

Quarterly report

For the period ended 31 March 2019



Highlights



Senex Energy Ltd (Senex, ASX: SXY) has delivered strong quarterly performance, significantly de-risking its Surat Basin natural gas projects by achieving several key milestones. Highlights include:

- **Sales revenue up 62%:** Sales revenue of \$28 million on higher production and higher realised prices.
- **Cooper Basin oil production up 22%:** Produced oil volumes of 217 kboe as Growler-16 and Growler-17 horizontal wells were brought online.
- **Roma North gas production up 21%:** Produced gas volumes of 93 kboe as ramp-up continued; daily rates averaged above 6 terajoules.
- **Project Atlas environmental approvals received:** All primary state and federal approvals received, allowing full project development.
- **Project Atlas gas sales agreement (GSA):** Subsequent to quarter-end, Senex agreed the first Project Atlas GSA with major domestic manufacturer CSR Limited, with total potential volume of up to 3.25 PJ.
- **Surat Basin drilling contract awarded:** Subsequent to quarter-end, Senex awarded the Surat Basin drilling contract to Easternwell, commencing in May 2019.
- **Surat Basin construction progressed:** Project delivery accelerated with Roma North gas processing facility nearing completion and civil works commenced at Project Atlas.

Comments from Managing Director and CEO Ian Davies:

"This has been a terrific quarter for Senex, with strong operational results and continued strong progress in the Surat Basin.

"The milestones already achieved in the Surat Basin have significantly de-risked our natural gas development projects.

"We are now ready to commence our integrated drilling campaign across Roma North and Project Atlas. These important development projects will deliver a step-change in production and cash flow by the end of FY21.

"Senex secured its first high value domestic gas sales agreement with major domestic manufacturer CSR Limited. This is the first of a number of agreements we expect to sign for gas supply from Project Atlas.

"And our Cooper Basin oil producing assets continue to deliver strong production, generating operating cash flow to fund our high growth projects.

"This is an exciting time for Senex as we deliver on our strategy to be an important supplier to the east coast gas market."

Key Performance Metrics	March Q3 FY18	December Q2 FY19	March Q3 FY19	Qtr on Qtr Change	FY19 YTD
Net production (kboe)	197	276	334	21%	891
Net sales volumes (kboe)	170	264	321	22%	855
Sales revenue (\$ million)	14.0	17.2	27.8	62%	70.6
Average realised oil price (\$/bbl)	87	78	109	40%	102
Net cash / (debt) (\$ million)	83.3	39.0	23.1	(41%)	23.1

Financial



Sales volumes and revenue

Sales volumes of 321 kboe were 22% higher than the prior quarter with oil sales increasing by 22% and gas sales increasing by 19%. Sales revenue of \$27.8 million was 62% higher than the prior quarter, from higher volumes and the accrual impact of increasing oil prices¹. The average realised Australian dollar oil price¹ increased 40% to \$109/bbl (from \$78/bbl).

	March Q3 FY18	December Q2 FY19	March Q3 FY19	Qtr on Qtr Change	FY19 YTD
Net oil sales volumes (kbbl)	160	170	208	22%	568
Net gas and gas liquids sales volumes (kboe)	10	94	112	19%	286
Total sales volumes (kboe)	170	264	321	22%	855
Oil sales revenue (\$ million)	14.0	13.3	22.7	71%	57.7
Gas and gas liquids sales revenue (\$ million)	0.0	3.8	5.2	37%	12.9
Total sales revenue (\$ million)	14.0	17.2	27.8	62%	70.6
Average realised oil price (\$/bbl)	87	78	109	40%	102
Average realised sales price (\$/boe)	87	65	87	34%	83

NB. Totals throughout the report may not add due to rounding

Capital expenditure

Gross capital expenditure of \$27.9 million was incurred, which primarily related to construction activity for the Roma North pipeline and gas processing facility, the Westeros seismic survey in the Cooper Basin and Surat Basin pre-execution expenditure. Net capital expenditure incurred of \$26.9 million recognises \$1.0 million of free-carry associated with the FY19 Cooper Basin drilling campaign².

\$ million	March Q3 FY18	December Q2 FY19	March Q3 FY19	Qtr on Qtr Change	FY19 YTD
Exploration and appraisal	7.8	14.8	8.9	(40%)	34.2
Development, plant and equipment	3.3	24.1	19.0	(21%)	56.3
Capital expenditure incurred (gross)	11.1	38.8	27.9	(28%)	90.5
Less: Cooper Basin free-carry	-	(13.1)	(1.0)	(92%)	(19.3)
Capital expenditure (net to Senex)	11.1	25.7	26.9	5%	71.3

1. Senex recognises revenue using the accrual accounting method. For Senex oil sales, revenue is accrued at provisional prices when oil is delivered to the SACB JV at Moomba. Final price is determined and an adjustment recorded when oil is shipped to the end customer, around 70 days later. Consequently, in a rising oil price environment, the average realised oil price in a quarter may be higher due to re-pricing of the prior quarter's accrued volumes at the higher prevailing spot price. The opposite effect can occur in a declining oil price environment.

2. As announced on 16 April 2018, Senex and Beach agreed the transfer of up to \$43 million (gross) of free-carry commitment from the joint venture's unconventional gas project to the Cooper Basin western flank oil assets. No additional interest in the Cooper Basin western flank oil assets will be earned by Beach through this free-carry arrangement.

Financial



Liquidity

Senex had net cash of \$23.1 million at quarter-end, comprising \$58.1 million of cash reserves and \$35 million of drawn debt.

\$ million	March Q3 FY18	December Q2 FY19	March Q3 FY19	Qtr on Qtr Change
Cash reserves	83.3	74.0	58.1	(21%)
Drawn debt	-	35.0	35.0	-
Net cash / (debt)	83.3	39.0	23.1	(41%)

Hedging

Senex operates a proactive hedging policy to provide cash flow certainty during the current period of heightened capital investment.

Subsequent to quarter-end, Senex hedged an additional 262,000 barrels of oil production over a two-year period at an average weighted price of A\$90/bbl. A total of 895,000 barrels of oil production is hedged for the period Q4 FY19 to the end of FY21 using swaps with weighted average strike prices between A\$90/bbl and A\$98/bbl.

Additional downside protection is in place for Q4 FY19 with 87,000 barrels of oil production covered by put options at a strike price of US\$55/bbl.

Oil swaps	Q4 FY19	FY20	FY21
Volume (kbbbl)	139	438	318
Weighted average swap price (A\$/bbl)	98	96	90

NB. Numbers shown include additional hedges executed in April 2019

Taxation

In April 2019, the Australian Parliament passed changes to the Petroleum Resource Rent Tax (PRRT) Laws which will take effect on 1 July 2019. The amendments remove onshore petroleum projects from the PRRT regime and will therefore relieve Senex's onshore projects from any PRRT requirements. Senex had previously received a PRRT Combination Certificate allowing Project Atlas and the Western Surat Gas Project to be combined for PRRT calculation purposes, and has held a separate PRRT Combination Certificate for our Cooper Basin production licences since PRRT first applied to onshore petroleum projects.

Exploration expense

Year to date to 31 March 2019, Senex had incurred approximately \$11 million of oil and gas exploration expense attributable to the Income Statement. The FY19 exploration program is now largely complete with only routine items of expenditure remaining.

Operations



Production

Production of 334 kboe was 21% higher than the prior quarter with oil production up 22% over the prior quarter, with two new development wells brought online. Gas production increased 18% quarter-on-quarter as Roma North ramp-up continued.

	March Q3 FY18	December Q2 FY19	March Q3 FY19	Qtr on Qtr Change	FY19 YTD
Oil (kbbbl)	171	178	217	22%	591
Gas and gas liquids (kboe)	26	99	117	18%	300
Total net production (kboe)	197	276	334	21%	891

Cooper Basin production

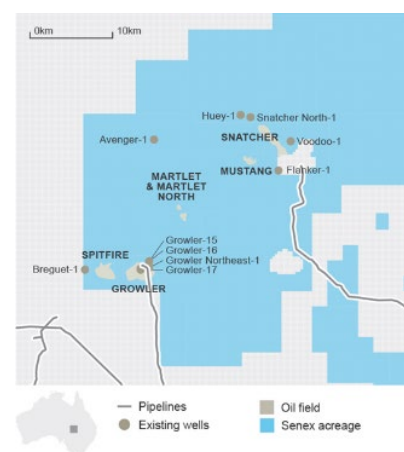
Senex brought online the Growler-16 and Growler-17 horizontal development wells (ex PEL 104, Senex 60% and operator, Beach 40%) and benefited from the first full quarter of production from the Snatcher North-1 exploration well (ex PEL 111, Senex 60% and operator, Beach 40%).

Growler-16 was drilled in Q2 FY19 and brought online in early January 2019 at an initial production rate of ~1,300 bopd (gross). The horizontal section appraised the field limit, with a lateral length of ~1,300 metres. The well intersected ~450 metres of net pay and was online within 25 days of spud.

Growler-17 was drilled in January 2019 and brought online in early February 2019 at an initial production rate of ~600 bopd (gross). The horizontal section lateral length was ~1,050 metres. The well intersected ~520 metres of net pay and was online within 30 days of spud.

Senex is currently analysing results of the FY19 drilling program to inform its inventory of future drilling prospects. There are three wells remaining under the free-carry program to be drilled in FY20.

Senex's immediate priority is to develop its Surat Basin natural gas projects to deliver a step-change in production, earnings and cash flow. This requires an investment of \$220 - \$250 million from FY19 to FY21 (refer ASX announcement of 29 October 2018), with a significant portion to be incurred in FY20. Consequently, in addition to the remaining free-carry expenditure from Beach there will likely be limited discretionary expenditure in the Cooper Basin in FY20, with natural field declines expected for this period.



Surat Basin production

Roma North gas production was 93 kboe in Q3 FY19, 21% higher than the prior quarter, averaging above 6 TJ/day. Well optimisation continues and average well availability of above 90% was achieved throughout the quarter. Roma North continues to perform in line with Senex's expectations as it ramps-up to plateau.

Drilling summary

The Growler-17 horizontal development well was drilled and brought online, delivering initial production of ~600 bopd (gross).

Well	Qtr	Type	Tenement	Result
Cooper Basin (Senex 60% and operator)				
Growler-17	Q3	Oil development - Hz	Ex-PEL 104	On production

The Cooper Basin FY19 free-carried drilling program comprised two successful exploration wells, one appraisal well which met all appraisal objectives, and two successful horizontal development wells.

Exploration and Development



Surat Basin

After achieving several key milestones, Senex has optimised its development drilling schedule to ensure timing of Project Atlas gas production dovetails with commissioning of the Project Atlas gas processing facility. Accordingly, drilling will commence at Roma North in May 2019, with the rig moving to Project Atlas in Q1 FY20. This drilling schedule has been designed to achieve the twin objectives of minimising the flaring of gas at Project Atlas while ensuring sufficient sales gas volumes are available for new gas sales agreements commencing 1 January 2020.

The Surat Basin drilling contract was awarded to Easternwell (refer ASX announcement of 16 April 2019). Easternwell will commence drilling in May 2019, with completion of the initial wells in mid-2020. Construction of well lease pads is progressing to plan, ahead of rig arrival.

Project Atlas

Project Atlas continues to progress towards first sales gas in late 2019 with the following recent milestones achieved:

- Federal and Queensland Government environmental approvals received which allow full development of Project Atlas (refer ASX announcements of 21 January 2019 and 27 March 2019).
- The first gas sales agreement with major domestic manufacturer CSR Limited (refer ASX announcement of 17 April 2019). Under the agreement, Senex will deliver up to 3.25 PJ of gas at fixed prices in line with current market levels, indexed annually.
- Jemena commenced construction of the Project Atlas gas processing facility (refer ASX announcement of 3 April 2019), with commissioning on-track for late 2019.

Roma North

Roma North is progressing rapidly towards first sales gas by mid-2019, with construction of the 16 TJ/day gas processing facility nearing completion. Upon successful commissioning, Senex will begin selling sales specification gas to GLNG resulting in an uplift to the realised gas sales price.

The following recent milestones have been achieved:

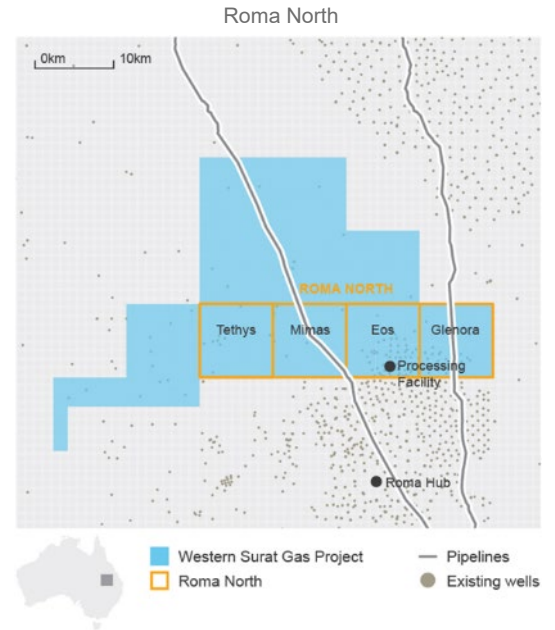
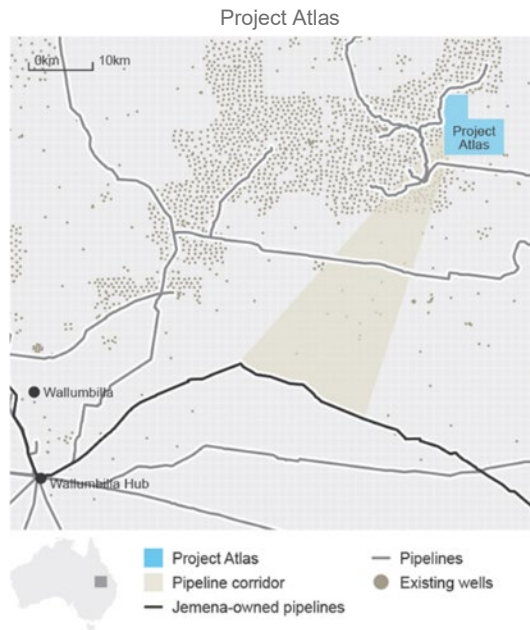
- Construction and pressure testing of the export pipeline successfully completed.
- Installation of compressors, the gas dehydration unit and piping for the gas processing facility completed.

Surat Basin key milestones

Senex is systematically progressing its Surat Basin natural gas developments and remains on-schedule to achieve initial plateau production of 48 TJ/day from Roma North and Project Atlas by the end of FY21.

Key milestones	Expected timing
Sign additional gas sales agreements	Ongoing
Commence integrated drilling campaign	May 2019
Commission Roma North gas processing facility and first sales gas	Mid 2019
Commission Project Atlas gas processing facility and first sales gas	End 2019
Complete integrated drilling campaign	Mid 2020
Achieve initial plateau production at Roma North and Project Atlas	End FY21

Exploration and Development



Roma North compressors lifted into place



Construction progress at Roma North gas processing facility



Arrival of air cooler unit at Roma North



Roma North pipe rack installed



Roma North dam ready for processing facility start-up



Civil work commences at Project Atlas

Exploration and Development



Cooper Basin

Westeros 3D seismic survey

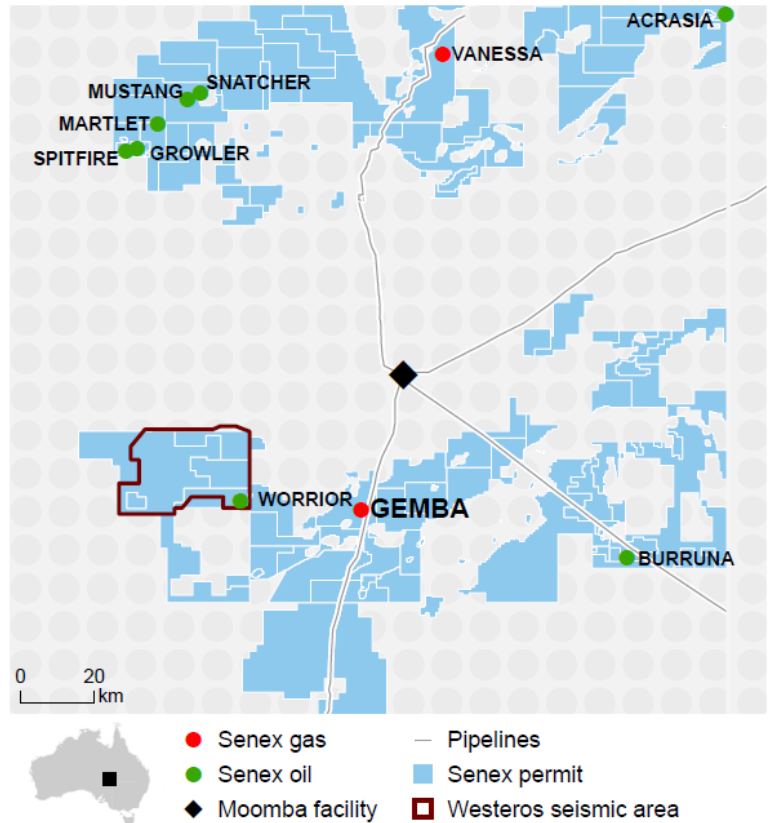
Subsequent to quarter-end, Senex completed the acquisition phase of the ~600 km² Westeros 3D seismic survey. The primary objective of the survey is to test a southern extension of the western flank, including the highly prospective Namur Sandstone, McKinlay and Birkhead formations. The seismic data is now being processed, with prospects to be identified in FY20.

Gemba gas discovery

The Gemba-1 gas exploration well (PEL 516: Senex 100% and operator) is located on the southwest margin of the Allunga Trough, approximately five kilometres from existing infrastructure and approximately 37 kilometres south west of the Moomba processing facility.

As announced on 17 December 2018, Senex successfully completed a seven-stage hydraulic fracturing program and seven-day flow-test. A stabilised flow rate of ~8 million standard cubic feet per day was achieved with ~20% CO₂ content, in line with expectations based on regional data. The test recovered 44 million standard cubic feet of gas and 88 barrels of oil.

Senex is in the final stage of planning to bring the well online for further testing and production.



Glossary



\$	Australian dollars	kboe	Thousand barrels of oil equivalent
ASX	Australian Securities Exchange operated by ASX Ltd	mmboe	Million barrels of oil equivalent
ATP	Authority to Prospect - granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)	mmbbl	Million barrels of oil
bbl	Barrels - the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons	mmscfd	Thousand standard cubic feet of gas per day
Bcf	Billion cubic feet	mmscfd	Million standard cubic feet of gas per day
Beach	Beach Energy Ltd	P&A	Plugged and abandoned
boe	Barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy	PEL	Petroleum Exploration Licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
bopd	Barrels of oil per day	PJ	Petajoule
C&S	Cased and suspended	PL	Petroleum Lease granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)
EPBC	Environment Protection and Biodiversity Conservation Act	PPL	Petroleum production licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
FY	Financial year	PRL	Petroleum retention licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
GJ	Gigajoule	PRRT	Petroleum Resource Rent Tax
GLNG	Gladstone Liquefied Natural Gas, a JV between Santos, PETRONAS, Total and KOGAS	Q, Qtr	Quarter
GSA	Gas sales agreement	SACB JV	South Australia Cooper Basin JV, which involves Santos (as operator) and Beach
JV	Joint venture	Senex	Senex Energy Ltd
kbbbl	Thousand barrels of oil	TJ	Terajoule
		WSGP	Western Surat Gas Project
		YTD	Year to date

Further Information

Conference call

Senex Managing Director and CEO Ian Davies and Chief Financial Officer Gary Mallett will hold a conference call to discuss these quarterly results.

Date: Tuesday, 30 April 2019

Time: 10.00am AEST (Sydney, Melbourne, Brisbane)

The conference call will be streamed live and can be accessed via the Senex company page on the Open Briefing website: <http://www.openbriefing.com/OB/3304.aspx>

A recording of the conference call will be available from 5.00pm AEST via the same link.

About Senex

Senex is an ASX-listed, growing and independent Australian oil and gas company with a 30-year history. We manage a strategically positioned portfolio of onshore oil and gas assets in Queensland and South Australia, with access to Australia's east coast energy market. Senex is focused on creating sustainable value for shareholders by leveraging our capability as a low cost, efficient and safe explorer and producer.

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