

# Quarterly Report



Q4 FY16 | June 2016

## HIGHLIGHTS

Senex Energy (Senex, the Company) delivered solid performance in a challenging environment in FY16, with continued strong progress made during the June quarter:

- **Strong financial position** heading into FY17, with \$102 million of cash (up 109% from \$49 million at 30 June 2015) and \$180 million of total liquidity
- Continued progress on the **Western Surat Gas Project** including increases in 1P and 2P reserves, following strategic transactions agreed with GLNG in Q1 FY16 and work undertaken during the year
- Fracture stimulation and testing campaign commenced on the first of the two southern Cooper Basin gas exploration wells drilled during FY16, on the \$105 million, fully funded work program to explore for material **unconventional gas opportunities** in the Cooper Basin with Origin Energy
- **Net production** for the June quarter was 220,000 barrels, down 12% on the previous quarter due to natural field decline, with no new wells brought online in the quarter. FY16 full year net production was 1.01 million barrels of oil equivalent (mmboe), in line with guidance of between 1.00 and 1.05 mmboe
- **Capital expenditure** for FY16 of \$27.8 million, in line with guidance of between \$25 - \$30 million. Capital expenditure has been significantly reduced on prior years in response to lower oil prices, with efforts focused instead on creating efficiencies in the business and building foundations for future growth
- **Material cost out achieved** in operating and corporate costs, with oil margins protected by an effective hedging program contributing \$13 million of revenue during FY16

KEY PERFORMANCE METRICS	June Quarter Q4 FY16	March Quarter Q3 FY16	Quarter on Quarter change	June Quarter Q4 FY15	Full Year FY16
Net Production (mmboe)	0.22	0.25	(12%)	0.32	1.01
Net Sales volumes (mmboe)	0.21	0.24	(13%)	0.29	0.97
Sales revenue (\$ million)	15.7	16.7	(6%)	23.6	69.3
Cash (\$ million)	102.4	100.5	2%	49.0	102.4
Average realised oil price (A\$ per barrel)	75	70	7%	81	71

Senex has made two further announcements to the ASX today:

- **Preliminary outlook statement for FY17**, during which the Company will increase activity whilst maintaining financial strength and liquidity
- **Annual Reserves Statement** as at 30 June 2016, with Senex reporting proven (1P) gas reserves for the first time in the Surat Basin. Proven and probable (2P) gas reserves have also increased following an in-depth review of the GLNG Roma subsurface and production data and Senex historical production data, resulting in increased confidence in gas volumes and project economics. In the Cooper Basin, a year of lower field activity driven by capital conservation measures has resulted in minor upward revisions in 1P and 2P estimates before accounting for production of 1.01 mmboe

## FINANCIAL SUMMARY

**Sales revenue decreased by 6% in the June quarter, reflecting lower production offset by a higher realised oil price.**

- Sales volumes for the June quarter were 210,000 barrels, down 13% on the previous quarter as a result of natural field decline, with no new wells brought online to replace existing production. Field performance is stable and in line with expectations
- Sales revenue for full year FY16 was \$69.3 million, down from \$115.9 million in full year FY15, reflecting lower sales volumes and a lower realised price of A\$71 per barrel on oil sales, compared to A\$88 per barrel in FY15
- Our hedging program successfully provided oil price downside protection and reduced revenue volatility during the year, contributing \$13.0 million of revenue, or A\$13 per barrel sold. In the quarter, the average realised oil price was A\$75 per barrel, 7% higher than the previous quarter. Average crude oil prices remained below the hedged floor price for the June quarter, with the realised oil price benefitting from hedging settlements
- A hedging program is in place for the first half of FY17; the instruments guarantee an average Brent crude oil floor price of US\$45 per barrel, without limiting Senex's exposure to the upside from higher oil prices. Senex continues to actively assess opportunities for additional hedging for the FY17 second half and beyond

SALES	June Quarter Q4 FY16	March Quarter Q3 FY16	Quarter on Quarter change	June Quarter Q4 FY15	Full Year FY16
Sales (mmboe)	0.21	0.24	(13%)	0.29	0.97
Oil	0.21	0.24	(13%)	0.28	0.97
Gas and gas liquids	-	-	-	0.01	0.00
Sales revenue (\$ million)	15.7	16.7	(6%)	23.6	69.3
Average realised oil price (A\$ per barrel)	75	70	7%	81	71



Field work camp, northern Cooper Basin

### Capital expenditure of \$5.0 million was incurred in the quarter, with reduced spending in line with guidance.

- Capital expenditure for the quarter mainly related to preparatory work for the Western Surat Gas Project FY17 appraisal program and full field development planning
- FY16 capital expenditure was \$27.8 million, representing a 66% reduction compared to the prior year and reflecting heightened capital discipline given the volatility in global oil markets. This measured approach allowed Senex to focus internally on creating efficiencies while preserving its position of financial strength, and retaining full optionality over the progress of growth projects
- Senex enters FY17 in a strong financial position with total liquidity of \$180 million at 30 June 2016, comprising \$102 million of cash reserves, and \$77 million of undrawn debt. Total liquidity has increased from \$129 million at 30 June 2015, comprising \$49 million of cash and \$80 million of undrawn debt

CAPITAL EXPENDITURE	June Quarter Q4 FY16	March Quarter Q3 FY16	Quarter on Quarter change	June Quarter Q4 FY15	Full Year FY16
Exploration and appraisal	2.2	3.1	(29%)	11.6	17.6
Development, plant and equipment	2.8	2.4	17%	3.2	10.2
<b>Total</b>	<b>5.0</b>	<b>5.5</b>	<b>(9%)</b>	<b>14.8</b>	<b>27.8</b>
Acquisition of additional JV interests	-	-	-	1.9	-
<b>Total</b>	<b>5.0</b>	<b>5.5</b>	<b>(9%)</b>	<b>16.7</b>	<b>27.8</b>

## FY17 GUIDANCE

Senex has today announced preliminary production and capital expenditure guidance for FY17:

- **Capital expenditure guidance of \$60 – \$70 million**, with potential for further deployment of capital in the Cooper Basin in the event of a sustained oil price recovery
- **Net production guidance of 800,000 – 1,000,000 barrels of oil equivalent (boe)**, with production growth limited by the reduced rate of capital investment deployed since January 2015. The Vanessa field is anticipated to be online in Q1 2017 following infrastructure upgrades in the Cooper Basin, and is included in guidance on that basis

### PRODUCTION

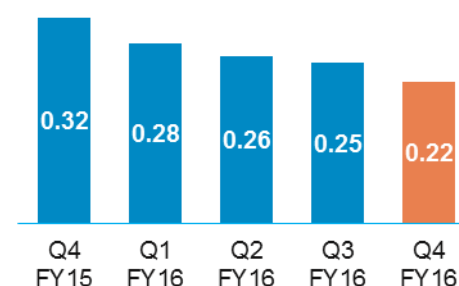
PRODUCTION	June Quarter Q4 FY16	March Quarter Q3 FY16	Quarter on Quarter change	June Quarter Q4 FY15	Full Year FY16
Net Production (mmboe)	0.22	0.25	(12%)	0.32	1.01
Oil	0.22	0.25	(12%)	0.30	1.00
Gas and gas liquids	-	-	-	0.02	0.01

#### Senex delivered net oil production of 220,000 barrels for the three months to 30 June 2016.

Senex's major producing oil fields continued to perform in line, or ahead of expectations. The reduction on the prior quarter follows natural field decline, with no new wells connected during the June quarter.

Total full year oil production of 1.0 mmboe was 26% down on the prior year, reflecting natural field decline and a limited number of new wells brought online given substantially reduced capital investment over the past 18 months.

Quarterly Net Production (mmboe)



The table below shows the new oil wells brought online during FY16:

WELL NAME	Well type	Participation	Drilled	Result
Martlet North-1	Oil exploration	SXY* 60% BPT 40%	Jan-15	Net pay of 3.2 metres in the Namur horizon, brought online in September 2015
Growler-14	Oil appraisal	SXY* 60% BPT 40%	Feb-15	Oil shows in the Birkhead, brought online in August 2015
Spitfire-7	Oil appraisal	SXY* 60% BPT 40%	Aug-15	Net pay of 6.6 metres in the Birkhead horizon, brought online in October 2015
Martlet-2	Oil development	SXY* 60% BPT 40%	Nov-15	Net pay of 4.5 metres in the Namur horizon, brought online in January 2016

\*denotes operatorship  
SXY Senex Energy Limited  
BPT Beach Energy Limited

In addition to the wells above, existing Senex oil wells Mirage-6 and Ventura-2 were fractured stimulated and brought onto an extended flow test in January 2016, as part of the Murta Formation tight oil project. Senex and Halliburton continue to monitor the well performance of both to determine next steps for appraisal of the resource.

Production guidance was narrowed from 1.0 -1.2 mmboe to 1.00 -1.05 mmboe in April 2016 following delays to connection of the Vanessa gas field to Cooper Basin infrastructure, now expected in Q1 2017.



### SURAT BASIN

#### GAS | *Western Surat Gas Project*

##### Senex is preparing to bring first wells online by end 2016.

During the quarter Senex met several key milestones in preparation for appraisal, including entering into FEED for surface facilities, and the commencement of on-ground civil works.

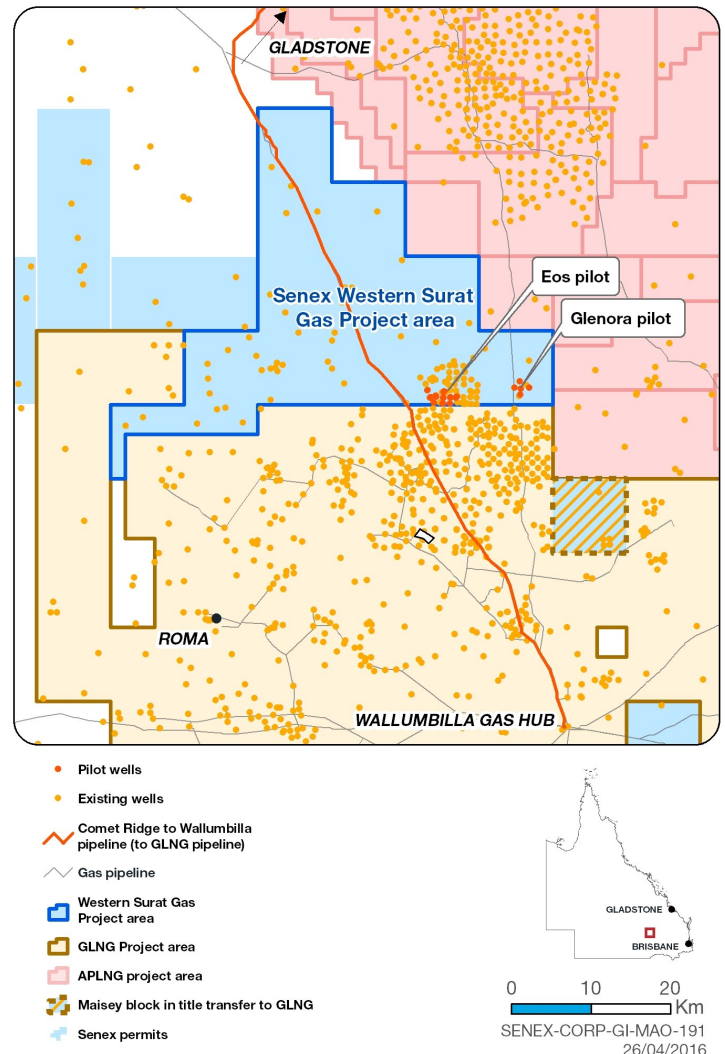
Senex plans to invest \$30 - 35 million on phase 1 appraisal activities in FY17. The work program will involve production testing 15 wells on the Glenora and Eos blocks as well as constructing associated gas and water infrastructure.

Senex expects to have the first of these wells online by end 2016, with the reservoir and cost data generated available to further inform the full field development plan. Senex is currently progressing a raw gas sales agreement with GLNG which would see appraisal gas commercialised.

##### Full field development planning underway

Senex continues to progress full field development planning, incorporating the GLNG Roma field data received in December 2015. A review of this production and geological data in conjunction with historical appraisal data from the project acreage has resulted in increased confidence in the reservoir and overall project economics.

This work has culminated in revised initial development planning and an increase to gas reserves as at 30 June 2016. Refer to Senex's 2016 Annual Reserves Statement released today to the ASX for more information.



## COOPER BASIN

### GAS | *Unconventional gas JVs with Origin Energy*

#### Fracture stimulation and testing in the southern JV area has commenced.

This follows on from the drilling of the Efficient-1 and Ethereal-1 gas exploration wells during FY16, with both wells successfully intersecting stratigraphically trapped tight gas in the Permian sandstones.

During the June quarter, the joint venture agreed the optimal fracture stimulation and testing program, and prepared the Ethereal-1 lease.

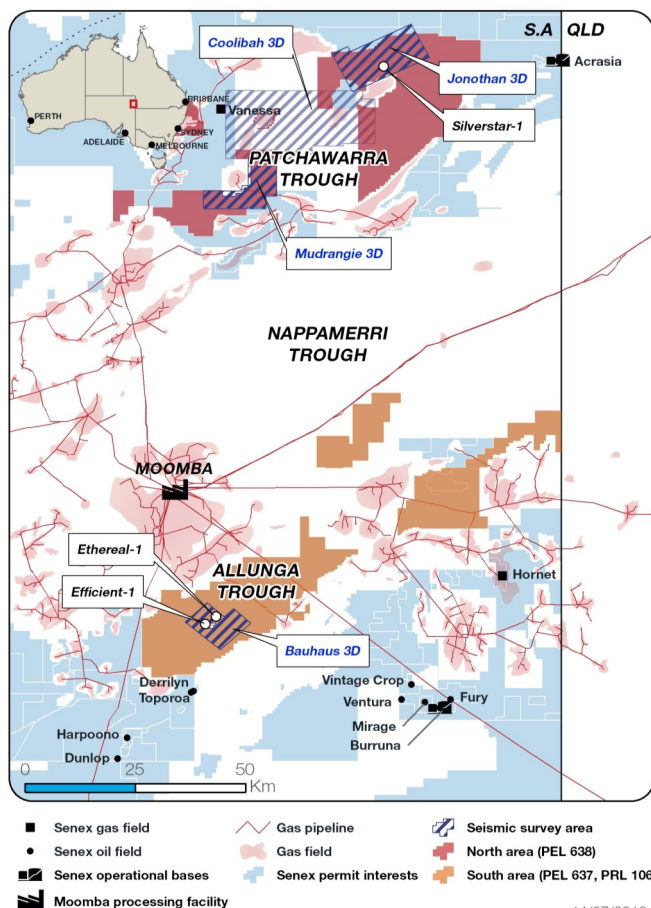
In July, seven stages of this well were successfully fracture stimulated, in multiple discrete sands. The well was subsequently completed for production and placed on extended production test (EPT). The objective of this work program is to confirm gas pay volumes and deliverability to establish commerciality of the play.

The Ethereal-1 EPT is planned to run for up to 90 days, after which the joint venture will review and optimise the fracture stimulation and testing program and apply learnings to the Efficient-1 well.

In the north, the joint venture has agreed the location and preliminary design of the first well to be drilled under the farm-in agreement.

The Silverstar-1 well has been identified from the Jonothan 3D seismic survey and is in close proximity to the existing Moondie-1 and Beanbush-1 discoveries. Silverstar-1 is a high impact gas exploration well targeting basin centred gas in the Permian sandstones, and is expected to be drilled to a depth of around 3,600 metres during the second quarter of FY17.

The joint venture expects to spend between \$25 - \$45 million (gross) on the FY17 work program.



14/07/2016

Fracture stimulation of Ethereal-1, Cooper Basin



### COOPER BASIN

#### OIL AND GAS | *Exploration and Development*

**Senex is planning for a measured increase in exploration and development work activity in FY17.**

A minimum of six wells are planned to be drilled in FY17, primarily targeting reserves replacement. Exploration prospects are being developed in conjunction with joint venture partners for drilling in areas with historically proven prospectivity.

The Cooper Basin remains core to Senex's growth strategy and the Company looks forward to increasing capital deployment as the oil pricing outlook improves.

Field development planning has defined development opportunities for FY17 on our key Western flank oil fields.

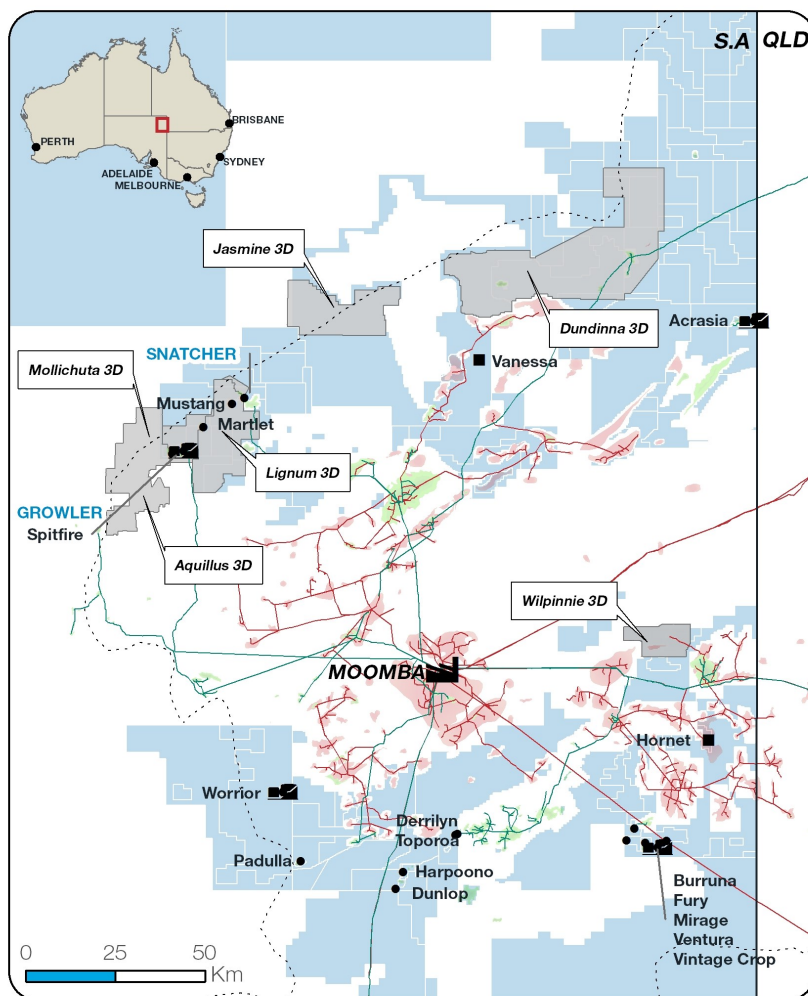
#### *Snatcher field (Senex 60% and operator)*

During July the Snatcher-10 oil well (drilled in 2012) was completed, and the joint venture expects to bring this well online in the coming weeks. This well should accelerate oil recovery from the Birkhead reservoir on the Snatcher field.

Acquisition of the Liberator 3D seismic survey during FY17 will allow the delineation of the northern extent of the Birkhead reservoir and is expected to define future development opportunities.

#### *Growler field (Senex 60% and operator)*

Results of the shut-in test undertaken on the Growler-6 well in the second quarter of FY16 are currently being incorporated into the dynamic reservoir model. The joint venture will continue to evaluate the natural aquifer support in the Birkhead reservoir during FY17 in the context of assessing future development opportunities.



- Senex gas field
- Senex oil field
- Senex operational bases
- Moomba processing facility
- Gas pipeline
- Oil pipeline
- Gas field
- Oil field
- Senex permit interests

18/07/2016  
SENEX-CORP-GI-MAO-080



## Appointment of Darren Greer as Chief Operating Officer

Senex has appointed Darren Greer to the role of Chief Operating Officer, commencing early September 2016. Darren brings a wealth of onshore and offshore exploration and development experience across senior executive, petroleum engineering, and drilling engineering roles.

Darren comes to Senex from his role as President of High Arctic Energy Services, leading the international business unit of this Toronto Stock Exchange listed oil and gas service company. Previously, Darren gained considerable experience in both the Surat and Cooper Basins through his role as COO of Easternwell, and over a decade with Santos as well as several years with Woodside.

Darren has a Bachelor of Engineering from Queensland University of Technology.

## Conference Call

Senex Managing Director and Chief Executive Officer Ian Davies and Chief Financial Officer Graham Yerbury will hold a briefing to discuss the June quarterly results and FY7 outlook, as follows:

Date: Wednesday 27 July 2016

Time: 9am 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/2190.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 around 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

**1C** means

**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

**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