

Quarterly Report

Q2 FY15 | December 2014

During a quarter characterised by energy market volatility and materially lower oil prices, Senex maintained focus on delivering its FY15 production guidance and took action to maintain its strong funding position.

The Company has scaled back FY15 capital expenditure by 20% to \$85 - \$90 million, implemented additional annualised cost savings of \$6m and secured a floor price for oil sales during 2H FY15 through hedging arrangements. Delivery of first gas sales from the Cooper Basin was an important milestone in the establishment of a material gas business and the Company's diversification strategy.

PERFORMANCE SUMMARY

- **Production** of 0.36 mmboe, on track to deliver FY15 guidance of 1.4+ mmboe
- **Sales revenue** of \$28.2 million, impacted by lower oil price, with first sales of gas and gas liquids from the Hornet field
- **Hedging** instruments with floor oil price in place to protect Q3 and Q4 oil sales revenue
- **No debt** and **cash balance** of \$74.9 million as at 31 December 2014

KEY PERFORMANCE METRICS

	December Quarter	September Quarter	December Quarter	Quarter on Quarter
Production (mmboe)	0.36	0.38	0.35	(5.3%)
Sales (mmboe)	0.35	0.37	0.34	(5.4%)
Sales revenue (\$ million)	28.2	42.4	44.5	(33.5%)
Cash (\$ million)	74.9	69.4	102.5	7.9%
Average oil price (A\$ per barrel)	81	113	131	(28.3%)



Production commenced at the Martlet oil field in late November

FINANCIAL SUMMARY

Sales revenue of \$28.2 million, a decline of 33.5% on the prior quarter, primarily attributable to the lower oil price.

- During the quarter, an average Australian dollar oil price of \$81 per barrel was received, compared with \$113 per barrel received in the prior quarter. The impact of a lower US dollar Brent oil price was partially offset by a favourable AUD/USD exchange rate.
- Sales volumes for the December quarter of 0.35 mmboe were down 5.4% on the previous quarter. Natural field decline was partially offset by optimisation activities and the commencement of production from Martlet-1 in late November 2014.

	December Quarter Q2 FY15	September Quarter Q1 FY15	December Quarter Q2 FY14	Quarter on Quarter change
Sales (mmboe)	0.35	0.37	0.34	(5.4%)
Oil	0.35	0.37	0.34	(5.4%)
Gas and gas liquids	0.00 ¹	-	-	N/A
Sales revenue (\$ million)	28.2	42.4	44.5	(33.5%)

Note 1: ~ 5,000 boe

Senex expensed for statutory accounts purposes \$16.1 million of exploration capital expenditure incurred in the first half of FY15.

- Senex takes a conservative approach in expensing exploration expenditure as incurred except where there is potential for that expenditure to be recouped through the successful development and exploitation. Senex expensed six of the nine wells drilled during the first half FY15, in line with this accounting policy.
- Compared to the drilling program undertaken during FY14, the exploration acreage drilled in the first half FY15 is underexplored and at an earlier stage of evaluation, and therefore the drilling results are within the range of outcomes anticipated by the Company.
- Statutory exploration expense is included within overall capital expenditure (\$51.7 million for the first half of FY15).

	First Half H1 FY15	Second Half H2 FY14	First Half H1 FY14	Half on Half change
Exploration expense (statutory)	16.1	11.5	5.3	40.0%

FINANCIAL SUMMARY

In December, hedging instruments were put in place to protect the Company's oil revenues by securing a floor price for oil sales in the second half of FY15.

- The instruments have the effect of guaranteeing an average Brent crude floor price of A\$68 per barrel for 720,000 barrels of oil sales in the six month period.
- The implementation of the cost effective package of downside risk measures has already proved prudent given oil price volatility experienced in January 2015.

Capital expenditure of \$27.7 million was incurred in the quarter.

- The major components of the capital expenditure included the northern Cooper Basin drilling program, commercialisation facilities at the Hornet gas field, surface facilities at Martlet oil field, and the Wilpinnie 3D seismic survey in the southern Cooper Basin.
- In the separate announcement released today to the ASX, Senex has reduced its FY15 capital expenditure guidance by 20% to \$85 - \$90 million. This is in response to the expected decrease in full year revenues as a result of current energy market conditions and in order to retain its strong funding position.
- As a result, the FY15 drilling program and associated expenditure has been downsized from 26 wells to around 16 wells.

	December Quarter Q2 FY15	September Quarter Q1 FY15	December Quarter Q2 FY14	Quarter on Quarter change
Exploration and appraisal	13.5	18.5	20.7	(27.0%)
Development, plant and equipment	14.2	5.5	27.6	158.2%
Subtotal	27.7	24.0	48.3	15.4%
Acquisitions of additional JV interests	-	-	4.7	N/A
Total	27.7	24.0	53.1	15.4%

Senex remained in a strong financial position with cash reserves of \$74.9 million, and no debt. All work programs are fully funded.

- During the quarter, a cash inflow of \$20 million was received from the QGC JV to fund the completion of plugging and abandoning activities that were planned, but not completed, on the western Surat Basin gas permits that were acquired under the asset swap agreement completed in December 2014.
- Senex will complete the plugging and abandoning of these existing gas wells as part of its forward work program in the area over the next three years.

PRODUCTION - Cooper Basin

Senex remains on track to deliver FY15 production guidance, with contribution from the Martlet-1 exploration success and first gas sales from the Hornet gas field.

	December Quarter Q2 FY15	September Quarter Q1 FY15	December Quarter Q2 FY14	Quarter on Quarter change
Production (mmboe)	0.36	0.38	0.35	(5.3%)
Oil	0.36	0.38	0.35	(5.3%)
Gas and gas liquids	0.00 ¹	-	-	N/A

Note 1: ~ 5,000 boe

OIL

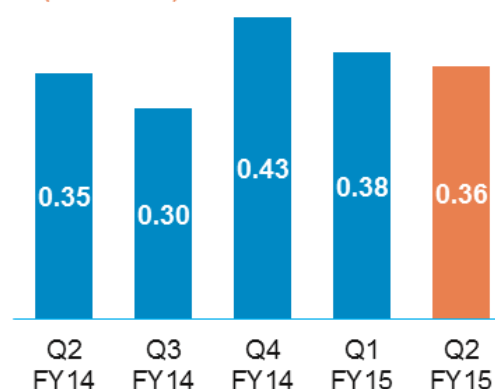
Senex delivered net production of 0.36 mmboe for the three months to 31 December 2014, down 5.3% on the previous quarter and up 2.9% on the corresponding period in FY14.

Oil production in the December quarter benefitted from the initial contribution from the Namur exploration success at **Martlet-1**. The well was commissioned in early December with production constrained while water management facilities were under construction. During this time the well produced at rates averaging 500 bopd.

These facilities were completed in late December, after which Martlet was affected by wet weather in the region. Senex expects to commence unconstrained production during January 2015.

Across the remainder of the Company's existing oil portfolio, production optimisation activities have continued to assist in partially offsetting natural field decline.

Quarterly Oil Production
(mmboe)



Facilities at the Martlet oil field

PRODUCTION - Cooper Basin

GAS

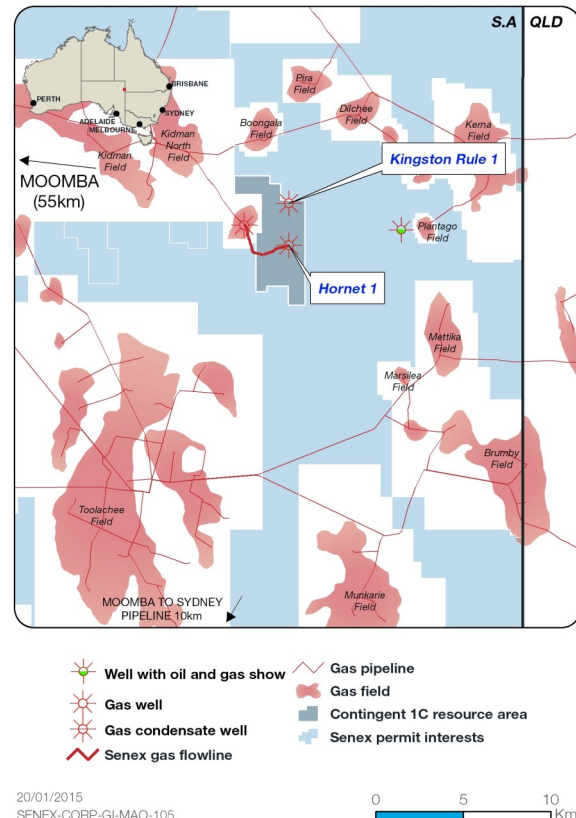
Senex is pleased to report gas production for the first time this quarter, with the Hornet-1 gas well on-line from late November.

During the quarter, the well was online for 32 days, producing at an average rate of more than 1 mmscf/d with associated liquids of 19 boe per mmscf/d (condensate and LPG) on a 25% choke (16/64^{ths} inch). Decline rates are in-line with expectations of the Cooper Basin Patchawarra formation.

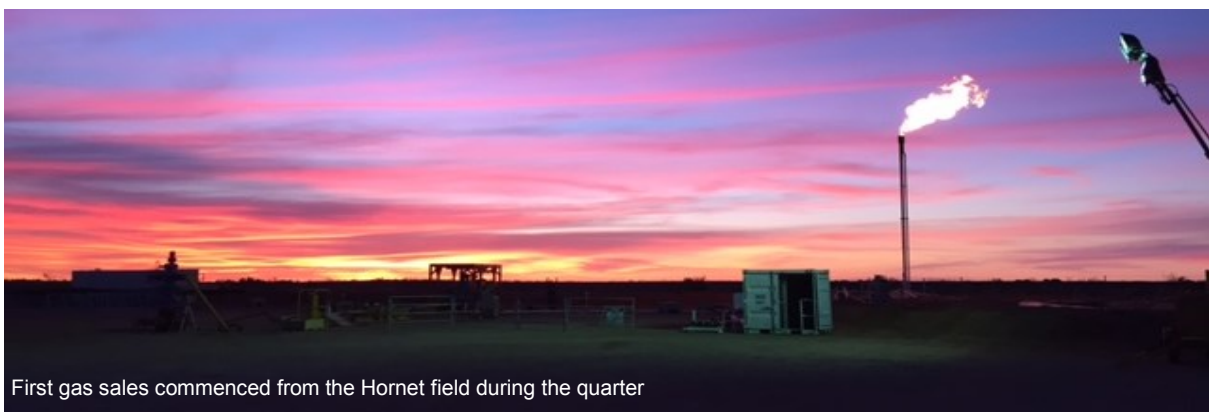
Senex anticipates to deliver incremental production from **Kingston Rule-1** following completion of the well, which is expected to commence in the coming weeks following the recent localised rainfall.

The extended production test on the **Hornet gas field** (Senex 100% and operator) is anticipated to run for between six and nine months, and will provide valuable data on the decline curve and OGIP of the field to inform further appraisal and development.

As at 30 June 2014 Senex had booked 153 Bcf of 1C contingent resource at the Hornet gas field.



Gas from the Hornet field is being sold to the SACB JV under a gas sales agreement, which monetises the appraisal process without the risk of penalties for non-delivery.



First gas sales commenced from the Hornet field during the quarter

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EXPLORATION & DEVELOPMENT - Cooper Basin

OIL

Drilling

During the December quarter Senex drilled three exploration wells in the northern Cooper Basin, completing the six-well northern drilling campaign.

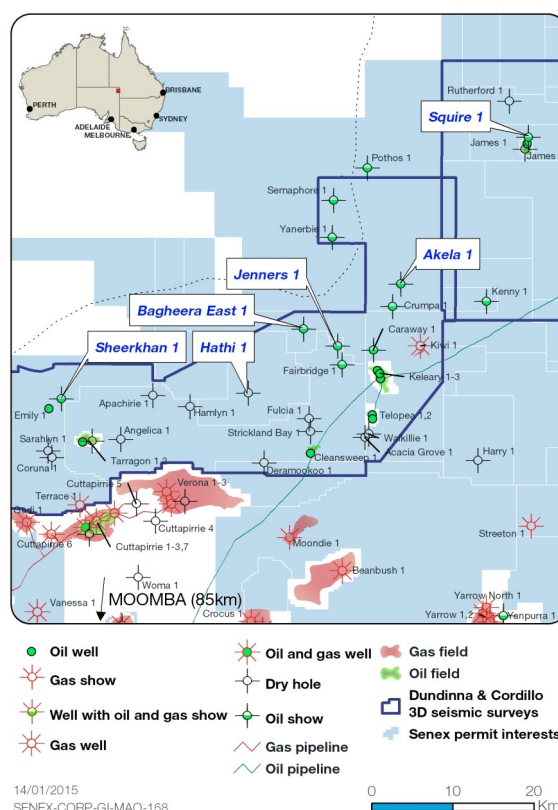
While the campaign did not result in the discovery of commercially exploitable reserves, it did provide for the collection of valuable technical data in this underexplored region of the Cooper Basin. Drilling on four-way dip-closed structures proved that oil has migrated through the region, however the structures drilled generally exhibited poor reservoir and/or uneconomic quantities of oil.

Subject to JV approvals, the next phase of this campaign will involve applying AVO and inversion processes to the Cordillo and Dundinna 3D seismic surveys, using shear sonic data gained from the recent northern drilling program. The aim of these processes is to identify stratigraphic traps with favourable reservoir qualities and large reserves potential. Such traps have not previously been explored in this area as technologies have only evolved in recent years.

Senex has successfully applied this same structured and focused two phase approach on the western flank of the Cooper Basin.

In the second half of FY15, Senex will focus drilling activities on oil appraisal and development opportunities.

The Company has downsized its annual drilling program from 26 to around 16 wells, nine of which were drilled in the first half FY15. Drilling for the remainder of FY15 will be prioritised on lower risk, near-term production targets.



EXPLORATION & DEVELOPMENT - Cooper Basin

OIL

Seismic

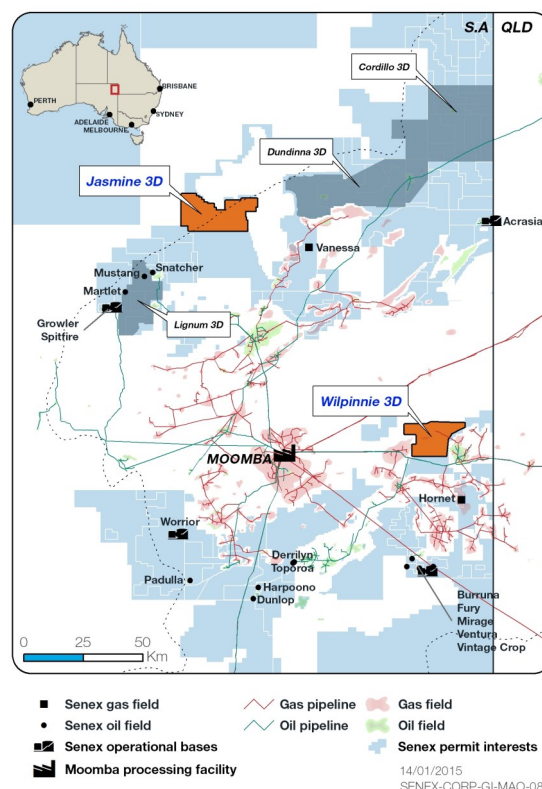
Work on the 140 km² **Wilpinnie 3D** seismic survey (Senex 100%) was completed during the December quarter, on schedule and on budget. The survey is targeting Namur and Birkhead oil prospects and Patchawarra gas prospects west of the Dullingari oil field, in the southern Cooper Basin. Processing of the seismic data is now underway and is expected to yield potential drilling locations during the March quarter.

Senex expects to begin work on the 310 km² **Jasmine 3D** seismic survey (Senex 57% and operator) in the northern Cooper Basin during the March quarter. The survey is on trend with the western flank fairway, with prospectivity in the Permian, Poolowanna, Birkhead and Namur horizons. The survey area has had minimal prior exploration.

Field development

On the **Spitfire** oil field (Senex 60% and operator), the process of merging the Aquillus and Mollichuta 3D seismic data has been completed. Potential appraisal and development well locations will be identified after AVO inversion and further interpretation of the seismic data is complete. Drilling of further wells is currently planned to commence in mid-2015.

An extended production test of the Patchawarra Formation in **Warrior-8** (Senex 70% and operator) began in late December. Production will be measured over a period of at least four weeks.



By 15 January, the test had produced approximately 5,300 barrels of oil (cumulative) with daily production rates above 300 bopd.

The results from the flow test will inform Senex as to the extent, connectivity and gas content of the Patchawarra Formation and follow up drilling is anticipated to take place during the second half of FY15.

A previous production test was undertaken on Warrior-10 during the December quarter, however the test produced minimal oil flow to surface due to suspected near well bore reservoir damage. Analysis of the production test data is underway.

EXPLORATION & DEVELOPMENT - Cooper Basin

GAS

Vanessa gas field

Senex reported strong production testing results at the Vanessa conventional gas field (Senex 57% and operator) during the quarter.

During the 50 hour test, gas flowed at an average rate of 5.0 mmscf/d from the Epsilon and Toolachee formations on a 65% choke (42/64th inch). Condensate was also produced at a rate of 15 barrels per mmscf/d. Additional analysis is underway to confirm gas composition and associated liquids (condensate and LPG).

In light of the successful test results the JV is planning for the construction and commissioning of surface facilities (including separation and metering equipment) and a flowline to existing gas transmission infrastructure. Long-lead items have been pre-ordered and, subject to economic analysis and JV approval, the partners plan to complete the facilities and bring the well online during 2015. In parallel, the partners are progressing plans to commercialise initial production, following which they will consider further appraisal and development.

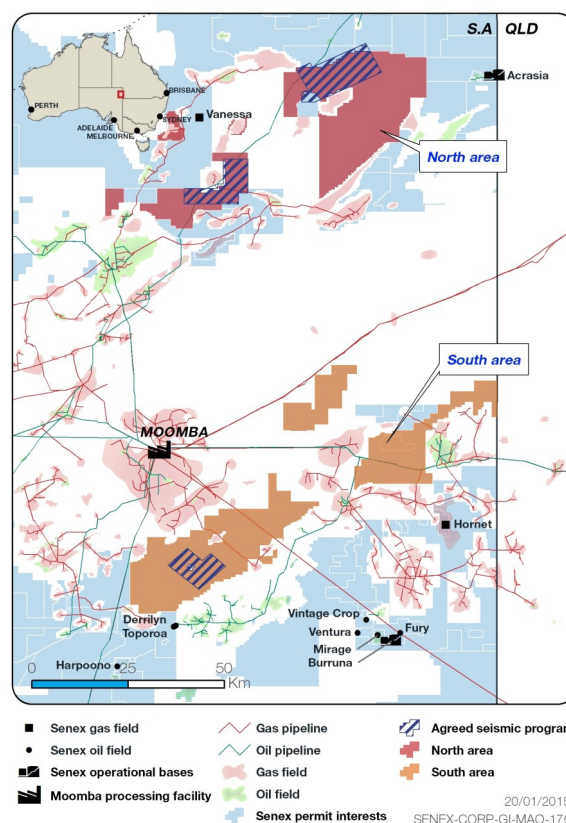
Unconventional gas JVs with Origin Energy

During the quarter, Senex and Origin progressed detailed planning of the Stage 1 work programs.

Under the Origin farm-in agreements, the two stages of work programs involve aggregate expenditure of up to \$252 million, with \$105 million guaranteed for Stage 1. Senex is 100% free carried for its share of expenditure during this stage. The work programs aim to evaluate multiple play types in two regions of the Cooper Basin, including tight gas sands, basin centred gas potential, shale gas and deep coal gas.

Three seismic programs spanning over 300 km² have been agreed between the parties, with two in the north region (Patchawarra Trough) and one in the south region (Allunga Trough). The acquisition of data under all three surveys is expected to be completed consecutively during the second half FY15. Field activity commenced in January 2015.

Planning work on potential drilling locations and well design is continuing, with the first well spud planned for mid-2015 in the Allunga Trough.



EXPLORATION & DEVELOPMENT - Surat Basin

GAS

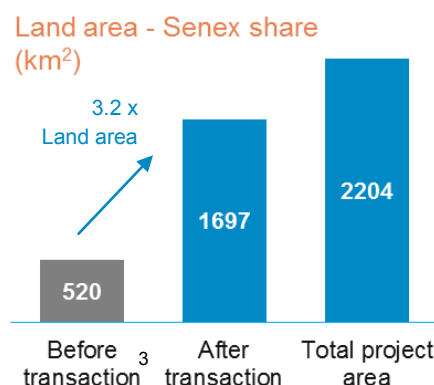
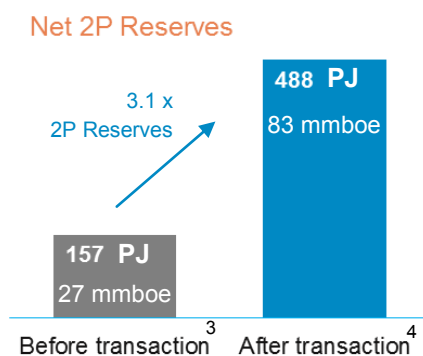
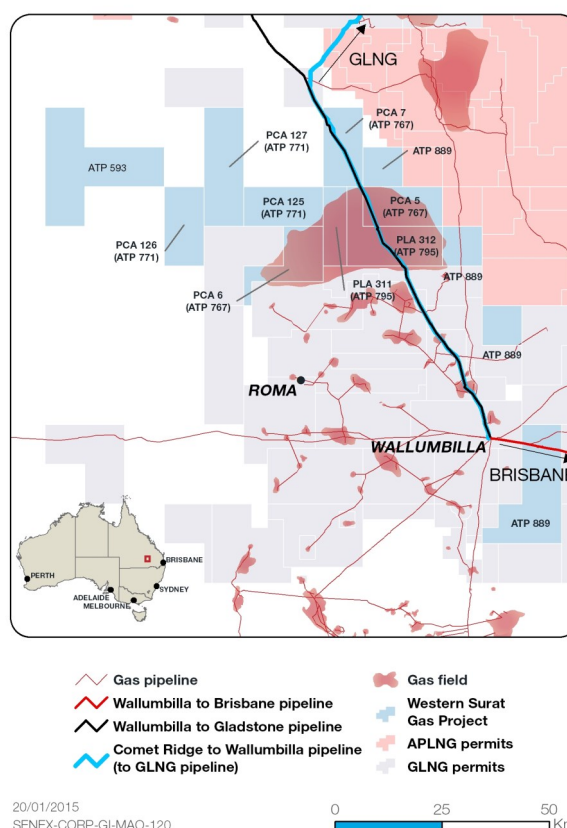
Western Surat Gas Project

In December 2014 Senex and the QGC JV¹ completed the Surat Basin gas asset swap transaction.

The swap provides Senex with a net increase of 56 mmoeb of proved and probable (2P) reserves at 30 June 2014 for zero cash consideration. Senex exchanged its minority interests in two QGC operated eastern Surat Basin permits for a 100% interest in and operatorship of three QGC JV western Surat Basin permits². The new acreage is adjacent to Senex's existing western Surat Basin permits ATP 771P and ATP 593P (Senex 45% operated interest).

The core Senex team has been assembled and is working through planning activities, with near term focus on establishing environmental studies and land access.

Senex is targeting first production by 2017 and subsurface work is underway to optimise the existing pilot locations.



¹ QGC Pty Limited (QGC), Tokyo Gas (TG) and China National Offshore Oil Company (CNOOC)

² Senex exchanged its 20% interest in PL 171 and 30% interest in ATP 574P for a 100% interest in ATP 767, ATP 795 and ATP 889

³ Senex had interests in PL 171, ATP 574P and 45% operated interest in the existing Don Juan permits (ATP 593P and ATP 771P)

⁴ Total Surat Basin. Refer to page 11 "Supporting information for estimates"

CORPORATE

Board Appointment of Trevor Bourne

In December, Senex appointed Trevor Bourne to the Board as an independent non-executive Director. Trevor is a proven business leader with over four decades of experience in major public and private corporations. He was a founding Director of Origin Energy and is currently a Director of Caltex Australia Limited and Sydney Water Corporation.

First Half FY15 Results

Results from the first half of FY15 will be released on Tuesday 24 February 2015.

Conference Call

Senex Managing Director and Chief Executive Officer Ian Davies and Chief Financial Officer Andrew Price will hold a briefing to discuss the quarterly results, as follows:

Date: Wednesday 21 January 2015

Time: 10am AEST (10am Brisbane time, 11am Sydney and Melbourne time)

The audio briefing will be streamed live at this time and can be accessed via the Senex company page on the Open Briefing website:

<http://www.openbriefing.com/OB/1660.aspx>

A recording of the teleconference will be available from 5pm AEST via the same link.

FURTHER INFORMATION

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ABOUT SENEX

Senex is an S&P/ASX 200 exploration and production Company with significant oil and gas acreage in Australia's Cooper and Surat Basins. Senex currently produces over 1 million barrels of oil each year, and has successfully diversified its business with the commencement of gas sales in 2014 and initiation of the Western Surat Gas Project.

GLOSSARY

\$ means Australian dollars unless otherwise stated

1C means

1P means proved (developed plus undeveloped) reserves in accordance with the SPE PRMS

2P means proved plus probable reserves in accordance with the SPE PRMS

3P proved, probable plus possible reserves in accordance with the SPE PRMS

ASX means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691

ATP means authority to prospect granted under the *Petroleum Act 1923* (Qld) or the *Petroleum Gas (Production and Safety) Act 2004* (Qld)

AVO means amplitude variation with offset, an enhanced seismic interpretation technique using the changes in seismic reflection amplitude to determine rock-type and fluid content

Barrel/bbl means the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons

boe means barrels of oil equivalent. 1 boe = 6,000 standard cubic feet.

bopd means barrels of oil per day

Bcf means billion cubic feet

Cooper Basin means the sedimentary basin of upper Carboniferous to middle Triassic age in north east South Australia and south west Queensland

Eromanga Basin means the Mesozoic sedimentary basin covering parts of Queensland, the Northern Territory, South Australia and New South Wales

Exploration means drilling, seismic or technical studies to identify and evaluate regions or prospects with the potential to contain hydrocarbons

FY means financial year

LPG means liquefied petroleum gas

mmbbls means a million barrels

mmboe means a million barrels of oil equivalent

mmscf/d means million standard cubic feet of gas per day

Net pay means the smaller portions of the gross pay that meet local criteria for pay, such as porosity, permeability and hydrocarbon saturation

OGIP means original gas in place

PEL means petroleum exploration licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA)

PJ means petajoule

PL means a petroleum lease granted under the *Petroleum Act 1923* (Qld) or the *Petroleum Gas (Production and Safety) Act 2004* (Qld)

Reserve means commercially recoverable resources which have been justified for development, as defined in the SPE PRMS

SACB JV means South Australian Cooper Basin Joint Venture (between Santos, Beach Energy and Origin Energy)

Senex means Senex Energy Limited ABN 50 008 942 827

SPE PRMS means the Petroleum Resources Management System 2007, published by SPE

Surat Basin means the sedimentary basin of Jurassic to Cretaceous age in southern QLD and northern NSW

Tcf means trillion standard cubic feet

SUPPORTING INFORMATION FOR ESTIMATES

Qualified reserves and resources evaluator statement: Information about Senex's reserves and resources estimates has been compiled in accordance with the definitions and guidelines in the 2007 SPE PRMS. This information is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resource evaluators.

The relevant qualified reserves and resources evaluator statements can be found :

- In respect of the Cooper Basin, at page 17 of the Senex annual report released to the ASX company announcements platform on 26 August 2014 (in the reserves and resources statement); and
- In respect of the Surat Basin, in the ASX announcement titled "Completion of Surat Basin gas asset swap" on 16 December 2014.

Senex confirms that it is not aware of any new information or data that materially affects the information included in this presentation and that all the material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed.