

Quarterly Report



Q3 FY16 | March 2016

HIGHLIGHTS

- **Strong financial position with cash of \$101 million and total liquidity of \$178 million**
- **Continued focus on disciplined capital expenditure and cost reductions; FY16 capex guidance reduced by c. 30%**
- **FY16 production guidance narrowed to 1.0 - 1.05 mmboe, following delays to connection of Vanessa gas field**
- **Commencement of Phase 1 appraisal work program for Western Surat Gas Project**
- **Protected revenue with the successful execution of a hedging program for H1 FY17**

During the third quarter of FY16, Senex Energy (Senex, ASX:SXY) maintained its strong financial position and commenced the Phase 1 work program for the Western Surat Gas Project. Against the previous quarter, highlights include:

- **Cash balance** of \$100.5 million, up by 1%. Senex has \$178 million of total liquidity available (up from \$177 million the prior quarter).
- **Net production** of 0.25 mmboe, down 4%, with natural field decline mostly offset by the contribution of new wells. **Net sales volumes** of 0.24 mmboe, down 8% compared to the prior quarter.
- **Sales revenue** of \$16.7 million, down 8%, with the realised average oil price protected by hedging.
- **Western Surat Gas Project** progressed with the review and consolidation of GLNG technical data with existing Senex data and commencement of the Phase 1 appraisal work program.
- Planning progressed on the fracture stimulation and testing campaign for our **gas exploration JV program with Origin Energy**, following a two well drilling campaign.
- **Capital expenditure** of \$5.5 million, down 26%, with continued focus on capital discipline. FY16 capital guidance revised down to \$25 - \$30 million.
- **Production guidance** narrowed to 1.0 mmboe - 1.05 mmboe, following delays to connection of Vanessa gas field. The reduced rate of capital investment since January 2015 has an ongoing and cumulative impact on production.

FY16 GUIDANCE	Revised	Original
CAPEX (\$ million)	25 - 30	35 - 45
PRODUCTION (mmboe)	1.0 - 1.05	1.0 - 1.2

FINANCIAL SUMMARY

KEY PERFORMANCE METRICS	March Quarter Q3 FY16	December Quarter Q2 FY16	Quarter on Quarter change	March Quarter Q3 FY15	Quarter on Quarter change
Net Production (mmboe)	0.25	0.26	(4%)	0.33	(24%)
Net Sales volumes (mmboe)	0.24	0.26	(8%)	0.31	(23%)
Sales revenue (\$ million)	16.7	18.1	(8%)	22.3	(25%)
Cash (\$ million)	100.5	99.6	1%	63.0	60%
Average realised oil price (A\$ per barrel)	70	70	-	72	(3%)

Realised average oil price protected by hedging. Sales revenue of \$16.7 million, down 8%.

- Sales volumes for the March quarter were 0.24 mmboe, down 8% on the previous quarter, primarily due to natural production decline, partially offset by the contribution of new wells.
- The average realised oil price for the March quarter was \$70 per barrel, in line with the previous quarter. Crude oil prices remained below the hedged floor price for the March quarter, with the average realised oil price achieved through hedging settlements on sales volumes.

SALES	March Quarter Q3 FY16	December Quarter Q2 FY16	Quarter on Quarter change	March Quarter Q3 FY15	Quarter on Quarter change
Sales (mmboe)	0.24	0.26	(8%)	0.31	(23%)
Oil	0.24	0.26	(8%)	0.30	(20%)
Gas and gas liquids	-	-	-	0.00	(100%)
Sales revenue (\$ million)	16.7	18.1	(8%)	22.3	(25%)

\$21 per barrel of margin benefit realised during the quarter through hedge program.

- Senex has protected revenue for one million barrels of oil sales during FY16, guaranteeing an average Brent crude oil floor price of A\$72 per barrel for the second half FY16 (assuming an AUD/USD exchange rate of 0.72).
- In March, Senex put an additional series of oil price hedges in place for the first half of FY17. The put options provide revenue protection for 400,000 barrels of oil, without limiting Senex's exposure to the upside from higher oil prices. Refer to the ASX released dated 9 March 2016 for details.
- The implementation of hedges provides downside risk protection and allows the Company to lock in a margin on its oil sales. Senex continues to actively assess opportunities for additional hedging for the FY17 second half and beyond.

FINANCIAL SUMMARY

Capital expenditure of \$5.5 million was incurred in the quarter, with reduced spending in line with revised annual guidance.

- The major components of capital expenditure for the quarter included Vanessa gas field surface facilities, the Martlet-2 oil development well connection and preparatory work for the Western Surat Gas Project.
- The Company has today reduced its FY16 capital expenditure guidance from \$35-\$45 million to \$25-\$30 million. This net reduction is principally a result of a deferral of the planned Surat Basin spend to allow time to take full account of the GLNG sub-surface production and technical data received under the GLNG transaction signed in September 2015, and the transaction's impact on future development options.
- Senex has commenced the Phase 1 work program which will include the drilling of 10 wells in the Eos block and the completion of 5 wells in the Glenora block to be followed by comprehensive testing. The majority of this spend is planned for H1 FY17.

CAPITAL EXPENDITURE	March Quarter Q3 FY16	December Quarter Q2 FY16	Quarter on Quarter change	March Quarter Q3 FY15	Quarter on Quarter change
Exploration and appraisal	3.1	4.4	(30%)	11.9	(74%)
Development, plant and equipment	2.4	3.0	(20%)	2.6	(8%)
Total	5.5	7.4	(26%)	14.5	(62%)



Western Surat Gas Project acreage - Surat Basin, near Roma

PRODUCTION

PRODUCTION	March Quarter Q3 FY16	December Quarter Q2 FY16	Quarter on Quarter change	March Quarter Q3 FY15	Quarter on Quarter change
Net Production (mmboe)	0.25	0.26	(4%)	0.33	(24%)
Oil	0.25	0.26	(4%)	0.31	(19%)
Gas and gas liquids	-	0.00	(100%)	0.01	(100%)

Senex delivered net oil and gas production of 0.25 mmboe for the three months to 31 March 2016.

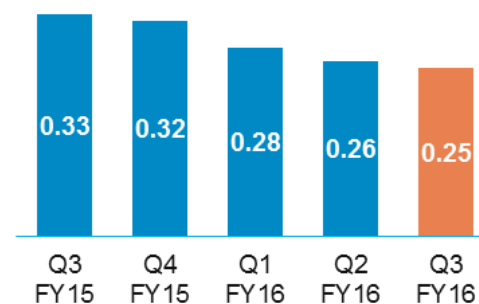
Oil production was 0.25 mmboe for the period, down 4% on the previous quarter. Senex's major producing oil fields continued to perform in line with expectations.

Natural field decline was mostly offset by the contribution from new wells, including the Martlet-2 well which was brought online at the end of January. The Spitfire-7 well contributed a full quarter of production, having been brought online in October. Productivity increases were recorded at several Senex fields including the effect of the shut-in of Growler-6 which continues to drive a net positive contribution to field volumes (see page 7 for more detail) as well as Mirage-6 and Ventura-2, as part of the Murta Formation tight oil pilot project.

Senex expects to deliver full year production of between 1.0 mmboe and 1.05 mmboe with delays to connection of the Vanessa gas field, awaiting downstream infrastructure availability. Senex is continuing to work with the downstream infrastructure owner to bring this gas to market as soon as practicable.

The reduced rate of capital investment since January 2015 has an ongoing and cumulative impact on production.

Quarterly Net Production (mmboe)



Dust storm approaching Growler Camp

SURAT BASIN

GAS | *Western Surat Gas Project*

Phase 1 work program commenced on Western Surat Gas Project.

Following finalisation of the sale of the Maisey block to GLNG, Senex has been reviewing the comprehensive suite of subsurface, production and technical data provided as part of that transaction.

Work program commenced

Since signing 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, Senex has commenced plans for the Phase 1 work program. The program involves the drilling of 10 wells in the Eos block and the completion of 5 wells in Glenora during H1 FY17.

Comprehensive appraisal testing of these wells will follow. Senex is in discussions with GLNG to reach agreement on terms allowing the Glenora wells to be connected to GLNG's gathering network and processing facilities. The agreement will enable the sale of raw gas and disposal of produced water during near term appraisal testing.

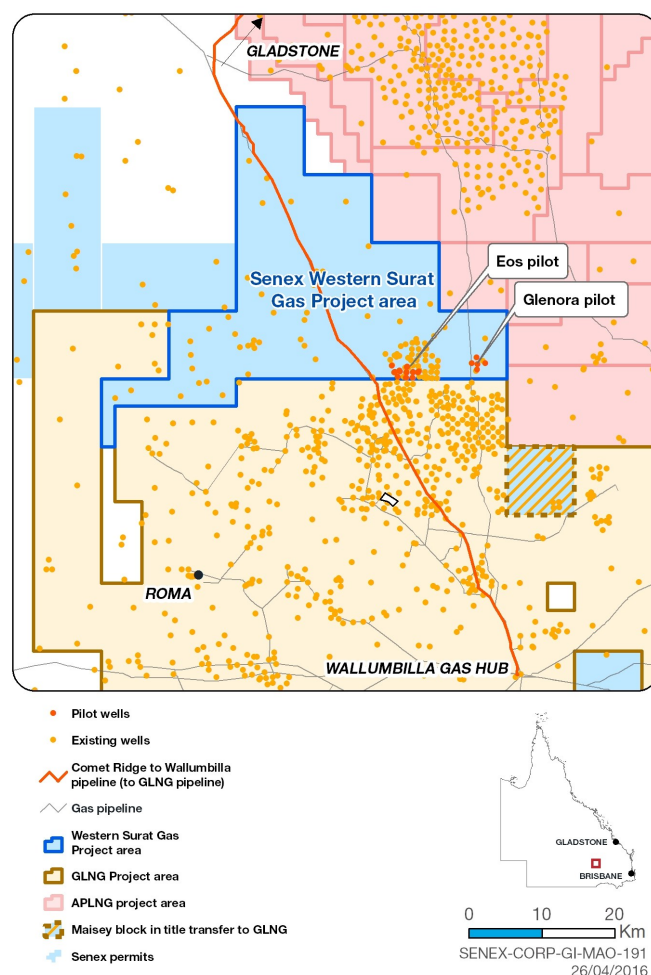
Full field development planning underway

Senex is evaluating the most appropriate approach to full field development including a progressive and incremental expansion approach. This approach allows Senex to more effectively manage subsurface uncertainty, accelerate commercial gas flows and stagger project funding.

Key work program elements

Key work program elements to achieve first gas production are underway and on schedule. These include land access arrangements, cultural heritage clearance, baseline ecology and waterbore surveys, infrastructure siting surveys, reservoir characterisation analysis, down-hole reviews and engineering design, along with a plug and abandonment program of legacy wells.

Senex is currently reviewing the most appropriate regulatory approvals strategy to suit a revised development approach.



COOPER BASIN

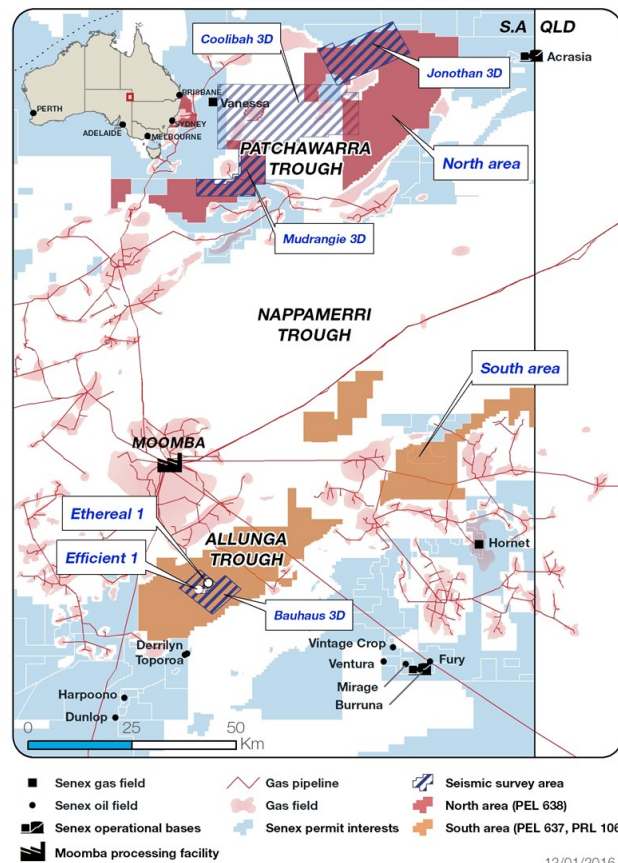
GAS | Unconventional gas JVs with Origin Energy

Senex and Origin working to progress north and south programs

Following on from the successful drilling of the Efficient-1 and Ethereal-1 wells in October and January respectively, and the completion of seismic interpretation in the north, the joint venture has been actively progressing planning for the next stage of both the northern and southern work programs.

In the South, Senex and Origin are agreeing the optimal fracture stimulation and testing program for Efficient-1 and Ethereal-1. It is expected that the initial fracture stimulation program will be completed this quarter, with flow testing continuing for an initial period of up to 90 days.

In the North, the Joint Venture is currently assessing a range of prospective drilling locations, with the initial two well campaign targeting large-scale prospective gas resources in the Patchawarra Trough.



COOPER BASIN

OIL AND GAS | *Exploration and Development*

Growler field (Senex 60% and operator)

A **shut in test of the Growler-6** well was undertaken between September and December, and concluded in January resulting in an overall enhanced full field recovery.

Results of the shut in test will be included into reservoir models to aid the Joint Venture to progress further development opportunities.

Martlet field (Senex 60% and operator)

The **Martlet-2** oil development well was drilled in November 2015, completed and brought online in January 2016, a month earlier than expected. This well is performing to expectations and will accelerate recovery of remaining oil from the Namur Sandstone.

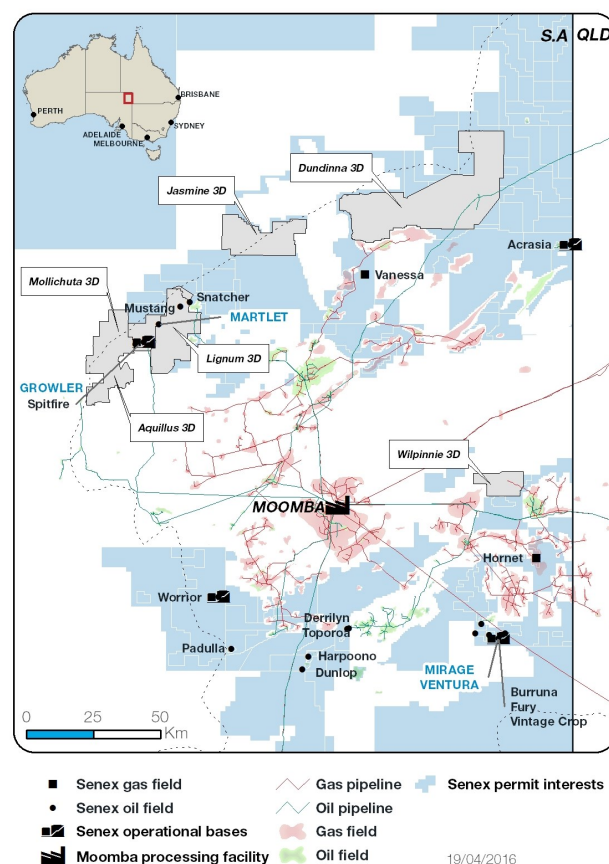
Murta Formation tight oil project

The tight oil pilot program was progressed throughout this quarter with the successful fracture stimulation and flow testing of the Senex oil wells **Mirage-6 and Ventura-2** by Halliburton, in January.

The tests were aimed at appraising the effectiveness and reservoir characteristics of the wells with both demonstrating some level of improved performance. Senex and Halliburton continue to monitor the well performance of both to determine next steps for appraisal of the resource.

Field development planning has progressed across all key fields including Growler, Snatcher, Spitfire and Worrior. Preliminary results are currently being used to define the FY17 capital program.

The regional petroleum system model will continue to be refined and will underpin the development of drilling prospects for FY17. Budgets for this activity are being assessed and reviewed with our Joint Venture parties. Senex will not undertake any further drilling in FY16.



CORPORATE

Appointment of Dr John Warburton to the Board

In March, Senex appointed Dr John Warburton as an independent Non-Executive Director of the Senex Board. Dr Warburton brings a wealth of global petroleum industry knowledge and expertise. His broad ranging international experience extends across conventional and unconventional petroleum plays and indigenous cultures and will enhance the Board's ability to strategically, commercially and technically high grade opportunities in the field of exploration.

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