

# ASX Announcement

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## AGM addresses by the Chairman and Managing Director

**Senex Energy Ltd (Senex, ASX: SXY)** releases the addresses to be presented by the Chairman and Managing Director at the Company's Annual General Meeting held virtually today from 9.30am Brisbane time, 10.30am Sydney/Melbourne time.

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### About Senex

Senex is a growing Australian oil and natural gas explorer and producer. We are focused on creating sustainable value for all stakeholders through low-cost, efficient and safe operations in the Surat and Cooper basins. Senex is helping to meet the energy challenge on the east coast of Australia through natural gas development projects which include Project Atlas, Australia's first dedicated domestic gas acreage.

## Chairman's Address to the Annual General Meeting 2020



Ladies and gentlemen,

Two years ago Senex made a promise to you, our shareholders.

The promise was to become a significant natural gas producer in the east coast market.

Today it gives me great pleasure to say we have fulfilled that promise.

Senex has firmly established a valuable east coast Surat Basin natural gas position and the foundations to achieve continued growth in production, earnings and cashflow.

When contemplating 2020, it is abundantly clear that COVID-19 has presented three extraordinary, inter-related challenges: in health; the economy; and energy markets.

On health, Senex has focused on the wellbeing of employees and communities through this unparalleled challenge in our lifetimes.

We have worked closely with governments, industry bodies and partners to develop and maintain stringent health and travel protocols to keep everyone safe.

The broader economic challenges from this one-in-100-year pandemic are perhaps even more significant.

On this front, too, Senex has been ready to help support the nation's recovery.

Having completed our foundation Surat Basin projects, we have increased production for east coast manufacturers and supported jobs in that sector.

We have also helped more than 400 smaller suppliers by shortening payment terms and have continued to contribute strongly to the communities we operate in.

These economic challenges have flowed into energy markets.

There has been a sharp decline in demand for energy, with a resultant substantial drop in prices.

At the same time, there has been increased interest in gas in the political sphere, with the Federal Government relying on gas to support an economic recovery led by manufacturing.

Senex remains in a solid position to support the gas-led recovery despite current volatility.



The rising profile of natural gas has prompted some businesses to voice concerns in public about availability and price of supply.

To be clear, there is no evidence of any issue with supply.

The Australian Energy Market Operator has forecast adequate supply to meet domestic demand for the next three years.

Australian Industrial Energy's Port Kembla LNG import terminal promises to further support domestic supplies, which we understand will be delivered by the end of 2022.

On price, the most effective policy response to such concerns is to encourage more gas and more gas suppliers into the market.

Increased supplies rely on a stable regulatory regime and reasonable prices that support capital investment and, indeed, realise an appropriate return on that investment.

While sensible reforms can improve the efficiency of the gas market and its operation, imprudent interventions could have the opposite effect on supply and prices, to that which is intended.

At the end of the day, the entire value chain needs to work together, including producers, infrastructure providers, financiers, customers, governments and local communities.

All participants in the gas chain would benefit from customers working with upstream producers, infrastructure providers and government and commit to long-term contracts at reasonable prices – to genuinely engage rather than rent seek.

We continue to welcome the policy in Queensland that facilitates investments such as our Atlas development, which already has a proven track record of providing volumes and prices of gas for Queensland manufacturers that work for all parties.



Ladies and gentlemen, going forward there are three things you can count on Senex to deliver.

- We will maintain our strong balance sheet
- We will deliver enhanced shareholder returns and have committed to paying a dividend
- And we will accelerate our growth

Senex's commitment is to be a good custodian of shareholder capital.

We've delivered on our \$400 million Surat Basin developments, with growing EBITDA, and, on the back of the sale of our Cooper Basin assets, we are in a positive net cash position.



Senex's focus will continue to be on the strength of our balance sheet.

Notwithstanding the strong growth opportunities that we have created, we will look after shareholders, who have looked after us.

This means that we will pay a dividend of between 20 and 30 per cent of free cashflow no later than the end of the 2022 financial year.

At our investor briefing two weeks ago we set out a stretch target to produce 10 million barrels of oil equivalent by the 2025 financial year.

This is a truly bold target, representing five-fold growth in production for the year just finished.

Ian will go into more detail shortly.

Though I will note that we have made our mark in the industry as a company that does what we say we are going to do.

We have outstanding project execution capabilities and a track record of achievement that provides a solid foundation for delivery of this target.



At this point I would like to acknowledge changes to the Board since last year's Annual General Meeting.

On 1 July 2020, Glenda McLoughlin joined the Board as an independent non-executive director.

Glenda brings a wealth of skills and experience in the energy sector in both executive and advisory capacities that have strengthened the board and will become Chair of the Audit and Risk Committee.

Welcome to you, Glenda.

At the same time we are saying goodbye to Debbie Goodin, another independent non-executive director, who is retiring at this Annual General Meeting after more than six years.

Debbie has been a valuable asset to the Board and the Company, particularly as Chair of the Audit and Risk Committee.

I would like to thank Debbie for her contribution and wish her all the best for the future.



On behalf of the Board, I would also like to thank Ian, his executives and employees, who have demonstrated time and again their capacity to overcome in challenging circumstances and who continue to deliver for our shareholders.

I would also like to thank sincerely our wide range of partners: landholders and the communities we work with; contractors; suppliers; customers and commercial partners; joint venturers; government stakeholders at all levels; and our shareholders, for your continued support.

Together, we have transformed Senex into an important natural gas producer, a supporter of the manufacturing industry, jobs and the broader economy.

We are at the front and centre of the gas-led economic recovery.

## Managing Director's Address to the Annual General Meeting 2020



Thanks Trevor and good morning ladies and gentlemen.

As Trevor mentioned: we promised, and by the end of the year we had delivered in spades.

In 2020 Senex became an important supplier of affordable natural gas to the east coast market, and we are now uniquely positioned to continue growing production strongly.

Our hub-and-spoke infrastructure operating model is established, and we have many low-risk, high-return investment opportunities to pursue from within our existing Surat and Bowen basin gas acreage.

In 2020 we delivered our Roma North and Atlas gas developments, with resilient revenue streams and exciting expansions to pursue, and we are realising the value of our Cooper Basin assets to support this growth.

As we continue to expand, we remain focused on our priorities: maintaining balance sheet strength; enhancing shareholder returns, which includes dividends; and accelerating growth.

We're also, as the title of our Annual Report says, providing gas security for Queensland industry, supporting manufacturing, jobs and investment.

I'll talk more in a moment about our priorities.





Let me first review our performance in financial year 2020, a year which saw us deliver all targets we set at the beginning of the year, and exceed many of them.

- Firstly, we delivered our \$400 million Surat Basin gas projects, ahead of schedule and below budget.
- Project execution for these developments was outstanding and included a 30-well reduction in the drilling campaign to 80 wells, thanks to strong production performance at both Roma North and Atlas.
- Production performance was better than expected, with growth of 73 per cent, underpinned by a 278 per cent increase in Surat Basin gas production.
- By the end of FY20, Surat Basin production had ramped up to 35 terajoules (TJ) a day. We are now at roughly 46 TJ a day, 95 per cent and closing in on initial nameplate capacity of 48 TJ, or almost 18 petajoules (PJ) per year.
- We also delivered a 108 per cent increase in proven Surat Basin gas reserves and a 21 per cent increase in proven and probable reserves. Total Surat Basin gas reserves are now 780 PJ, or 135 million barrels of oil equivalent. This is significant amount of gas for us to develop over the decades to come.
- Lastly, the success of our Atlas gas marketing program was impressive, and we are now generating strong and consistent revenue from a range of fixed-price contracts. We recently announced that all expected production from Atlas in calendar year 2021 has now been contracted to high-quality domestic customers. In total, we have contracted more than 300 PJ of Surat Basin gas sales. That's a lot of gas and a lot of revenue.



I trust you will agree that it has been an amazing year of progress and success for Senex. I would like to thank our highly capable staff for their continuing efforts.



Since the end of the financial year we've made a number of important decisions that will further strengthen our position as a material supplier of gas to the east coast market.

Six weeks ago, Senex was awarded preferred tenderer status from the Queensland Government for new acreage next to our existing Atlas development. This award allowed us to announce that planning had commenced for a 50 per cent increase in Atlas gas production to roughly 18 PJ a year.

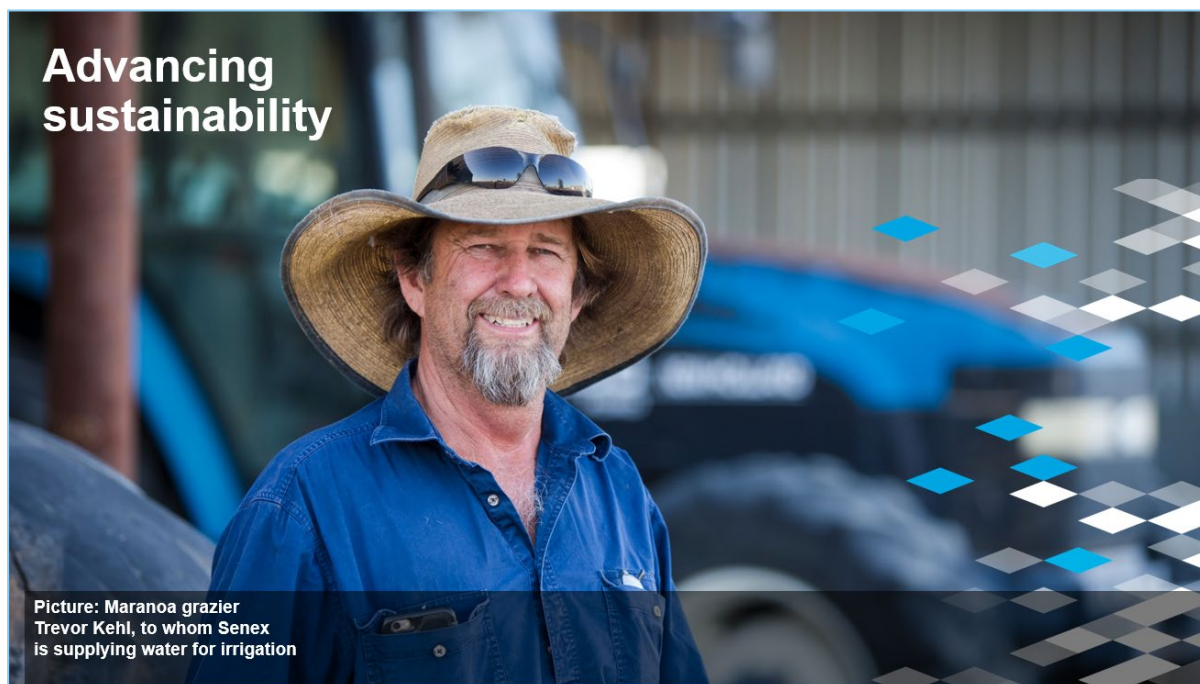
We followed this with the announcement of our Final Investment Decision for expansion of gas production at Roma North to 9 PJ a year - again an increase of 50 per cent.

Lastly, just two weeks ago we announced the sale of our Cooper Basin assets to Beach Energy, with completion expected by early next calendar year. This was a significant event for Senex as the sale marked a complete exit from the Cooper Basin after more than 20 years of successful operations.

Our rationale for the sale is quite simple – crystallise the value of our Cooper Basin oil and gas assets to strengthen our balance sheet, accelerate development of our material Surat Basin natural gas asset position, and pursue resultant capital management initiatives.

The Cooper Basin assets and our employees there have been the bedrock of Senex for more than 20 years. I would like to thank everyone who has contributed to the success of this business, including the South Australian government and all our partners throughout the journey.

The Cooper Basin assets are in safe hands with Beach and will contribute to South Australia's economy for many years to come.



Turning now to sustainability, and in 2020 we continued to perform well in this very important area.

Despite the many challenges presented by COVID-19, our overall safety performance improved this year, although it is regrettable that we had six recordable injuries.

Senex maintained its strong environmental management record, with no serious environmental incidents.

We advanced climate change priorities as part of our commitment to be part of a low-carbon future, and our focus on natural gas increasingly positions us to achieve that goal.

We also continued to be a good neighbour, spending about \$37 million directly with 56 local businesses, supporting local workers, partnering with more than 30 community organisations and accelerating payment to 400 smaller businesses, as Trevor has mentioned.



As we look forward, the 2021 financial year will see us begin to reap the rewards from our investment in the Surat Basin.

We are currently capable of supplying more than 10 per cent of Queensland's domestic gas demand.

That's before growth from incremental investments that will leverage our hub-and-spoke infrastructure operating model to develop our extensive gas reserves positions.

We have mentioned our expansion of Roma North and Atlas production by 50 per cent.

The Roma North expansion alone will help us achieve annual EBITDA of between \$80 million and \$95 million, and free cashflow of between \$40 million and \$60 million come the first half of FY22.

These are great examples of high-return, low-cost and long-life investment opportunities available to us from within our existing gas portfolio.

They also demonstrate how incremental investments will help us increase production towards our annual target of more than 10 million barrels of oil equivalent – or 60 PJ – by the end of FY25. This is a very ambitious target; one that our great team is focused on achieving through our valuable asset base.

Senex will continue to pursue opportunities to expand production, earnings and cashflow, and our track record shows we have the project and operational skills to turn growth objectives into reality.





Ladies and gentlemen, Senex has a very exciting future.

In 2020 we succeeded in becoming a material new entrant in a strong domestic market with high barriers to entry.

We have succeeded despite the presence of large incumbent suppliers, high capital expenditure requirements and the technical risks that come with natural gas production.

We will continue to grow strongly, with a clear plan for a five-fold increase in production over five years.

As we embark on this growth journey, our priorities are clear: we will maintain balance sheet strength, enhance shareholder returns and accelerate growth.

Thank you.

**END**