

# Quarterly report

For the period ended 30 September 2019



## Highlights



Senex Energy Ltd (Senex, ASX: SXY) achieved an outstanding first quarter for FY20. Operations are performing well and Senex continues to achieve its Surat Basin project milestones. Recent highlights include:

- **Quarterly production up 9% to 337 kboe:** Strong oil production from the Growler field and a material increase in Surat Basin gas production.
- **First gas production at Project Atlas:** Natural gas flowed immediately from first wells brought online; delivery of a Queensland greenfield development 18 months from grant of Petroleum Lease.
- **Roma North production rate up 40% at >11 TJ/day:** Commissioning of facility and new wells online provided a material uplift in production, which continues to increase.
- **Roma North gas processing facility commissioned:** Delivered on time and on budget.
- **Sale of Roma North gas processing facility:** Completed \$50 million sale of facility and pipeline to major energy infrastructure operator Jemena.
- **Project Atlas construction milestones:** Pipeline construction and commissioning completed by Jemena; commissioning of the gas processing facility to begin in November.
- **Excellent Surat Basin drilling progress and results:** 24 wells of ~110 well campaign now drilled; drilling commenced at Project Atlas with net coal intersections of up to 44 metres.
- **Successful Gemba-1 production test:** Gas discovery to be online in late 2019.

### Comments from Managing Director and CEO Ian Davies:

"This was an outstanding quarter for Senex as we continue to deliver our operational and project milestones.

"We produced first gas at Project Atlas, a remarkable achievement for a greenfield development 18 months from grant of the Petroleum Lease.

"We also commissioned the Roma North gas processing facility on time and on budget, which is a credit to all those involved.

"Commissioning the Roma North facility allowed us to complete the sale of the facility to Jemena. This released \$50 million of capital and allows us to continue focusing on development of our oil and natural gas acreage.

"Production at Roma North is now over 11 TJ/day and continues to increase. With 40 wells on production and 40 still to be drilled, we are making great progress towards its initial production capacity of 6 PJ/year.

"Senex and our partners continue to meet all milestones for Project Atlas and Roma North as we progress towards Surat Basin gas production of 18 PJ/year by the end of FY21. Our transformation to a material east coast gas producer is well underway."

Key Performance Metrics	September Q1 FY19	June Q4 FY19	September Q1 FY20	Qtr on Qtr Change
Net production (kboe)	281	308	337	9%
Net sales volumes (kboe)	270	301	319	6%
Sales revenue (\$ million)	25.6	23.5	23.9	2%
Average realised oil price (\$/bbl)	114	99	100	1%
Net cash / (debt) (\$ million)	57.6	12.7	31.6	149%

# Financial



## Sales volumes and revenue

Sales volumes of 319 kboe were 6% higher than the prior quarter. Oil sales were down 5% on lower production through natural field decline, and gas sales were up 24% due to significantly higher Roma North production. Sales revenue of \$24 million was broadly in line with the prior quarter and the average realised Australian dollar oil price remained steady at \$100/bbl (Q4 FY19: \$99/bbl)<sup>1</sup>.

	September Q1 FY19	June Q4 FY19	September Q1 FY20	Qtr on Qtr Change
Net oil sales volumes (kbbbl)	190	190	180	(5%)
Net gas and gas liquids sales volumes (kboe)	80	112	139	24%
<b>Total net sales volumes (kboe)</b>	<b>270</b>	<b>301</b>	<b>319</b>	<b>6%</b>
Oil sales revenue (\$ million)	21.7	18.9	18.0	(5%)
Gas and gas liquids sales revenue (\$ million)	3.9	4.6	5.9	28%
<b>Total sales revenue (\$ million)</b>	<b>25.6</b>	<b>23.5</b>	<b>23.9</b>	<b>2%</b>
Average realised oil price (\$/bbl)	114	99	100	1%
Average realised sales price (\$/boe)	95	78	75	(4%)

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

## Hedging

Senex continues to operate a proactive hedging policy. A total of 633,052 barrels of oil production is hedged for the nine months ending 30 June 2020 and the 12 months ending 30 June 2021 using swaps with strike prices between A\$88/bbl and A\$96/bbl.

Oil swaps	FY20 (Oct.–June)	FY21
Volume (kbbbl)	315	318
Weighted average swap price (A\$/bbl)	95	90

<sup>1</sup> 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 \$41 million was incurred which primarily related to continuation of the ~110 well Surat Basin drilling campaign and construction of gas gathering networks and water handling infrastructure.

\$ million	September Q1 FY19	June Q4 FY19	September Q1 FY20	Qtr on Qtr Change
Exploration and appraisal	10.5	1.1	2.9	164%
Development, plant and equipment	13.2	36.3	37.7	4%
<b>Capital expenditure incurred (gross)</b>	<b>23.8</b>	<b>37.3</b>	<b>40.6</b>	<b>9%</b>
Less: Cooper Basin free-carry <sup>2</sup>	(5.0)	-	0.0	-
<b>Capital expenditure (net to Senex)</b>	<b>18.8</b>	<b>37.3</b>	<b>40.6</b>	<b>9%</b>

## Liquidity

Senex held net cash of \$32 million at quarter end, comprising \$97 million of cash reserves and \$65 million of drawn debt. During the quarter, sale proceeds of \$50 million were received from Jemena on completion of the sale of the Roma North gas processing facility.

\$ million	September Q1 FY19	June Q4 FY19	September Q1 FY20	Qtr on Qtr Change
Cash reserves	57.6	62.7	96.6	54%
Drawn debt	-	50.0	65.0	30%
<b>Net cash / (debt)</b>	<b>57.6</b>	<b>12.7</b>	<b>31.6</b>	<b>149%</b>

<sup>2</sup> 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

Total oil and gas production increased 9% to 337 kboe. Oil production of 186 kbbbl was broadly in line with the prior quarter. Gas production of 151 kboe was 28% higher than the prior quarter, primarily due to increased production at Roma North.

	September Q1 FY19	June Q4 FY19	September Q1 FY20	Qtr on Qtr Change
Oil (kbbbl)	196	191	186	(2%)
Gas and gas liquids (kboe)	84	118	151	28%
<b>Total net production (kboe)</b>	<b>281</b>	<b>308</b>	<b>337</b>	<b>9%</b>

### Cooper Basin

Cooper Basin oil and gas production decreased 3% to 201 kboe. Natural field decline was offset by improved performance from the Growler field.

### Surat Basin

Surat Basin gas production of 136 kboe was 34% higher than the prior quarter and comprised of Roma North production only. Production benefited from bringing online the first 10 wells of the current ~50 well Roma North drilling campaign, and commissioning of the gas processing facility. Materially higher production rates were achieved towards the end of the quarter, with daily rates exceeding 11 TJ.

As announced on 13 September 2019, commissioning and performance testing of the Roma North gas processing facility was completed and sale of the facility to Jemena was subsequently finalised. Completion of commissioning resulted in further uplifts in production rates as the facility's compression system allowed the raw gas gathering network to operate at a lower pressure, thus improving the rate and volume of gas desorbed from coals in the reservoir.

As announced on 8 October 2019, first gas production was achieved at Project Atlas. Seven wells are now online and natural gas production continues to steadily increase. First gas production was a significant achievement, marking delivery of a greenfield natural gas development within 18 months from grant of the Petroleum Lease.



Roma North production

# Operations



## Drilling

In April 2019, Senex awarded the drilling contract for its ~110 well Surat Basin campaign to experienced oil and gas services provider, Easternwell. The first well spudded on 5 June 2019 and 24 wells have now been drilled, including 10 wells at Roma North and 14 wells at Project Atlas, with excellent operational and safety performance.

At Project Atlas, drilling commenced during the quarter and results have been outstanding, including net coal intersections of up to 44 metres recorded.

The following table summarises wells drilled and completed during the quarter.

Q1 FY20 wells	Current status
Roma North, Surat Basin (Senex 100% and operator)	
Glenora-50	On production
Glenora-25	On production
Glenora-26	On production
Glenora-28	On production
Glenora-27	On production
Glenora-29	On production
Project Atlas, Surat Basin (Senex 100% and operator)	
Atlas-21	On production <sup>3</sup>
Atlas-18	On production <sup>3</sup>
Atlas-17	On production <sup>3</sup>
Atlas-16	On production <sup>3</sup>
Atlas-11	On production <sup>3</sup>
Atlas-4	On production <sup>3</sup>
Atlas-1	On production <sup>3</sup>
Atlas-10	Drilled and completed; awaiting connection in Q2 FY20
Atlas-12	Drilled and completed; awaiting connection in Q2 FY20
Atlas-13	Drilled and completed; awaiting connection in Q2 FY20



Drilling at Project Atlas

<sup>3</sup> Brought online subsequent to quarter end.

# Exploration and Development



## Surat Basin

Senex is rapidly progressing its Surat Basin natural gas developments, and in doing so is achieving its goal of becoming a material supplier of natural gas to the east coast market. Several milestones were achieved during the quarter, with Senex on-schedule to reach initial plateau production of 18 PJ/year (48 TJ/day / 3 mmoe/year) from Roma North and Project Atlas by the end of FY21. Recent milestones are summarised below.

### Project Atlas milestones

- **Commencement of the ~60 well drilling campaign.** Ten wells were drilled during the quarter and a further four wells have been drilled subsequent to quarter end. Results to date have been excellent, with net coal intersections of up to 44 metres recorded.
- **First gas production.** First gas production was achieved late in the quarter, representing a remarkable delivery of a greenfield natural gas development within 18 months from grant of the Petroleum Lease. Seven wells have now been brought online and natural gas production continues to steadily increase.
- **Completion of pipeline construction.** Senex received advice from Jemena that it had completed the natural gas pipeline, less than three months since construction began in July 2019. Commissioning of the pipeline has now been completed.
- **Gas processing facility nearing completion.** Jemena continues to make excellent progress with construction of the gas processing facility. Construction is nearing completion and commissioning of the facility will begin in November.

### Roma North milestones

- **Commissioning of gas processing facility.** Commissioning and performance testing of the gas processing facility and pipeline were successfully completed during the quarter. Senex is the first independent Queensland natural gas company in recent years to commission a greenfield gas processing facility.
- **Sale of gas processing facility to Jemena.** Successful commissioning enabled completion of the sale of the facility and pipeline to major energy infrastructure operator Jemena for \$50 million. Jemena now has ownership of the facility and is compressing and transporting Roma North natural gas to market under a long-term gas tolling arrangement. For key terms of the transaction, refer to the Commercial and Corporate section of this Quarterly Report.
- **Completion of first 10 wells of ~50 well campaign.** The first four wells of the campaign were drilled in Q4 FY19 and a further six were drilled this quarter. The wells were drilled immediately to the north of existing producing wells and all 10 wells are now online.
- **Completion of gathering network pipeline.** As announced on 3 September 2019, completion of the trunkline enabled Senex to tie in the first 10 wells of the current campaign to the gas processing facility. These wells provided immediate gas contribution, which demonstrated good gas saturation in this area.
- **Production >11 TJ/day, up 40% since the June quarter.** As announced on 10 October 2019, production has exceeded 11 TJ/day and continues to increase. Recent commissioning of the gas processing facility and connection of the first 10 wells of the current campaign contributed to a material increase in production.

Expected timing for remaining Surat Basin milestones is set out below.

Milestone	Expected timing
Integrated drilling campaign	Ongoing
Sign additional Project Atlas gas sales agreements	Ongoing
Roma North first sales specification gas / complete commissioning of gas processing facility	Completed
Project Atlas first sales specification gas / complete commissioning of gas processing facility	End 2019
Complete integrated drilling campaign	Mid 2020
Achieve 18 PJ/year initial plateau production at Roma North and Project Atlas	End FY21

# Exploration and Development



## Progress in the Surat Basin



*Roma North gas processing facility; sold to Jemena in September 2019*



*Project Atlas gas processing facility; commissioning in November 2019*



*Laying of the Project Atlas natural gas pipeline; commenced in July 2019*



*Project Atlas natural gas pipeline route following completion and rehabilitation in October 2019*



*Project Atlas dam; commissioned in September 2019*



*First gas production from Project Atlas, 18 months from grant of Petroleum Lease*

# Exploration and Development



## Cooper Basin

### 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.

Following a seven-stage hydraulic fracturing program, a five-day production test was successfully completed in August 2019. Production logs show gas contribution from all seven stimulated zones and a condensate to gas ratio of approximately 14 barrels per million standard cubic feet of gas.

Gemba-1 is expected to be tied into the Santos operated gas gathering network in late 2019, with processed sales gas to then be sold into the domestic South Australian market. Senex received a PACE Gas Grant of \$5.26 million from the South Australian Government to progress the Gemba project.

### Westeros 3D seismic survey

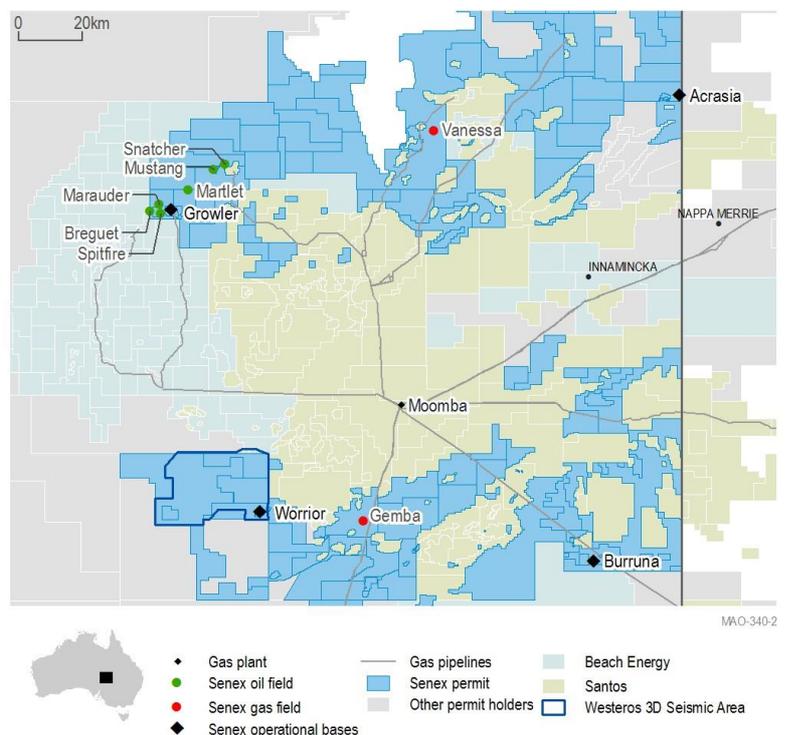
Processing of the ~600sq km Westeros 3D seismic survey is continuing. The primary objective of the survey is to test a southern extension of the western flank, including the highly prospective Namur Sandstone, McKinlay and Birkhead formations. The first wells from this survey are planned to be drilled in mid 2020.

### FY20 drilling campaign

Senex and Beach will complete the Cooper Basin free carry program in FY20. The drilling campaign comprises two injector wells as part of the waterflood secondary recovery project in the Snatcher field<sup>4</sup>, a vertical appraisal well in the Snatcher North field and a horizontal appraisal well in the Growler Northeast field.



Gemba-1 production testing



Senex Cooper Basin oil and gas acreage

<sup>4</sup> 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



## Completion of sale of Roma North gas processing facility to Jemena

As announced on 13 September 2019, Senex completed the sale of the Roma North gas processing facility and pipeline to major energy infrastructure operator Jemena. Jemena now has ownership of the facility and is compressing and transporting Roma North natural gas to market under a long-term gas tolling arrangement. Key terms of the transaction include:

- Cash consideration of \$50 million, with proceeds to support continued development of Senex's Surat Basin natural gas developments and other growth projects.
- Gas tolling agreement providing firm capacity service to Senex, with Senex to pay a capacity-based tariff to Jemena in line 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 expansion 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.

## Appointment of Chief Financial Officer

As announced on 11 September 2019, Senex appointed Mr Mark McCabe as Chief Financial Officer. He will join Senex from Origin Energy where he held the role of Chief Financial Officer and Deputy Chief Executive Officer of Australia Pacific LNG (APLNG) for the past nine years. Since joining Origin in 1996, Mr McCabe held senior roles in commercial management, retail operations, strategy and mergers and acquisitions. As APLNG's inaugural Chief Financial Officer, Mr McCabe played a vital role in achieving the project's Final Investment Decision, a US\$8.5 billion finance facility, an investment-grade credit rating and a US\$4.5 billion refinancing.

Mr McCabe will join Senex in early December 2019.

## Board change

As announced on 30 September 2019, EIG Global Energy Partners' representative Mr Vahid Farzad resigned from the Senex Board following EIG's exit from Senex's share register. Senex thanks Mr Farzad for the significant contribution he made during his time with Senex.

# Glossary



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

# Further Information

## Conference call

Senex Managing Director and CEO Ian Davies will hold a conference call to discuss these quarterly results.

Date: Monday, 28 October 2019

Time: 10.00am AEST (Brisbane); 11.00am AEDT (Sydney, Melbourne)

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/3521.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.

## Investor and media enquiries

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