

Quarterly report

For the period ended 30 June 2019



Highlights



Senex Energy Ltd (Senex, ASX: SXY) has delivered strong performance this quarter, continuing to de-risk the delivery of its Surat Basin natural gas projects while strengthening the foundation for production growth beyond initial capacity targets. Highlights include:

- **FY19 production growth of 43% to 1.2 mboe:** Achieved a near fivefold increase in gas production and a 4% increase in oil production from the prior year.
- **Continuing production ramp-up at Roma North:** Quarterly gas production up 8% with a maximum daily rate above 8 TJ recorded following start of commissioning of the compressor station.
- **Surat Basin drilling underway:** Successful campaign start-up with the first nine of ~110 wells now drilled and connections to commence in Q1 FY20; Project Atlas drilling to commence in August.
- **First sales specification gas from Roma North facility:** Mechanical completion of the gas compressor station achieved allowing commissioning to start.
- **Sale of Roma North facility to Jemena:** Cash consideration of \$50 million on completion; facility expansion arrangements agreed.
- **Project Atlas Gas Sales Agreements:** Three executed GSAs announced with leading domestic manufacturers for potential supply of ~24 PJ of gas.
- **Project Atlas construction milestones:** Civil works commenced for the well pads and Jemena-owned gas compressor station and pipeline.
- **Award of Artemis gas block:** Expansion and diversification of gas acreage portfolio.

Comments from Managing Director and CEO Ian Davies:

"This has been another great quarter for Senex and marks the end of a year of significant growth for the company.

"We continue to deliver our Surat Basin gas developments on schedule, to budget and with excellent safety and environmental performance.

"Roma North production is performing strongly, with daily production reaching 8.4 terajoules late in the fourth quarter.

"Senex is now firmly in execution mode and the year ahead will be an exciting one for the company and its shareholders.

"We will complete our Surat Basin drilling campaign, bring new wells online and ramp up production towards our initial target of 18 petajoules per year.

"We are also excited to be commencing the Project Atlas drilling program in August.

"Senex is continuing its strong momentum from FY19 into the new financial year, with a strict focus on safe and efficient execution of the remainder of the work program."

Key Performance Metrics	June Q4 FY18	March Q3 FY19	June Q4 FY19	Qtr on Qtr Change	FY19
Net production (kboe)	269	331	308	(7%)	1,205
Net sales volumes (kboe)	270	321	301	(6%)	1,156
Sales revenue (\$ million)	26.8	27.8	23.5	(15%)	94.1
Average realised oil price (\$/bbl)	115	109	99	(9%)	101
Net cash / (debt) (\$ million)	66.5	23.1	12.7	(45%)	12.7

Financial



Sales volumes and revenue

Full-year FY19 sales volumes of 1.2 mboe were 47% higher than the prior year due mainly to increased production. Full-year FY19 sales revenue of \$94 million was 34% higher than the prior year, with higher production and realised prices partly offset by a greater portion of gas in the sales mix.

Q4 FY19 sales volumes of 301 kboe were 6% lower than the prior quarter. Oil sales were down 9% on lower production and gas sales were in line with the prior quarter. Sales revenue of \$24 million was 15% below the prior quarter due to lower oil sales volumes and lower realised oil prices. The average realised Australian dollar oil price decreased 9% to \$99/bbl (from \$109/bbl)¹.

	June Q4 FY18	March Q3 FY19	June Q4 FY19	Qtr on Qtr Change	FY19
Net oil sales volumes (kbbbl)	220	208	190	(9%)	758
Net gas and gas liquids sales volumes (kboe)	50	112	112	0%	398
Total sales volumes (kboe)	270	321	301	(6%)	1,156
Oil sales revenue (\$ million)	25.2	22.7	18.9	(17%)	76.6
Gas and gas liquids sales revenue (\$ million)	1.6	5.2	4.6	(12%)	17.5
Total sales revenue (\$ million)	26.8	27.8	23.5	(15%)	94.1
Average realised oil price (\$/bbl)	115	109	99	(9%)	101
Average realised sales price (\$/boe)	99	87	78	(10%)	81

NB. Totals throughout report may not add due to rounding

Hedging

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

During the quarter, 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 756,000 barrels of oil production is hedged for FY20 and FY21 using swaps with weighted average strike prices between A\$90/bbl and A\$96/bbl.

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

Exploration expense

For the financial year ended 30 June 2019, Senex incurred approximately \$11 million of oil and gas exploration expense to be recognised in the Income Statement.

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.

Financial



Capital expenditure

Capital expenditure of \$37 million was incurred which primarily related to construction and commissioning activities for the Roma North gas compressor station, construction of the Roma North gathering network, commencement of the ~110-well Surat Basin drilling campaign at Roma North, and purchase of long-lead items for drilling at Project Atlas.

For the financial year ended 30 June 2019, net capital expenditure of \$109 million was incurred which recognises \$19 million of free-carry associated with the FY19 Cooper Basin drilling campaign².

\$ million	June Q4 FY18	March Q3 FY19	June Q4 FY19	Qtr on Qtr Change	FY19
Exploration and appraisal	3.9	8.9	1.1	(88%)	35.3
Development, plant and equipment	19.2	19.0	36.3	91%	92.6
Capital expenditure incurred (gross)	23.1	27.9	37.3	34%	127.8
Less: Cooper Basin free-carry	-	(1.0)	-	(100%)	(18.5)
Capital expenditure (net to Senex)	23.1	26.9	37.3	39%	109.3

Liquidity

Senex had net cash of \$13 million at quarter-end, comprising \$63 million of cash reserves and \$50 million of drawn debt.

\$ million	June Q4 FY18	March Q3 FY19	June Q4 FY19	Qtr on Qtr Change
Cash reserves	66.5	58.1	62.7	8%
Drawn debt	-	35.0	50.0	43%
Net cash / (debt)	66.5	23.1	12.7	(45%)

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.

Operations



Production

Full-year FY19 production of 1.2 mboe was 43% higher than the prior year. Production growth comprised a 4% increase in oil production to 777 kbbl following successful exploration and horizontal development drilling activities, and a near fivefold increase in gas production to 428 kboe as Roma North ramp-up continued.

Q4 FY19 production of 308 kboe was 7% below the prior quarter. Oil production declined 10% to 191 kbbl due to natural field decline and well maintenance. Gas production decreased 1% to 118 kboe. An 8% increase in Roma North production was offset by a ~30% reduction in Cooper Basin production due to a shut-in at the Vanessa field for installation of remote operation technology and natural field decline.

	June Q4 FY18	March Q3 FY19	June Q4 FY19	Qtr on Qtr Change	FY19
Oil (kbbl)	220	212	191	(10%)	777
Gas and gas liquids (kboe)	49	119	118	(1%)	428
Total net production (kboe)	269	331	308	(7%)	1,205

Cooper Basin

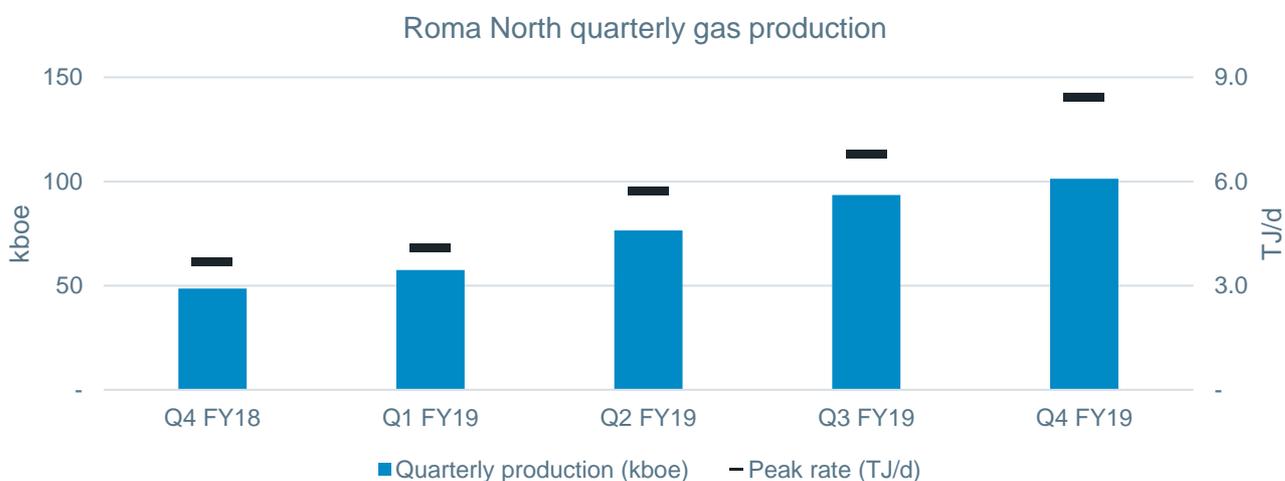
Cooper Basin oil and gas production decreased 13% to 207 kboe due mainly to natural field decline and well maintenance.

Surat Basin

Roma North production of 101 kboe was 8% higher than the prior quarter, reflecting improved well performance from past optimisation activities and initial uplift from the start of commissioning of the Roma North gas compressor station. Materially higher production rates were achieved towards the end of the quarter, with a maximum daily production rate of 8.4 TJ recorded.

As announced on 27 May 2019, mechanical completion of the gas compressor station has been achieved and commissioning of the facility is now underway. The facility's compression system allows the raw gas gathering network from the production wells to be operated at a lower pressure, thus providing significant improvement in both the rate and total volume of gas able to be desorbed from the coals in the gas reservoir. The facility is now producing sales specification gas and production is expected to continue to increase as the commissioning process completes, and as additional wells are tied in.

The following chart summarises Roma North production and peak daily rates for the past five quarters. Production growth is continuing in line with Senex's expectations.



Drilling

As announced on 16 April 2019, Senex awarded the drilling contract for its ~110-well Surat Basin campaign to experienced oil and gas services provider, Easternwell.

Following rig mobilisation and an extensive period of maintenance and safety checks, Easternwell Rig 27 spudded the first well of the campaign on 5 June 2019. Four wells were drilled in the balance of the quarter, and a further five wells have been drilled subsequent to quarter-end.

Campaign start-up is typically the highest risk period of a drilling program, and operations to date have been undertaken successfully and without incident. Following extensive logging and review of initial wells and learning curve efficiencies, cycle times from spud to completion are improving in line with targets.

An initial 10 wells will be drilled at Roma North before mobilisation of Easternwell Rig 27 to Project Atlas. These initial 10 Roma North wells are expected to be connected and brought online during Q1 FY20.

Roma North, Surat Basin (Senex 100% and operator)			
Q4 FY19 wells	Spud date	Current status	Expected online date
Glenora 30	5 June 2019	Drilled and completed; awaiting connection	Q1 FY20
Glenora 31	13 June 2019	Drilled and completed; awaiting connection	Q1 FY20
Glenora 32	20 June 2019	Drilled and completed; awaiting connection	Q1 FY20
Glenora 33	25 June 2019	Drilled and completed; awaiting connection ³	Q1 FY20



Easternwell Rig 27 and crew drilling Glenora 30

³ Completed subsequent to quarter-end

Exploration and Development



Surat Basin

Senex is rapidly de-risking its Surat Basin natural gas developments, and in doing so is achieving its goal of becoming an important supplier of gas to the east coast market. Several milestones were achieved during the quarter, with Senex on-schedule to achieve initial plateau production of 48 TJ/day from Roma North and Project Atlas by the end of FY21. Recent milestones achieved are summarised below.

Drilling milestones

- Award of the integrated Surat Basin drilling contract to experienced oil and gas services provider Easternwell (refer ASX announcement of 16 April 2019).
- Drilling campaign start-up and spudding of first well at Roma North (refer ASX announcement of 5 June 2019 and commentary in the Operations section of this Quarterly Report).

Project Atlas milestones

- Commencement of civil works for the Jemena-owned gas compressor station (refer ASX announcement of 3 April 2019).
- Commencement of construction of the Jemena-owned 60km pipeline to transport gas from the gas facility to the Wallumbilla Hub (refer ASX announcement of 8 July 2019).
- Completion of 12 well pads in advance of drilling, with construction continuing.
- Negotiation and execution of three GSAs with leading domestic manufacturers (refer ASX announcements of 17 April, 1 May and 11 June 2019, and commentary in the Commercial and Corporate section of this Quarterly Report).

Roma North milestones

- Mechanical completion of the gas compressor station and commencement of commissioning (refer ASX announcement of 27 May 2019).
- First sales specification gas produced by the facility, enabling Senex to begin selling sales gas to GLNG which will result in an uplift to the realised gas sales price after commissioning.
- Agreement for sale of the Roma North gas facility and pipeline to Jemena for \$50 million cash consideration (refer ASX announcement of 17 June 2019 and commentary in the Commercial and Corporate section of this Quarterly Report).
- Successful drilling of nine wells in the Glenora block with connection to the gas compressor station expected in Q1 FY20 (refer commentary in the Operations section of this Quarterly Report).
- Commencement of gathering network construction and well site facility installation.
- Daily gas production exceeded 8 TJ/day late in the quarter (refer commentary in the Operations section of this Quarterly Report).

Expected timing for remaining milestones is set out below.

Milestone	Expected timing
Integrated drilling campaign	Underway
Sign additional Project Atlas gas sales agreements	Ongoing
Roma North first sales specification gas / complete commissioning of compressor station	Completed / Q1 FY20
Project Atlas first sales specification gas / complete commissioning of compressor station	End 2019
Complete integrated drilling campaign	Mid 2020
Achieve initial plateau production at Roma North and Project Atlas	End FY21

Exploration and Development



Progress in the Surat Basin



Commissioning underway at the Roma North gas compressor station



Easternwell Rig 27 drilling at Roma North



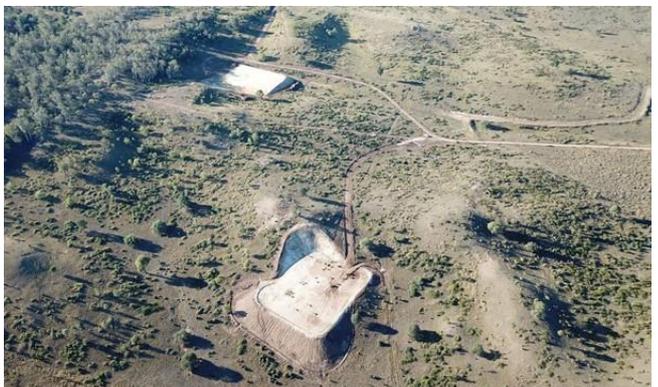
Progress at the Project Atlas gas compressor station



Progress at the Project Atlas gas compressor station



Laying of Project Atlas pipeline to the Wallumbilla Gas Hub



Project Atlas well pad awaiting drilling

Exploration and Development



Award of Surat Basin domestic gas acreage

In May 2019, Senex was awarded preferred tender status for the natural gas acreage position PLR2018-1-1 (Project Artemis) in the Surat Basin. Artemis is a 153sq km block located 11km south of Miles and next to the Condabri development operated by APLNG. It has large estimated volumes of gas in place in the Walloon and Permian coals.

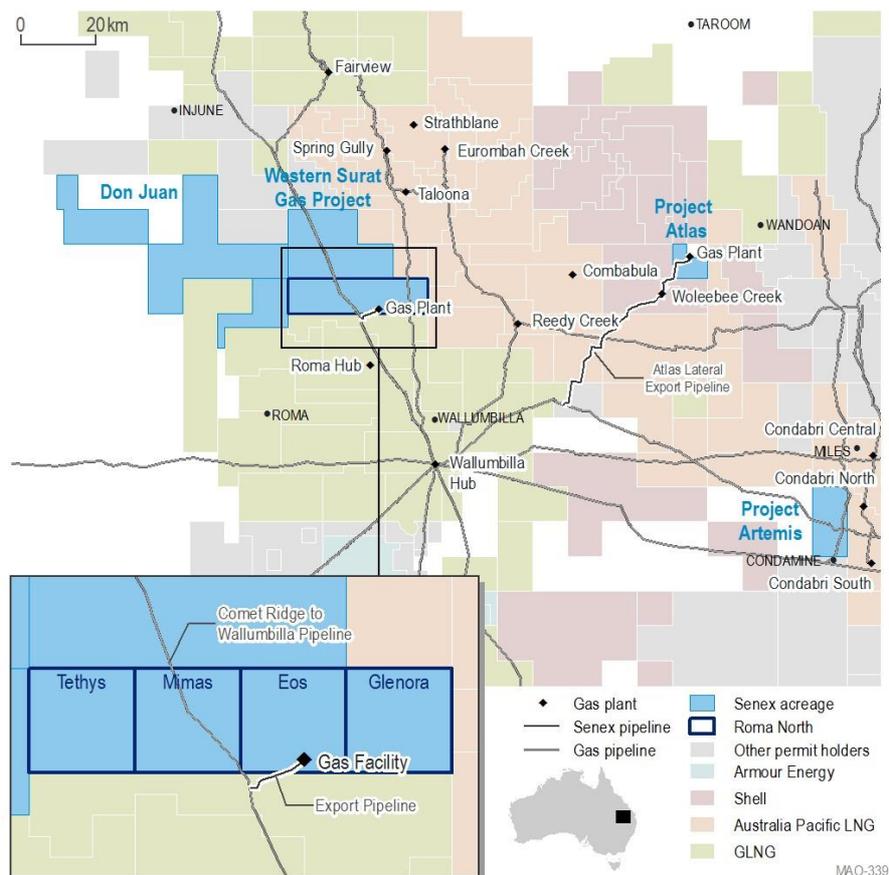
The award is subject to the grant of an exploration tenure for an initial six-year term. The committed work program, which is to be undertaken over the first four years, includes geological studies, with three wells to be drilled in FY22-23. Minimal capital expenditure is required during the first two years of the term.

The block is subject to an Australian Market Supply Condition under the Petroleum and Gas (Production and Safety) Act 2004 (Qld), requiring that all gas produced be sold to domestic customers.

Further information is contained in the ASX announcement of 28 May 2019.

Enlarged Surat Basin gas acreage portfolio

The award of Artemis is consistent with Senex’s strategy to grow its position as an important supplier to the east coast gas market. Artemis has expanded Senex’s Surat Basin footprint to approximately 2,000sq km of gas acreage, and has diversified its portfolio of development and exploration projects. Senex’s immediate focus is on developing Roma North and Project Atlas, with expansion potential in the broader Western Surat acreage and medium-term exploration upside at Artemis.



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Exploration and Development



Cooper Basin

Westeros 3D seismic survey

Senex completed the acquisition phase of the ~600sq km 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. Processing of the seismic data is underway and identification of prospects is expected to be completed during H2 FY20.

Gemba gas discovery

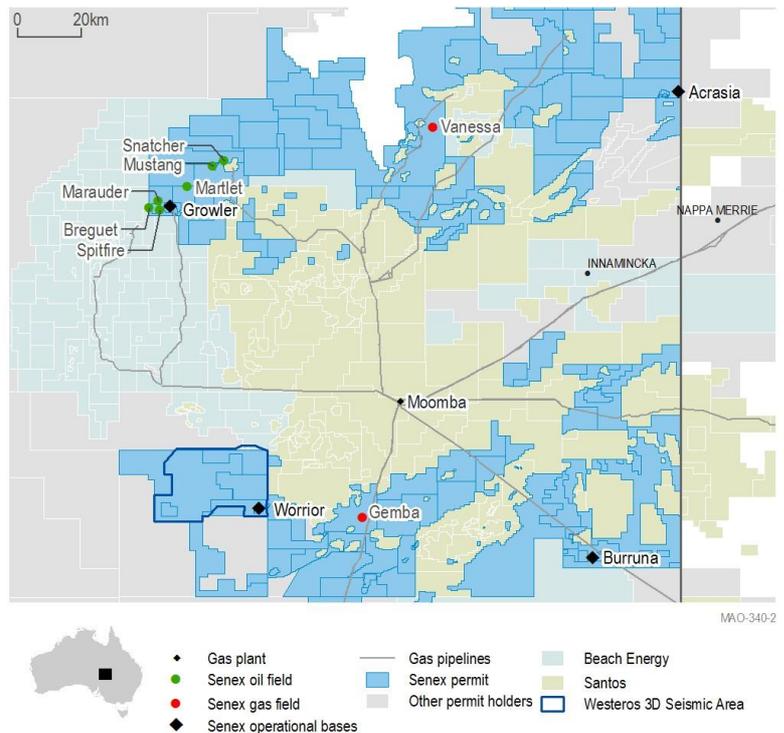
The Gemba-1 gas exploration well (PEL 516: Senex 100% and operator) is located on the southwest margin of the Allunga Trough, approximately five kilometres from existing infrastructure and approximately 37 kilometres south west of the Moomba processing facility.

As announced on 17 December 2018, Senex successfully completed a seven-stage hydraulic fracturing program and seven-day flow-test. A 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.

The well is currently being completed for testing and production.

FY20 drilling campaign

Senex and Beach will complete the Cooper Basin free carry program in FY20. It is expected the drilling program will comprise two injector wells in preparation for waterflood secondary recovery in the Snatcher field⁴, a vertical appraisal well in the Snatcher North field, and a horizontal appraisal well in the Growler Northeast field.



⁴ Waterflood secondary recovery is a means of improving oil recovery by maintaining pressure in the formation and improving sweep efficiency. Maintaining pressure is accomplished by injecting water of suitable quality into the target formation in sufficient quantity to compensate for the fluid removed from the reservoir through production.

Commercial and Corporate



Sale of Roma North gas compressor station and pipeline

On 17 June 2019, Senex announced it had agreed to sell its Roma North natural gas compressor station and pipeline to major energy infrastructure operator Jemena and entered into a long-term gas tolling agreement. Sale proceeds of \$50 million will support the continued development of Senex's Surat Basin natural gas developments and other growth projects.

Under the terms of the agreements, Jemena will take ownership of the facility and pipeline on the achievement of agreed performance tests, expected late in Q1 FY20 (completion). Key terms of the agreements include:

- Cash consideration of \$50 million to be paid on completion.
- Gas tolling agreement providing firm capacity service to Senex, with Senex to pay a capacity-based tariff to Jemena in accordance with an agreed production profile.
- Initial processing capacity of ~6 PJ/year (16 TJ/day) with provision for low cost expansion to ~9 PJ/year (24 TJ/day) at Senex's option.
- Provision for further processing capacity expansions up to the designed site capacity of ~18 PJ/year (48 TJ/day).
- Initial term of 21 years ending 31 December 2040, with an option to extend up to 10 years.

Further information is contained in the ASX announcement of 17 June 2019.

Project Atlas Gas Sales Agreements

Senex has successfully negotiated and executed GSAs for Project Atlas, totalling 10 PJ of firm offtake and 24 PJ if all contract options are exercised.

Senex's initial gas marketing focus is to partner with high quality domestic commercial and industrial customers. GSAs have been signed with leading manufacturers CSR, Orora and O-I, and these contracts will support local manufacturing and jobs. All GSAs have been negotiated for gas supply at the Wallumbilla Gas Hub in Queensland at fixed prices in line with current market pricing, indexed annually.

Senex is systematically de-risking the future revenue stream of Project Atlas through continuing negotiation of GSAs. Additional new contracts with a range of buyers are expected to be announced over the remainder of 2019 from Senex's significant 2P reserves position.

Board appointment

On 1 April 2019, Senex appointed Mr Vahid Farzad as a non-executive director, replacing Mr Andy Zhmurovsky (as announced on 25 March 2019). EIG Global Energy Partners, whose investment funds are a substantial shareholder of Senex, nominated Mr Farzad to replace its previous representative, Mr Zhmurovsky.

Mr Farzad's biography is contained in the ASX announcement of 1 April 2019.

Executive change

On 19 June 2019, Senex announced its Chief Financial Officer, Mr Gary Mallett, will resign to pursue an opportunity in his hometown of Sydney. Mr Mallett has been a core part of the executive leadership team and has played a major role in securing Senex's financing arrangements to fully fund its transformational growth program.

Mr Mallett will continue as Chief Financial Officer until October 2019. The search for a new Chief Financial Officer is underway.

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, 23 July 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/3400.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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