

Quarterly Report

Q2 FY16 | December 2015

HIGHLIGHTS

Strengthened financial position with cash of \$100 million and total liquidity of \$177 million
Completed the Western Surat Gas Project transaction with GLNG
Completed a capital and risk sharing transaction with Halliburton, progressing the Murta tight oil project
Progressed growth projects, including unconventional gas with Origin and tight oil with Halliburton
On track to deliver FY16 production guidance of 1.0 - 1.2 mmboe
Oil production continues to deliver strong margins, protected by hedging

During the second quarter of FY16, Senex Energy (Senex, ASX:SXY) strengthened its financial position and continued to earn a healthy margin on oil sales. Against the previous quarter, highlights include:

- **Cash balance** of \$99.6 million, up by 87%. Senex received \$42 million cash from GLNG in December, and has \$177 million of total liquidity available (up from \$133 million).
- **Net production** of 0.26 mmboe, down 7%, with natural field decline mostly offset by the contribution of new wells. **Net sales volumes** of 0.26 mmboe, in line with the previous quarter.
- **Sales revenue** of \$18.1 million, down 4%, with the realised average oil price protected by hedging.
- **Capital expenditure** of \$7.4 million, down 25%, with continued focus on capital discipline. FY16 capital guidance remains unchanged.
- Transaction with GLNG for the development of the **Western Surat Gas Project** completed in December, with \$42 million cash and technical data received.
- Successful two well drilling campaign as part of the **gas exploration program with Origin Energy**. Both wells intersected hydrocarbons and support a future fracture stimulation and testing campaign.
- Transaction agreed with oilfield services leader Halliburton to fund two-thirds of initial risk capital on fracture stimulation and testing program, underscoring the materiality and scalability of Senex's **Murta tight oil play**.
- On track to deliver **production guidance** of between 1.0 mmboe and 1.2 mmboe, with the Vanessa-1ST well and the Martlet-2 well expected to be online during Q3 FY16.



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

FINANCIAL SUMMARY

KEY PERFORMANCE METRICS	December Quarter Q2 FY16	September Quarter Q1 FY16	Quarter on Quarter change	December Quarter Q2 FY15	Quarter on Quarter change
Net Production (mmboe)	0.26	0.28	(7%)	0.36	(28%)
Net Sales volumes (mmboe)	0.26	0.26	-	0.35	(26%)
Sales revenue (\$ million)	18.1	18.8	(4%)	28.2	(36%)
Cash (\$ million)	99.6	53.4	87%	74.9	33%
Average realised oil price (A\$ per barrel)	70	73	(4%)	81	(14%)

Sales revenue decreased by 4% to \$18.1 million in the December quarter.

- The average realised oil price for the December quarter of \$70 per barrel was 4% lower than the \$73 per barrel realised during the previous quarter. This difference was primarily due to a 11% fall in average crude oil prices in US dollar terms, largely offset by hedging gains and a slight weakening of the AUD/USD exchange rate.
- Sales volumes for the December quarter of 0.26 mmboe were flat on the previous quarter.

SALES	December Quarter Q2 FY16	September Quarter Q1 FY16	Quarter on Quarter change	December Quarter Q2 FY15	Quarter on Quarter change
Sales (mmboe)	0.26	0.26	-	0.35	(26%)
Oil	0.26	0.26	-	0.35	(26%)
Gas and gas liquids	0.00	0.00	-	0.00	-
Sales revenue (\$ million)	18.1	18.8	(4%)	28.2	(36%)

The company recorded a material benefit from hedging with \$17 per barrel of margin benefit 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 period¹.
- The Company continues to actively assess opportunities for additional hedging in FY17 and beyond.

¹ Assuming an AUD/USD exchange rate of 0.75 (refer ASX announcement dated 13 March 2015).

FINANCIAL SUMMARY

EXPLORATION EXPENSE	First Half H1 FY16	Second Half H2 FY15	Half on Half change	First Half H1 FY15	Half on Half change
Exploration expense (statutory)	2.5	-	N/A	18.4	(86%)

Senex expensed for statutory accounts purposes \$2.5 million of exploration capital expenditure incurred in the first half of FY16.

- Senex expensed one of the five wells drilled during the first half FY16, in line with its accounting policy. Statutory exploration expense is included within overall capital expenditure (\$17.3 million for the first half of FY16).

CAPITAL EXPENDITURE	December Quarter Q2 FY16	September Quarter Q1 FY16	Quarter on Quarter change	December Quarter Q2 FY15	Quarter on Quarter change
Exploration and appraisal	4.4	7.9	(44%)	13.5	(67%)
Development, plant and equipment	3.0	2.0	50%	14.2	(79%)
Total	7.4	9.9	(25%)	27.7	(73%)

Capital expenditure of \$7.4 million was incurred in the quarter, down 25% on the previous quarter, with continued focus on capital discipline.

- The major components of the capital expenditure for the quarter included the drilling of the Spitfire-7 oil appraisal well and Martlet-2 oil development well, the completion of Vanessa surface facilities, and preparation of the Mirage-6 and Ventura-2 wells for fracture stimulation and testing.
- The Company reaffirms its capital expenditure guidance for FY16, and will continue to monitor the oil pricing outlook and prioritise investment opportunities that meet strict economic criteria. Senex retains full optionality over its portfolio of growth assets and continues to meet all work commitments.

Senex has strengthened its financial position with cash reserves of \$100 million and total liquidity of \$177 million.

- In December Senex received \$42 million in cash from GLNG as part of the strategic transactions for the development of the Western Surat Gas Project in Queensland. Further details of the agreements are provided on page 5 of this report.

PRODUCTION

PRODUCTION	December Quarter Q2 FY16	September Quarter Q1 FY16	Quarter on Quarter change	December Quarter Q2 FY15	Quarter on Quarter change
Net Production (mmboe)	0.26	0.28	(7%)	0.36	(28%)
Oil	0.26	0.27	(4%)	0.36	(28%)
Gas and gas liquids	0.00	0.01	(100%)	0.00	-

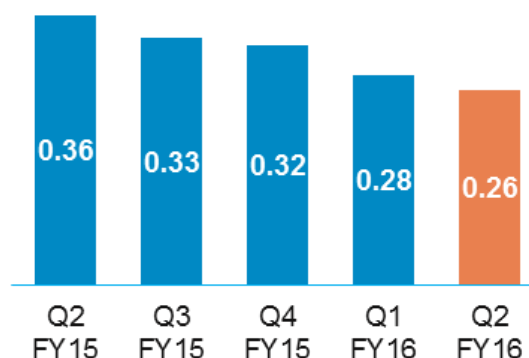
Senex delivered net oil and gas production of 0.26 mmboe for the three months to 31 December 2015.

Oil production was 0.26 mmboe for the period, down 4% on the previous quarter. Senex's major producing oil fields continued to perform in line with expectations.

Natural field decline was mostly offset by the contribution of new wells. Growler-14 and Martlet North-1 contributed a full quarter of production, having been brought online in August and September respectively. The Spitfire-7 well was brought online in October. The shut-in test on the Growler field resulted in a net positive contribution to field volumes over the course of the test (see page 7 of this report for more details). A minimal amount of **gas** was produced and flared from the extended production test on Worrior-8 in October.

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 the Vanessa-1ST and Martlet-2 wells online during Q3 FY16.

Quarterly Net Production (mmboe)



Water evaporation pond at the Martlet facility

SURAT BASIN

GAS | *Western Surat Gas Project*

Senex and GLNG have completed the transaction for the development of the Western Surat Gas Project.

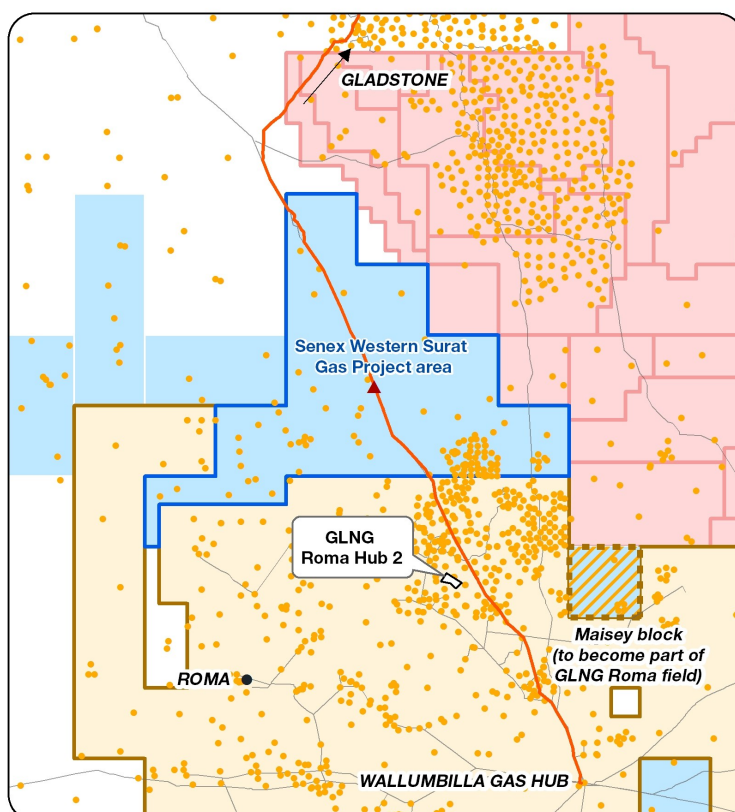
On 16 December, Senex received \$42 million in cash and a comprehensive suite of subsurface, production and other technical data, in exchange for the sale of the Maisey block to GLNG. In addition, the parties have signed a binding 20-year gas sales agreement under which Senex will supply up to 50 TJ/day of sales gas from its Western Surat Gas Project to GLNG.

The combined effect of the two agreements is to significantly de-risk the advancement of the project by delivering a clear commercialisation and financing pathway, allowing access to GLNG infrastructure, and providing valuable subsurface data. Further details of the agreements are provided in the ASX announcement and presentation dated 24 September 2015.

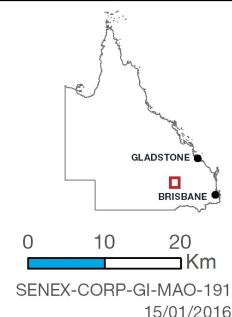
Work program update

Following the finalisation of this transformational transaction and the sale of the Maisey block, Senex is considering multiple appraisal and development options for the asset. This will involve the interrogation of gas and water data provided in December from over 250 GLNG pilot and production wells, as well as investigating options for the commercialisation of pilot production. Senex will optimise capital expenditure throughout this process, prioritising critical path items necessary for ultimate project delivery.

Critical path items to achieve first gas production by the end of 2017 are underway and on schedule. These include land access and cultural heritage clearance activities, as well as reservoir characterisation analysis, down-hole reviews and engineering design.



- Existing wells
- ▲ Potential tie-in point
- Comet Ridge to Wallumbilla pipeline (to GLNG pipeline)
- Gas pipeline
- Western Surat Gas Project area
- GLNG Project area
- APLNG project area
- Senex permits



COOPER BASIN

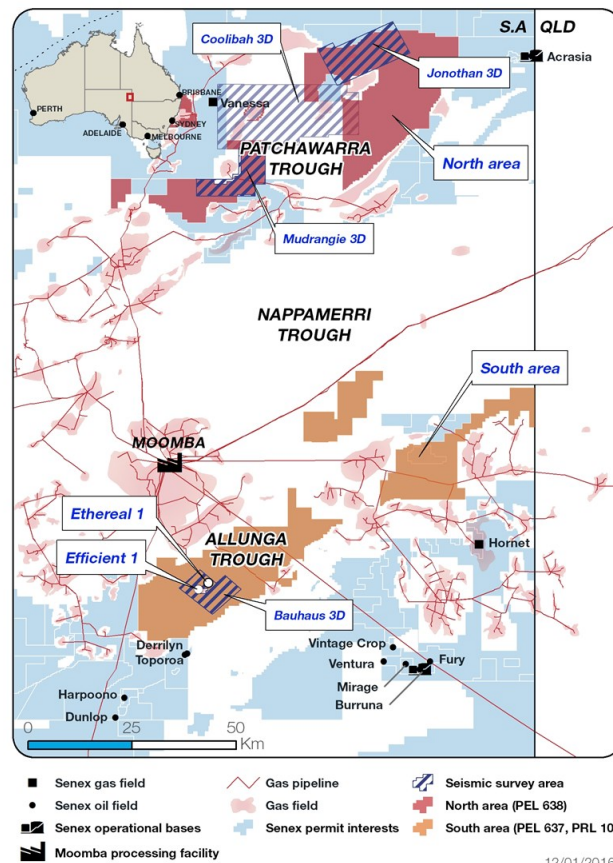
GAS | *Unconventional gas JVs with Origin Energy*

Senex and its partner have seen early success in the two-well drilling program in the southern joint venture area.

The **Efficient-1** and **Ethereal-1** wells were cased and suspended in October and January respectively, with both wells intersecting hydrocarbon shows in the target zone (Patchawarra Formation). The wells were identified from the Bauhaus 3D seismic survey and are in close proximity to the Bauhaus-1 gas discovery. The drilling results support a future fracture stimulation and testing campaign, with in-well bore targets currently under assessment. Both wells were drilled under budget and ahead of schedule.

In the **north area**, Senex is continuing seismic interpretation to identify drill locations. The seismic locations were chosen to target potential basin centred gas sweet spots down dip of proven hydrocarbon accumulations.

Senex is free carried by Origin Energy for its share of expenditure.



GAS | *Vanessa conventional gas*

The JV achieved mechanical completion of the surface facilities on the Vanessa gas field (Senex 57% and operator) during the December quarter.

These facilities include separation equipment and the pipeline. Final connection and commissioning of the field is expected to take place during Q3 FY16, pending resolution of arrangements with the downstream infrastructure owners.

Senex reported strong results from a 50-hour production test on the Vanessa-1ST well during FY15, with gas flowing unstimulated at an average rate of 5.0 mmscf/d from the target formations (the Toolachee and Epsilon Formations), and condensate produced at an average rate of 15 barrels per mmscf/d.



COOPER BASIN

OIL AND GAS | *Exploration and Development*

Senex is working with its JV partners to build and refine its regional petroleum system model while conserving capital expenditure.

The regional model is being developed to reinterpret over 4,000 km² of 3D seismic survey data acquired across Senex permits in prior years, and calibrating with well results. These surveys include the Aquillus, Mollichuta and Lignum surveys on the Western flank, the Jasmine and Dundinna surveys in the north, and Wilpinnie survey in the southern Cooper Basin.

The aim of this exploration workflow is to identify and de-risk structural and stratigraphic traps with favourable reservoir qualities and commercial reserves potential. From these leads, Senex expects to assess and agree drilling prospects with joint venture partners later in H2 FY16.

Spitfire field (Senex 60% and operator)

Senex and its JV partner drilled the **Spitfire-7 oil** appraisal well in September, intersecting 6.6 metres of net pay in the target Birkhead Formation. The well has achieved the desired outcome in helping to define the southern extent of the Birkhead oil reservoir on the Spitfire field, but has been performing slightly below expectations since it was brought online in October.

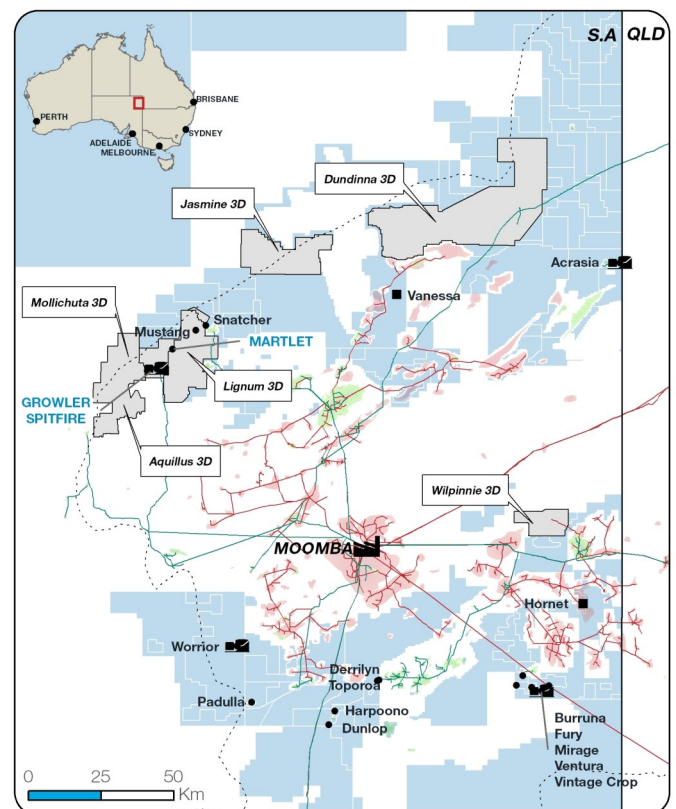
Martlet field (Senex 60% and operator)

The **Martlet-2 oil** development well was drilled in November to accelerate recovery of remaining oil from the Namur Sandstone at the Martlet field. The reservoir was intersected on prognosis with 4.5 metres of net pay in the target Namur Sandstone. The JV expects to bring the well online in February 2016.

Growler field (Senex 60% and operator)

A low-cost **shut in test of the Growler-6 well** was undertaken to further evaluate the natural aquifer support in the Birkhead reservoir and to validate the dynamic reservoir model. The test was run between September and December, resulting in a net positive contribution to field production volumes over the course of the test. Senex and its JV partner will incorporate the test data into the assessment of the field development plan.

The shut in test succeeded in incrementing oil production to offset wells and the use of the natural reservoir energy can be optimised as part of the development plan.



COOPER BASIN

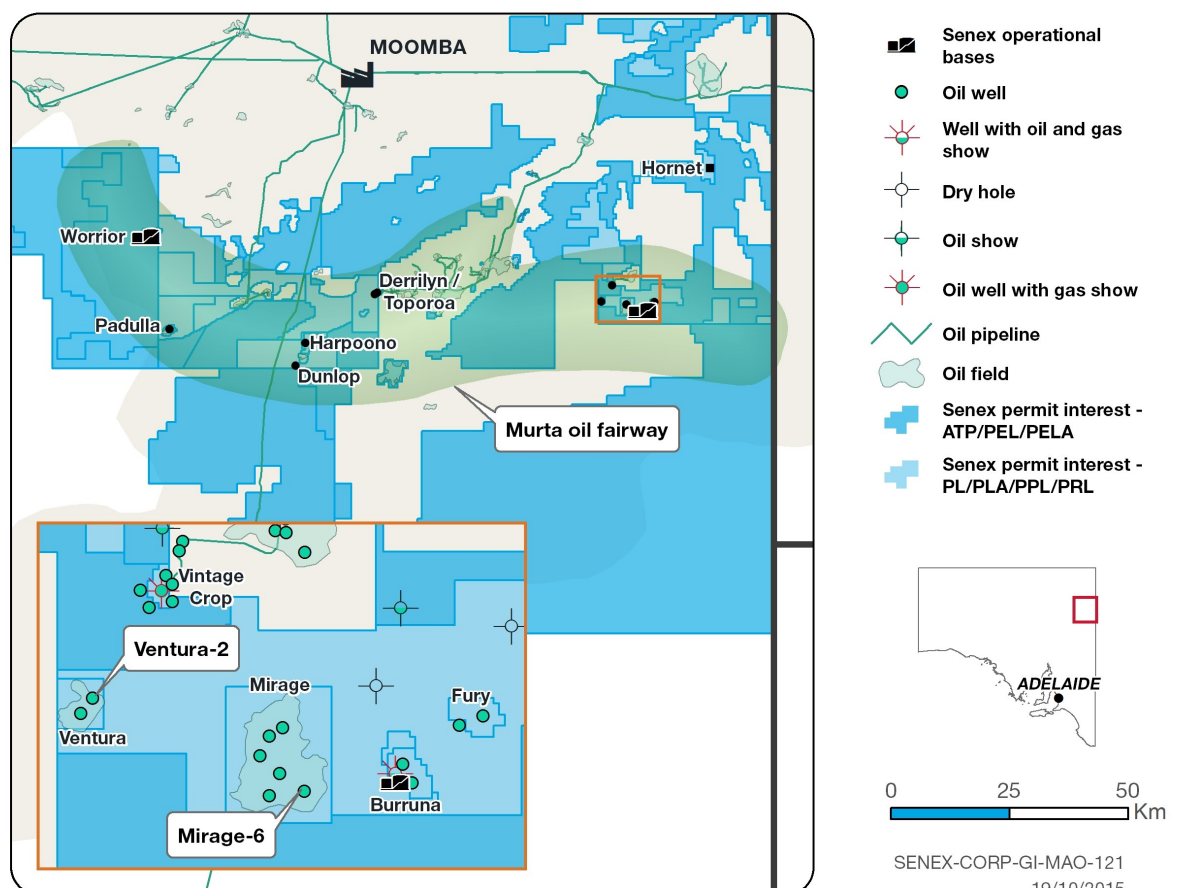
OIL | *Murta Formation tight oil project*

Senex and Halliburton have agreed an initial \$3 million pilot program to progress the Murta Formation tight oil project.

Halliburton is funding two-thirds of initial risk capital to progress the project, with returns to be earned from production revenue. The tight oil pilot program will evaluate the commerciality of the low permeability Murta Formation, with fracture stimulation and flow testing of existing Senex oil wells, Mirage-6 and Ventura-2. On success, the project can be expanded on similar terms, and may include horizontal well appraisal programs.

During the December quarter the Mirage-6 and Ventura-2 wells were prepared for testing, and surface facilities were constructed. The wells were fracture stimulated in January and are both expected to be brought online for extended production testing in the coming weeks. All oil produced through the course of the test will be sold.

The Murta Formation holds a large in-place oil resource and is prevalent in Senex's 100% held southern Cooper Basin acreage. If the commerciality of this tight oil play can be proved, there is potential for material reserve and production additions to Senex over time. The transaction is in line with Senex's strategy of accessing third party expertise and funding to de-risk the progression of growth projects in the portfolio.



CORPORATE

Conference Call

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

Date: Thursday 21 January 2016

Time: 8am AEST (8am Brisbane time, 9am Sydney and Melbourne time)

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/2023.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