, along with data to be provided by GLNG, will form critical components of Senex's modelling to understand the reservoir and subsequent field development planning.

The Environmental Impact Statement (EIS) remains on track for submission to the Queensland Government in mid-2016. Key stakeholder consultation activities were completed during the quarter, with the public notification and comment period for the draft EIS Terms of Reference closing in early October.



Above: Western Surat Gas Project area including location of planned pilots.

COOPER BASIN

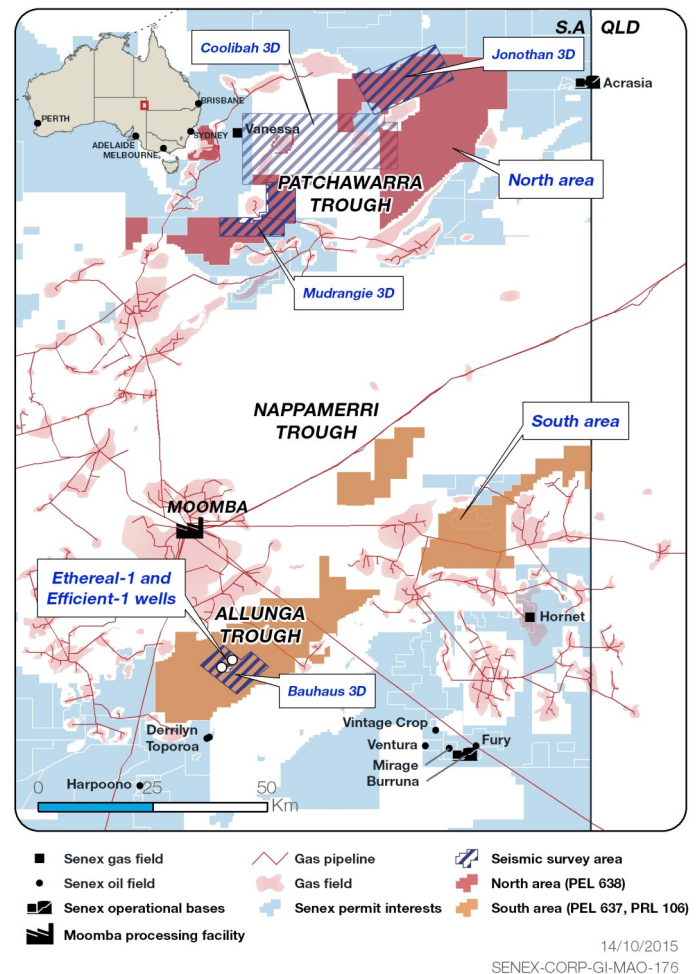
GAS | *Unconventional gas JVs with Origin Energy*

Senex and its joint venture partner reached a milestone in the exploration of unconventional gas assets in the Cooper Basin, spudding the Efficient-1 gas well in October.

During the September quarter, the JV partners finalised the two-well drilling program for the **south area** in the Cooper Basin and mobilised Easternwell Rig 106 to the first target well site in October. Efficient-1 (PEL 637: Senex 60% and operator) spudded on 16 October. Following the drilling of Efficient-1, the rig will move to Ethereal-1 in the same permit. The wells were identified from the Bauhaus 3D seismic survey and are designed to evaluate stratigraphic traps in the Patchawarra Formation (primary target) within the Allunga Trough. Efficient-1 is located 1.1km north-west of the Bauhaus-1 gas discovery and 14km south of the Big Lake gas field. Total depth of approximately 3,200m is expected to be reached in early November. The JV expects to undertake fracture stimulation, completion and testing, following successful drilling results.

In the **north area**, processing of the Mudrangie 3D and Jonothon 3D seismic surveys was completed during the quarter. Together with the data from the Coolibah 3D seismic survey, which spans an area in between the Senex-acquired surveys, Senex is completing a regionally focused interpretation process following which drilling prospects will be finalised. The seismic locations were chosen to identify potential basin centred gas sweet spots down dip of proven hydrocarbon accumulations.

Under the farm-in agreements with Origin, Senex is free carried for its share of stage one expenditure.



Above: Location of the two-well drilling campaign and focus areas

COOPER BASIN

OIL AND GAS | Exploration and Development

Senex commenced FY16 with two oil wells drilled and two wells completed on the western flank, further building of the company's regional exploration model, and low cost field development activities.

Ex-PEL 104 (Senex 60% and operator)

Senex and its JV partner drilled **Fulcrum-1**, a near-field exploration target 2 kilometres south-west of the Spitfire oil field. A successful drill stem test was completed over a 9 metre interval with oil shows observed, however the reservoir was poorly developed and the well was plugged and abandoned. Further analysis is being undertaken by the JV to evaluate the migration of hydrocarbons into potentially thicker and higher quality reservoir up dip.

PPL 258 (Senex 60% and operator)

Spitfire-7, an appraisal well, was drilled to evaluate the extent of the Birkhead reservoir at the Spitfire oil field. The reservoir was intersected on prognosis with 6.6 metres of net pay in the target zone and the JV expects to bring the well online in November 2015.

PPL 242 (Senex 60% and operator)

The JV connected **Growler-14** and the well commenced production in late August. The well is performing in line with expectations.

A low-cost shut in test commenced at the Growler field in early September as part of proving the concept for a future **water flood project**. The test showed encouraging early results reflecting the current project concept and modelling. It is anticipated that the net change to field production volumes will be neutral over the course of the test, which is continuing into the second quarter of FY16.

Ex-PEL 111 (Senex 60% and operator)

The JV connected **Martlet North-1** at the end of the quarter with production commencing in late September. The well is performing in line with expectations.

Senex is continuing to build its **regional petroleum system (exploration) model** across its key producing areas of the Cooper Basin, utilising over 4,000 km² of 3D seismic survey data across Senex permits. The evaluation process is currently focused on the western flank and southern permits, with prospects to be assessed and agreed with joint venture partners for drilling in FY16.

The Senex regional model is being developed using AVO and inversion processing techniques calibrated to recent and established wells, to assist in stratigraphic mapping of the seismic data and a comprehensive well and geochemical database. The aim of this exploration workflow is to assist in identifying and de-risking structural and stratigraphic traps with favourable reservoir qualities and commercial reserves potential.

During the September quarter, Senex completed a preliminary AVO and inversion on the **Aquillus and Mollichuta** merged 3D seismic surveys. The merged survey area spans 137km² on the western flank, and the analysis will be updated with the drilling results of the Spitfire-7 and Fulcrum-1 wells in the first quarter.

Senex also completed processing of the 310km² **Jasmine 3D** seismic survey, which is on trend with the western flank fairway. Interpretation of the data is expected to be completed by December. The survey area has had minimal prior exploration with prospectivity in the Namur, Birkhead, Poolowanna, Toolachee and Patchawarra horizons.

Interpretation of the 140km² **Wilpinnie 3D** seismic survey was completed during the quarter. The survey area, west of the Dullingari oil field in the southern Cooper Basin, targets Namur oil prospects, and secondary gas prospects in the Patchawarra.

Senex also continued its AVO and inversion project on the 1,050km² **Dundinna 3D** seismic survey, which spans multiple permits and JV partners in the northern Cooper Basin.

CORPORATE

Conference Call

Senex Managing Director and Chief Executive Officer Ian Davies will hold a briefing to discuss the September quarterly results, as follows:

Date: Wednesday 28 October 2015

Time: 10am AEST

The audio briefing will be streamed live at this time and can be accessed via the Senex company page on the Open Briefing website:

<http://www.openbriefing.com/OB/1955.aspx>

A recording of the teleconference will be available from 5pm AEST via the same link.

FURTHER INFORMATION

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ABOUT SENEX

Senex is a growth focused exploration and production company based in Brisbane. With a 30-year operating history, Senex holds extensive onshore oil and gas acreage in the Cooper and Surat Basins. Senex operates the majority of its assets, produces over one million barrels of oil annually, and is successfully developing a gas business including the Western Surat Gas Project in Queensland.

GLOSSARY

\$ means Australian dollars unless otherwise stated

1P means proved (developed plus undeveloped) reserves in accordance with the SPE PRMS

2P means proved plus probable reserves in accordance with the SPE PRMS

3P proved, probable plus possible reserves in accordance with the SPE PRMS

ASX means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691

ATP means authority to prospect granted under the *Petroleum Act 1923* (Qld) or the *Petroleum Gas (Production and Safety) Act 2004* (Qld)

AVO means amplitude variation with offset, an enhanced seismic interpretation technique using the changes in seismic reflection amplitude to determine rock-type and fluid content

Barrel/bbl means the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons

boe means barrels of oil equivalent, the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy

bopd means barrels of oil per day

Bcf means billion cubic feet

Cooper Basin means the sedimentary basin of upper Carboniferous to middle Triassic age in north east South Australia and south west Queensland

Eromanga Basin means the Mesozoic sedimentary basin covering parts of Queensland, the Northern Territory, South Australia and New South Wales

ESP means electric submersible pump

Exploration means drilling, seismic or technical studies to identify and evaluate regions or prospects with the potential to contain hydrocarbons

FY means financial year

GLNG means the Santos GLNG joint venture comprising Santos Limited, Total, PETRONAS and KOGAS.

JV means joint venture

LPG means liquefied petroleum gas

mmbbls means a million barrels

mmboe means a million barrels of oil equivalent

mmscf/d means million standard cubic feet of gas per day

Net pay means the smaller portions of the gross pay that meet local criteria for pay, such as porosity, permeability and hydrocarbon saturation

OGIP means original gas in place

PEL means petroleum exploration licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA)

PJ means petajoule

PL means a petroleum lease granted under the *Petroleum Act 1923* (Qld) or the *Petroleum Gas (Production and Safety) Act 2004* (Qld)

PPL means petroleum production licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA)

PRL means petroleum retention licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA)

Production is the volume of hydrocarbons produced in production operations (including extended production testing)

Reserve means commercially recoverable resources which have been justified for development, as defined in the SPE PRMS

SACB JV means South Australian Cooper Basin Joint Venture (between Santos, Beach Energy and Origin Energy)

Sales volumes are equal to production less volumes of hydrocarbons consumed in operations (fuel, flare, vent and other shrinkage) and inventory movements

Senex means Senex Energy Limited ABN 50 008 942 827

SPE PRMS means the *Petroleum Resources Management System 2007*, published by SPE

Surat Basin means the sedimentary basin of Jurassic to Cretaceous age in southern QLD and northern NSW

Tcf means trillion standard cubic feet

TJ means terajoule