

AGM addresses by the Chairman and Managing Director

Release Date: 16 November 2016

Senex Energy Limited (ASX:SXY, Senex) releases the addresses to be presented by the Chairman and Managing Director at the Company's Annual General Meeting today at the Stamford Plaza Hotel, Brisbane from 9.30am (AEST).

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ABOUT SENEX ENERGY

Senex is a growth focused exploration and production company based in Brisbane. With a 30-year operating history, Senex holds extensive onshore oil and gas acreage in the Cooper and Surat Basins. Senex operates the majority of its assets, produces around one million barrels of oil annually, and is successfully developing a gas business including the Western Surat Gas Project in Queensland.

Chairman's Address

Chairman's Address to the Senex Annual General Meeting 2016

16 November 2016

Ladies and Gentlemen, thank you for your attendance today and for your continued support of Senex Energy.

The 2016 financial year was challenging for oil and gas companies worldwide. The dramatic collapse in the oil price has caused considerable pain to companies large and small, overseas and here in Australia. Senex has responded strongly to this challenging environment.

We continued to see significant volatility in the oil price. Brent crude oil fell from US\$45 per barrel at the time of the last AGM to under US\$27 per barrel in January before recovering to around US\$45 per barrel today. For context, US\$27 per barrel represents a 70 to 80% decline on the average trading price of oil for the preceding three years. History has shown us that a sharp decline in oil prices, as we saw at the end of 2014, is often followed by a quick and steady period of recovery. However, that has not transpired in the 2016 financial year given continued oversupply and a lack of clarity from OPEC.

Your Company has responded to this uncertainty by focusing on the things it could control. Strong and decisive measures were taken to manage the risks posed by the external environment, while preserving optionality for future growth.

I'd like to summarise the measures taken to ensure we entered the 2017 fiscal year in a strong financial and strategic position:

- Firstly, we protected revenues from oil sales through hedging. Early in the oil price rout, we saw the need to guarantee a minimum oil price to cover the costs of the business. We used hedging as a risk management tool, while preserving our exposure to higher oil prices. During FY16, our hedging facilities provided a net benefit of A\$13.50 per barrel or \$13 million against the backdrop of a falling oil price. We have hedged our FY17 production profile with the same objectives in mind.
- Next, we achieved material operating cost reductions, protecting margins earned from oil sales. Sustainable efficiency gains made in the field have improved our core oil business for the long term. The Company's headcount was reduced by over 30% since the start of the downturn in 2014, over several rounds of restructuring. These were extremely difficult decisions to make, but ultimately resulted in a more efficient, fit for purpose organisation.
- We also significantly reduced and high graded our capital spend for the year, deploying just \$28 million on high value projects in the period. This compares to a spend in the prior year of \$82 million. The team focused their energy and resources in creating efficiencies in the business, establishing a strong foundation for recovery and growth.

As a result of the above initiatives we maintained our strong financial position, closing the year with \$102 million of cash and an additional \$77 million of undrawn debt capacity.

Chairman's Address

Just as importantly, we entered FY17 with our tenure secure, improved processes and systems, and a clear focus on the business priorities ahead.

Despite this pullback in capital expenditure, operating costs and headcount, the Senex team delivered some excellent operational results during FY16. These included:

- A significant improvement in total recordable injury frequency rate, a key measure of our safety performance. Our team was not distracted by the organisational changes or macro environment challenges through the period.
- Proven and probable reserves replacement of over 12 times production, driven by material reserve additions in the Surat Basin. Increased confidence in the Western Surat Gas Project reserves position was gained through the signing of a 20-year gas sales agreement with Santos GLNG, and the provision of offsetting well data in the neighbouring Roma field during the year.
- The Company produced 1.01 million barrels of oil equivalent, in line with guidance and at lowest ever operating cost.
- And finally, we made material progress on the Western Surat Gas Project. As I just mentioned, during the year we made important strategic agreements with Santos GLNG. These agreements deliver a market for our gas, a pathway to funding our project and access to infrastructure, as well as \$42 million in cash and valuable data with which to progress the project.

In addition to these operational achievements, the Company strengthened its Board and senior management team during the year.

Your Board considered that the achievement of these metrics in FY16 justified the awarding of a short term incentive to management and staff. Against the headwinds of a very challenging market, Senex delivered, and we wanted to reward the people for their dedication and unwavering commitment during a difficult time. We are however very aware that there is still much work to do in order to see the full inherent value of Senex reflected in the share price.

So how do we intend to achieve this?

In this dynamic market, we see clear pockets of opportunity emerging. One such opportunity is the strength of the East Coast gas market, where we see the need for extra supply over the medium term. Most CSG resources and existing Cooper Basin reserves have been committed to export markets and the domestic market is short. Governments want to rely on renewables for an increasing proportion of their energy needs, but will require a complementary reliable baseload source such as gas to manage demand peaks and troughs. The net result will be higher gas prices, and policy and industry initiatives to incentivise new sources of gas supply.

The Western Surat Gas Project is the first step in establishing Senex as a player in this market. Through the development of this project, we will apply our well-honed competencies in low cost operations and expand our skill set in coal seam gas.

Chairman's Address

Going forward, we will extend our reach in this important gas market. To that end, we are collaborating with industry leader Origin Energy to progress our gas exploration project in the Cooper Basin. This is a project with exciting potential, exploring for a material uncontracted gas resource in a prospective region of the basin.

Looking to the future, we will combine this material gas position with our core business in low cost oil. We continue to see plenty of unexploited potential in the Cooper Basin and will grow this business at moderate rates until we see a definite improvement in the oil price outlook. We will prioritise the strength of our balance sheet but are prepared to deploy significant capital when the time is right in order to further grow our business.

I was pleased with the appointment of Dr John Warburton to the Board during the financial year, which has strengthened our subsurface skills in our core business. John has made a significant contribution since his appointment and has affirmed Senex's approach to finding and developing oil in the Cooper Basin.

In conclusion, Ladies and Gentlemen thank you for coming today and for your continued support.

Senex has weathered the oil downturn strongly, and is a more valuable company today than it was 12 months ago. Rest assured we are committed to seeing that reflected in the share price. A focus on the things we could control in this past year means we are now well positioned to pursue growth and benefit from an oil price recovery.

I want to conclude by thanking my colleagues on the Board, the executive team and all the staff at Senex who have worked determinedly over the last 12 months in the shareholders' interests. Your dedication, enthusiasm and talents are appreciated and will be needed in the future, as we continue to build a leading independent oil and gas company.

Trevor Bourne
16 November 2016

Annual General Meeting



Ian Davies, Managing Director and CEO

Stamford Plaza, Brisbane
16 November 2016



Thank you Trevor and good morning Ladies and Gentlemen.

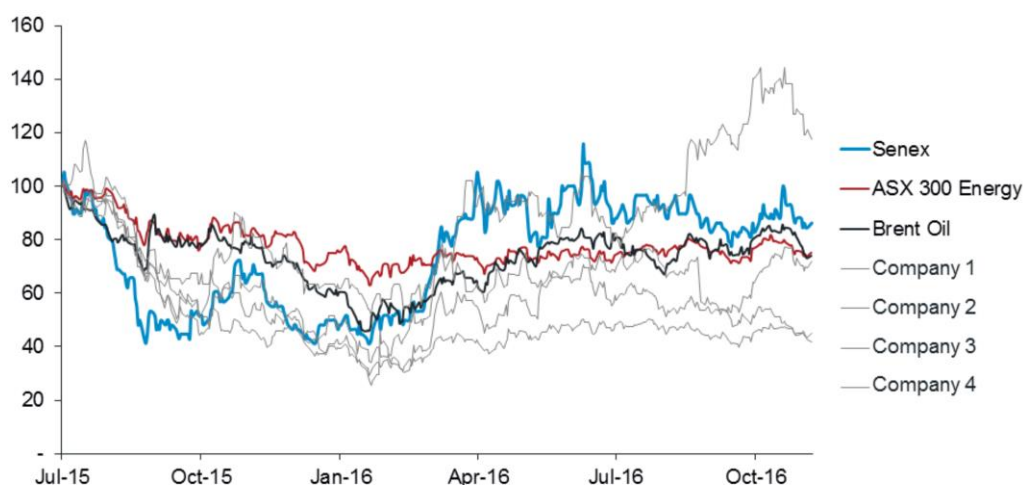
As we reflect on the 2016 financial year, I am proud of what Senex has achieved. Our strategy, assets and people continued to perform well against challenging market headwinds. We focused on the right things this year and our business is stronger as a result.

Today I will revisit Senex's performance in FY16, including our response to the lower oil price environment. I will also cover our strategy for growth and discuss the contribution of our key projects to this growth agenda.

But firstly, I would like to thank my fellow Executive Management team for their continued support, energy and passion. We have strengthened the team this year, with Suzanne Hockey joining as Executive General Manager People and HSE and Darren Greer joining as Chief Operating Officer.

Thank you also to our talented staff at Senex, who have performed brilliantly in a really tough market environment. We have a capable and driven team who want Senex to achieve great things.

Oil price continues to impact the Senex share price



Source: Capital IQ. Senex share price vs peers and index, rebased.

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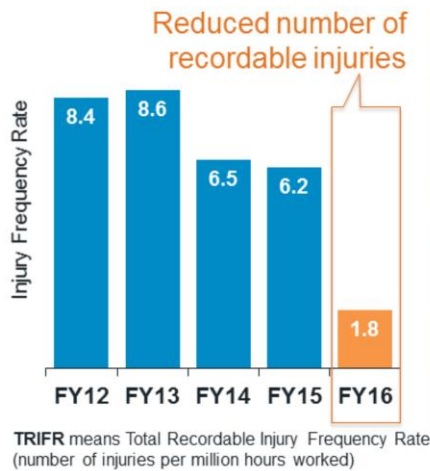
Senex

The Senex share price continues to track the oil price, with both measures recovering strongly since reaching lows in January 2016. Since that time, the Senex share price has more than doubled, and the Brent crude oil price has risen to around US\$45 per barrel. However, we continue to see significant volatility in the oil price, and have hedged our full production profile for FY17, maintaining our exposure to oil price upside.

Despite recent improvements, we do not believe our current share price remotely reflects the value inherent in the Senex portfolio, and we continue to work hard to see this realised for our shareholders. Most market commentators are forecasting a recovery in the oil price from 2017, and we are well placed to participate in this recovery, not only through our oil price exposure but also through delivery of some very exciting projects which I will talk about shortly.

The Chairman has reflected on the volatility we continue to observe in global (and local) energy markets. The changing market dynamics present opportunities for Senex and we will capitalise on those opportunities.

FY16 | Record safety performance

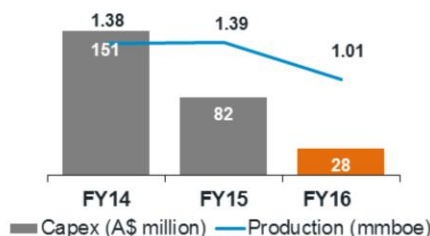


I would like to begin our recap of FY16 with a comment on Senex’s excellent safety performance for the year. In FY16, our Total Recordable Injury Frequency Rate reached record lows, placing us in the top quartile of our peers for health and safety performance. Good safety performance follows robust management systems and the commitment of our team, who did not allow themselves to be distracted by the volatile environment.

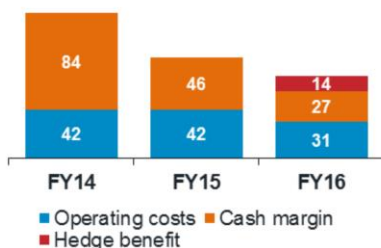
Despite the challenges experienced in our business this year, we continued to commit both time and funding to undertake safety initiatives both internally and externally. Senex continues to support the Royal Flying Doctor Service and the Cooper Medivac 24 helicopter. Both services safeguard the wellbeing of the communities in which we operate, including our staff, contractors and visitors. Safety is, and will remain, our number one priority.

FY16 | Strong defensive response to a lower oil price

Capex & Production



Oil margins (A\$ per bbl sold)



- Reduced capital program
- Material cost out
- Decisive corporate restructuring
- Well timed hedging program
- Focus on internal efficiencies
- \$102m cash and \$77m undrawn corporate debt facility at 30 June 2016

Strong financial position maintained

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We responded strongly and decisively to the lower oil price environment in FY16. The initiatives put in place have protected our business and preserved our optionality for future growth.

We significantly reduced capital expenditure and instead focused our valuable resources to create efficiencies in our business and set a strong foundation for recovery.

We achieved very material cost reductions this year. Operating costs in the Cooper Basin reached lowest ever levels of A\$28 per barrel excluding royalties, with terrific efficiency gains made. Combined with an effective hedging program, we were able to protect our sales margins. Our break even cost on oil sales has been reduced to around US\$33 per barrel. With our hedged position at US\$55 per barrel for the second half of FY17 we are well placed to cover our operating and corporate costs, whilst reinvesting in growth.

We closed the period in a strong financial position with \$102 million in cash and \$77 million in undrawn debt. As at 30 September we maintained this strength, with \$94 million in cash and with the same undrawn debt position.

Our priority over the course of the downturn was clear: to protect our financial strength and put ourselves in a strong position for growth. We have achieved that.

FY16 | Delivering in a challenging environment

Solid production

of 1.01 mmboe, delivered at lowest ever operating cost

Liquidity increased to \$180 million

cash up 109% to \$102 million through cost management and GLNG deal

Material increase in gas reserves

including first time booking of 1P reserves in the Surat Basin

Establishing our Western Surat Gas Project

with 20 year gas sales agreement executed

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Let me turn to some of our operational highlights for the FY16 year.

Our core oil business in the Cooper Basin performed strongly, with Senex producing one million barrels of oil equivalent in line with our guidance. As just discussed, this result was delivered at our lowest ever operating cost.

We improved our financial position during the year, maintaining strict discipline on spending and protecting our revenues through hedging. In addition, \$42 million was received from the sale of the Maisey block in the Surat Basin to Santos GLNG. This was part of a transaction for the development of the Western Surat Gas Project completed in December 2015 that also resulted in a 20 year gas sales agreement and access to subsurface and production data of material value to Senex. These important agreements helped us achieve a step change in this priority growth project, which I will come back to shortly.

Increased confidence in the resource and the project led us to book our first proven 1P reserves on this acreage in June. In addition, we significantly increased the proven and probable 2P reserves booked to this acreage.

Taken together, our approach to what was a challenging year allowed Senex to materially progress our growth projects whilst preserving financial strength.

Looking ahead | The Senex strategy



Delivering a material growth position in low cost oil



Building a material supply position in the East Coast gas market and other structurally attractive markets



Expanding our position geographically and geologically for the right opportunity

Our vision is to be Australia's leading independent oil and gas exploration and production company. Our strategy for achieving this has been largely unchanged since 2011.

Firstly - Delivering a material growth position in low cost oil. The mid and long term fundamentals of oil remain strong, and we continue to see great opportunity to leverage our capability and our excellent Cooper Basin acreage position.

Secondly - Building a material supply position in the East Coast gas market and other structurally attractive markets. As the Chairman discussed, we have an exciting supply opportunity in the East Coast gas market. The sale of gas to Santos GLNG from our Western Surat Gas Project will establish Senex as a material gas producer. And our joint venture with Origin Energy and Planet Gas in the Cooper Basin is exploring for a material gas resource that could also feed the East Coast market. Beyond these priority projects, we are actively looking at opportunities to grow our existing positions.

And finally - Expanding Senex's portfolio geographically and geologically for the right opportunity. This is a difficult task given any asset needs to pass our high strategic, financial and operational thresholds. However, the addition of the right asset would be complementary and value accretive to Senex's portfolio, and we continue to screen opportunities in Australia and nearby.

Looking ahead | Value creation in the Cooper Basin



Oil exploration and development drilling

on established fairways in the Cooper Basin

- Minimum of six wells to be drilled in FY17
- Focus on reserves replacement
- Leveraging our extensive acreage position
- Pace of capital investment to match macro outlook



High impact unconventional gas exploration

in joint venture with Origin Energy and Planet Gas

- Material uncontracted gas resource
- No resources or reserves currently booked
- Senex carried by Origin for its share of expenditure
- \$105 million farm-in program

Turning now to the projects that form the core of our strategy to drive growth.

The Cooper Basin oil business is, and will remain, a key foundation asset, generating cash to fund investment and operations. We continue to see material untapped potential in the basin and will leverage our understanding of the subsurface in exploration and exploitation programs. In FY17, our focus returns to reserves replacement, with drilling to recommence in the coming weeks. We plan to drill a minimum of six wells this year, and will continue to deploy capital at a moderate rate on high value opportunities until we see the oil price environment improve.

Senex is also exploring for unconventional gas in the Cooper Basin in joint venture with Origin Energy and Planet Gas. Senex is free carried by Origin for its share of expenditure in the \$105 million work program, which aims to prove up a large gas resource, and demonstrate commerciality. If successful, this material and uncontracted gas resource could feed into the East Coast market. Silver Star-1 is a high impact well that will be spudded around the end of 2016, targeting basin centred gas in the Permian sandstones of the Patchawarra Trough. We are excited to see the results of this well which is expected to be drilled to a depth of around 3,600 metres.

Looking ahead | Western Surat Gas Project

Building a successful project

Established market for our gas	Binding, flexible 20 year gas sales agreement with Santos GLNG
Staged development approach	Flexibility in gas sales agreement allows for staged development to de-risk project
'Bankable' gas sales agreement	Process to finance full field development underway
Reservoir understanding	Geology well understood with pilot programs to de-risk reservoir performance
Cost leadership	Targeting lowest quartile operating and capital costs through 'small company' approach

Right sizing full field development to maximise project returns

In the Surat Basin, we have set our Western Surat Gas Project up for success and are looking forward to reporting on material progress throughout 2017.

The 20 year gas sales agreement signed with Santos GLNG in 2015 establishes a long term market for our gas, as well as a strong relationship with an experienced operator. The agreement allows Senex the flexibility to develop the project in a staged approach, in line with reservoir de-risking and maximising funding efficiency. In addition, the credit worthy (or bankable) nature of the gas sales agreement will allow us to secure financing to fully develop this project.

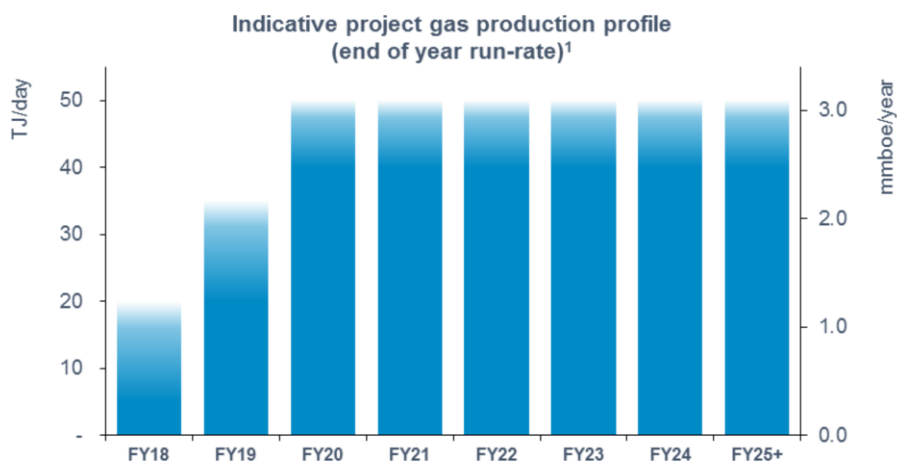
We have a good understanding of the subsurface already, with reserves independently certified by Netherland Sewell and Associates. This understanding will be enhanced by appraisal testing which has now commenced. The Glenora pilot program completed construction on Monday, signifying the first extended production testing we have conducted on the acreage. We have delivered this milestone seven weeks ahead of schedule, on budget, and using local contractors.

To the west of Glenora, well rehabilitation work is progressing well on the Eos block. During routine rehabilitation procedures on the Lacerta CQ47 well, gas free-flowed to surface at a rate of over two million standard cubic feet per day over a period of approximately three hours. This production rate is not expected to be replicated consistently across the field, but it is a pleasing result and demonstrates excellent gas productivity.

As in the Cooper Basin, our focus is on keeping costs down, and applying our organisational competency to execute work at significantly reduced costs versus our peers. We are bringing our small company approach to every budgeting and procurement decision, and planning work done to date demonstrates that lowest quartile cost performance is achievable.

We know that we need to make a positive impact in the local community to achieve success in this project, and we are off to a good start with local contractors engaged and delivering great results on our work programs.

Looking ahead | Western Surat Gas Project



Delivering a step-change in production

1 Indicative based on current equity and subject to achievement of key milestones

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So what kind of impact could delivery of this project make to Senex?

With successful project delivery an indicative view of gas volumes from the Western Surat Gas Project is as shown in the chart on this slide. We have the ability to sell to Santos GLNG up to 50 terajoules of sales gas per day. This is equivalent to an annual contribution of over three million barrels of oil – a four fold increase from our current production rate of around one million barrels.

We have the team in place and the work program underway to deliver this gas, and will be in a position to talk more definitively about the full field development plan in the coming months.

In addition to exploration and development success in the Cooper Basin, the Western Surat Gas Project will return Senex to material production growth.

Achieving production growth is fundamental to monetising our valuable reserves position, and is one of the key measures on which the performance of your Senex Executive Management team will be judged.

Looking ahead | Catalysts to value

- Material growth project in the Surat Basin
- Exploration potential in Cooper Basin (extensive acreage position)
- Further development of existing Cooper Basin fields
- Pursuing growth through organic and inorganic projects
- Strongly positioned for an oil price recovery



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In closing, we have taken decisive actions to respond to the immediate market challenges over the past two years. These actions have protected and strengthened the Company, and preserved optionality.

As a result of those actions, Senex is well funded with no debt, and a number of catalysts to realise shareholder value:

- We have made great progress on the Western Surat Gas Project, with development now underway and line of sight to material production and revenues.
- We have retained our extensive acreage position in the Cooper Basin and honed our core competency of low-cost production. We have a portfolio of exploration and development opportunities which we have prioritised and will deliver in line with the macro outlook.
- And we continue to look for opportunities to expand our portfolio, without compromising our financial strength.

We are in a great position to pursue growth in shareholder value, and we have recommitted to that goal today. I am looking forward to the future and thank you for your continued support.



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Disclaimer

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