ASX Announcement

21 February 2022

Senex

Senex Energy Limited

Senex delivers strong production and financial performance and confirms 5 cent/share dividend

Senex Energy Limited (Senex, ASX:SXY) today reported robust FY22 half-year results including a significant increase in production and strong sales revenue and EBITDA. Continued growth enabled Senex to confirm the payment to shareholders of a half-year interim dividend of 5 cents per share.

FY22 half-year results performance summary[1]

- Natural gas production of 10.2 PJ (1.8 mmboe), up 29%; sales revenue of $74.1 million, up 65%
- Underlying EBITDA of $30.3 million, up 31%; underlying NPAT of $2.1 million, up from ($0.3 million)
- Operating cash inflow of $22.5 million; net debt of $12.2 million
- Interim dividend of 5 cents per share, unfranked, payable on 10 March 2022
- Decarbonisation Action Plan released, including ambition to reduce greenhouse gas emissions across operational footprint to net zero by 2040
- Final Investment Decision in August 2021 for $40 million Atlas expansion to 18 PJ/year (48 TJ/day)
- Analysis of Atlas Stage 3 expansion underway, facilitated by binding agreement with APLNG to acquire undeveloped gas fields PL 209 and PL 445. Transaction completed in January 2022
- Binding Scheme Implementation Agreement with POSCO INTERNATIONAL Corporation, announced on 13 December 2021, whereby 100% of Senex's shares will be acquired for a cash offer price of A$4.60 per share

Commenting on the FY22 half-year results, Managing Director and CEO Ian Davies said Senex had maintained superior operational and financial performance, reflected in the payment to shareholders of an interim dividend of 5 cents per share.

"Senex's production, earnings, balance sheet and growth outlook are those of a leading and rapidly growing company that provides reliable, affordable and sustainable natural gas for Australian industry.

"Our company delivered the 20th consecutive quarter of record Surat Basin production in the half-year, highlighting a strong trajectory towards our production growth target of producing at a 60 PJe rate by year-end FY25. The acquisition of undeveloped gas fields PL 209 and PL 445 from APLNG supports this growth, with expected material increases to already extensive reserves that underpin decades of future production.

"Together with the release of our Decarbonisation Action Plan and Sustainability Report, Senex's performance demonstrates its ability and commitment to support Australia's transition to cleaner energy and a low-carbon economy," Mr Davies said.

[1] Unless otherwise noted, results are against pcp and stated on a "Continuing Operations" basis (ie, excludes Cooper Basin business contribution)

Dividend

The Senex Board has determined to pay Senex shareholders an ordinary dividend of $0.05 per share (unfranked) (**Interim Dividend**). The Interim Dividend will be paid on 10 March 2022, with a record date of 1 March 2022. Further details are provided in the ASX Appendix 3A.1 (notification of dividend). The Dividend Reinvestment Plan has been suspended for this Interim Dividend due to the scheme of arrangement announced on 13 December 2021.

Scheme of Arrangement

Senex announced on 13 December 2021 that it had entered into a binding Scheme Implementation Agreement (SIA) with POSCO INTERNATIONAL Corporation (PIC), whereby 100% of Senex's shares will be acquired for a cash offer price of A$4.60 per share (**Scheme**). PIC have advised that the share acquisition entity will be K-A Energy 1 Pty Ltd (a company owned by PIC and Hancock Energy Corporation Pty Ltd).

The Scheme is conditional upon Senex shareholder approval, Court approval and certain other conditions outlined in Section 3.1 of the SIA. The Scheme was also conditional on completion of the acquisition of natural gas fields PL 209 and PL 445, which was announced on 17 January 2022; Korean foreign exchange approval, which was announced on 3 February 2022; and Foreign Investment Review Board (FIRB) approval, which was announced on 18 February 2022.

On 7 February 2022 the Federal Court of Australia made the following orders in relation to the Scheme:

- that Senex convene and hold a meeting of Senex shareholders to consider and vote on the Scheme (**Scheme Meeting**); and
- approving the distribution of an explanatory statement providing information about the Scheme and the notice of Scheme Meeting (**Scheme Booklet**) to Senex shareholders.

The Scheme Meeting will be held on 15 March 2022 and, if approved, the Scheme is expected to complete on 1 April 2022. The Scheme Booklet, containing information in relation to the transaction, the reasons for the Senex Board of Directors' recommendation, an Independent Expert's Report and details of the Scheme, was released to the ASX on 7 February 2022. Senex has appointed Lonergan Edwards & Associates as the Independent Expert.

The Senex Board unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and the Independent Expert concluding (and continuing to conclude) that the Scheme is fair and reasonable and therefore in the best interests of shareholders. Senex Directors intend to vote all shares they hold or control in favour of the Scheme, subject to these same conditions. The Senex Board has confirmed with the Independent Expert that the half-year results do not change the Independent Expert's conclusion.

Review of financial outcomes

- The Group's gas sales revenue was $74.1 million, an increase of 65% from H1 FY21. The increase in revenue is due primarily to:
  - a 32% increase in sales volumes as Atlas has ramped up since H1 FY21; and
  - a 25% increase in average realised pricing to $7.6/GJ (H1 FY21: $6.1/GJ) due largely to oil-linked pricing.
- Underlying EBITDA increased 31% on H1 FY21 to $30.3 million, driven by increased sales revenue. The impact of higher sales on EBITDA was partially offset by factors including:
  - an $11.6 million reduction in hedging revenue (H1 FY22: loss of $6.4 million, H1 FY21: $5.2 million),
  - increased royalty payments due to the realised pricing at oil-linked Roma North and changes in the royalty regime (H1 FY22: $6.7 million, H1 FY21: $3.2 million); and
  - increased corporate costs due in part to the decarbonisation action plan and digital initiatives.

- The Group's net profit before tax was $0.6 million compared with a loss of $0.9 million in H1 FY21.
- Underlying net profit after tax from continuing operations of $2.1 million (H1 FY21: loss of $0.3 million) after removing transaction costs associated with the Scheme.
- Operating cashflow of $22.5 million, in line with H1 FY21 but up 58% on a continuing operations basis.
- Underlying free cashflow was up 60% to $10.7 million on a continuing operations basis, with second half free cashflow expected to ramp up significantly to guidance. H1 FY22 free cashflow was impacted in part by annual payments that occurred in the first half including insurance and certain IT costs, as well as gas purchase payments relating to FY21 that were paid post year-end.
- At 31 December 2021, the Group held cash reserves of $62.8 million and had drawn debt of $75.0 million, resulting in a net debt position of $12.2 million.
- The Group has undrawn debt of $50.0 million available for use as required.

FY22 guidance

FY22 guidance[2] was recently reiterated, with the exception of higher capital expenditure, in the December 2021 Quarterly Report announcement on 21 January 2022.

As previously announced the increase in capital expenditure guidance is due to:

- the acceleration of drilling development activity previously planned for FY23 but brought forward to late FY22; and
- the commitment to certain long-lead items able to be utilised in a Senex-designed compression facility suitable for either Roma North Stage 2 or Atlas Stage 3.

Item	FY22 original guidance	Updated guidance (21 January 2021)
Production	21-23 PJ (3.6-4.0 mmboe)	No change
Sales (Senex own product)	19-21 PJ (3.3-3.6 mmboe)	No change
EBITDA (underlying)	$75-$85 million	No change
Capex	$70-$80 million	$120-$140 million
Free cashflow (FCF)	$50-$60 million	No change

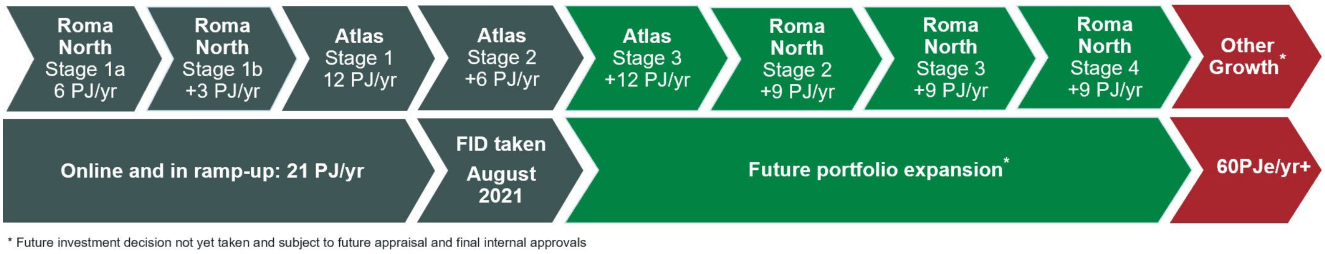
Senex natural gas portfolio and organic growth plans

Senex has a stated target to grow the company's annual production rate to more than 60 PJe by the end of FY25.[3] The growth is to be achieved primarily through development of Senex's extensive natural gas reserves position in the Surat Basin and its proven hub-and-spoke infrastructure operating model. Senex currently holds 767 PJ of 2P reserves and 1,016 PJ of 3P reserves across its Surat Basin natural gas acreage, prior to the acquisition of PL 209 and PL 445.

[2] FY22 guidance as detailed in ASX announcement dated 19 August 2021.

[3] Final investment decisions not yet taken and subject to internal approvals and regulatory approvals.

Senex annually reviews and updates its gas reserves position and reports the updated estimates as of 30 June each year. Senex's estimates for PL 209 and PL 445 (as independently assessed by NSAI) are 75 PJ of 2P reserves and 130 PJ of 3P reserves.[4]



Senex is currently reviewing the development sequence of its Surat Basin assets following both the acquisition of PL 209 and PL 445 adjacent to Atlas, and the entry into the binding SIA with PIC. Roma North Stage 2 FEED has been completed, with the timing for a Final Investment Decision (FID) to be decided following this review.

Financial definitions

- EBITDA: earnings before interest, tax, impairment, depreciation and amortisation
- FCF (free cashflow): operating cashflow less principal payments for lease liabilities, less sustaining capital expenditure; guidance and targets assume no movement in working capital
- Sustaining capital expenditure: capital expenditure required to maintain Surat Basin production at plateau
- ND (net debt): interest bearing liabilities (excluding capitalised transaction costs) less cash and cash equivalents. Lease liabilities are not included in net debt

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About Senex

Senex is an established, rapidly growing and low-carbon Australian natural gas producer. Our long-life Surat Basin assets contribute around 20 petajoules of natural gas per year into the east coast gas market to support our customers. Senex is focused on sustainably delivering balance sheet strength, resilient cashflows, growing dividends to support Australia's energy needs as it transitions to a lower carbon future.

[4] For further information on reserves and resources in this announcement, refer to the ASX announcements dated 9 August 2021 and 8 November 2021 (in respect of PL 209 and PL 445). Save for the following sentence, Senex is not aware of any new information or data that materially affects the information in those ASX announcements and the material assumptions and technical parameters underpinning the estimates in these ASX announcements continue to apply and have not materially changed. Senex does note that the Independent Expert's Report in the Scheme Booklet announced to the ASX on 7 February 2022 uses a production forecast for Project Atlas, PL 209 and PL 445 which is higher than Senex's 3P reserves estimate as assessed and reported (and which are also independently assessed by NSAI). The production forecast in the Independent Expert's Report was prepared by an independent technical expert, RISC Advisory. Senex confirms that as at the date of this announcement, Senex does not consider this difference would change Senex's assessment of 3P reserves for Project Atlas, PL 209 or PL 445.