

Managing Director's Address

AGM addresses by the Chairman and Managing Director

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Senex Energy Limited (ASX:SXY) 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 an ASX listed oil and gas exploration and production company focused on generating shareholder value by growing reserves and production. It holds extensive onshore oil and gas acreage in the Cooper and Surat Basins, two of Australia's most prolific onshore energy regions. Senex is well capitalised and has built strong operating credentials over its 30 year history. Senex operates low cost oil producing assets in the Cooper Basin and is progressing a portfolio of gas projects including the Western Surat Gas Project and Project Atlas in Queensland.

Chairman's Address

Chairman's Address to the Annual General Meeting 2017

Our company has gained strong momentum over the past 12 months. We are making solid progress against our strategy, and towards our vision of being a leading oil and gas explorer and producer. Commodity price recoveries and careful cost management have strengthened our operating business in the Cooper Basin. And in the Surat Basin we have significantly progressed the Western Surat Gas Project and expanded our position with Project Atlas, in a market of substantial opportunity. We are well-funded, well-managed and well-positioned, and you can expect continued momentum in the year ahead.

Since my last address to you, much has happened in both our business and our industry. The volatility in the global energy sector has provided encouraging signs of improvement, giving businesses like us longer term confidence to get on with investing for the future. Locally, however, we have seen volatility of a different kind. Complex issues continue to play out around delivering affordable and reliable energy in the context of a transition to a low-carbon economy. Senex is embracing the opportunity to be part of the solution in this exciting, and some would say challenging, chapter of Australia's history.

I want to first address the macro backdrop, what many are calling the domestic energy crisis, and highlight what this means for Senex.

The energy crisis has dominated political agendas and media headlines during 2017. To say we are at the beginning of a kind of energy revolution is not an overstatement.

Many stakeholders are involved including governments, suppliers, customers and various energy experts. There was widespread commentary, plans developed, solutions offered and deals made. Senex is not alone in our view that interventions like the Australian Domestic Gas Security Mechanism remain short-sighted and damage the potential of the market to respond appropriately, while the Finkel Report's recommendations provided a sensible forward path. The unresolved recommendation around cleaner energy was finally addressed last month, and we welcome the Federal Government-endorsed National Energy Guarantee.

Fundamentally, regulatory instability and disconnected energy policies are not helpful to the objective of delivering affordable, reliable and sustainable energy. We hope to see the States and Territories agree on a solution around the National Energy Guarantee at the COAG meeting later this month.

In all of this, however, gas continues to be an integral part of the energy mix, supporting the transition towards a lower carbon future. Smaller operators like Senex have an important role to play in bringing that gas to market as cheaply and efficiently as possible. Our view is that Senex is well positioned under every regulatory scenario and we have the right strategy and capability to realise the near-term potential in the east coast gas market.

Let me expand on why.

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Domestically, gas remains one of the best sources of dispatchable energy. Within the current structure of eastern Australia's power grid, we need a substantial volume of this energy to respond effectively to peak volume demands, particularly as intermittent renewables continue to grow in the energy mix.

We also have demand from the domestic manufacturing sector for gas as feedstock. Australia's manufacturing sector was built on the back of decades of cheap and reliable gas from some of the world's best conventional gas reserves. Many customers are now faced with the challenges of securing reliable and affordable contracts as the traditional sources of supply shift to more unconventional gas resources, with an associated higher cost of production.

Converging for the first time with these domestic markets is the significant international demand for gas that underwrote the investment in our world-first CSG to LNG export industry. Three operating LNG export facilities in Queensland have created substantial long-term demand at global prices.

We believe that gas is integral to Australia's economy and to our energy future. Explorers and producers must be enabled to bring the nation's significant gas resource potential to market safely and at low cost, and in line with the expectations of a local and global community.

Senex enjoys a position of relative strength in this landscape, with our strategy of building a gas business focused on cost leadership and collaboration with all stakeholders.

Our ability to develop gas resources safely, efficiently and at low cost is a key point of difference. Our progress over the last few years during the downturn has focused on leveraging this skill set, established in oil and propelled by our position in the east coast gas market. We are closer than ever to a material gas revenue stream, with a sensible mix of LNG and domestic buyers for our gas.

In doing so, we are one of the only independent energy companies bringing material new volumes of gas to the market. We are uniquely positioned and are determined to maximise the opportunities this represents. In terms of the significant progress made since our last AGM, Ian will expand on the operating highlights for both our gas and oil portfolio in his address.

Safety and environmental values have remained core to our activities across our portfolio, and we continue to focus on building a positive legacy for our communities.

On this point, and as shareholders, you want to know that your company is continually managing its responsibilities in the area of sustainability.

We also see that many larger ASX listed companies are increasingly featuring the potential risks around climate change in their disclosures.

I can assure you that as a smaller operator, we continue to aspire to the highest standard of risk management and sustainable performance in all aspects, and to embed the systems and processes needed to support this aspiration. These activities, and any investment associated with them, are conducted relative to the size and scale of our operations.

Importantly, our focus on building an upstream gas business is also reflective of Senex playing its role in the transition to a low-carbon economy and to the worthy objectives of the Paris Agreement.

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Moving on, I will now turn to the topic of capital management.

Senex reached 30 June with a cash balance of \$135 million, and more recently at 30 September we had \$110 million in the bank. The board has remained focus on robust capital management and Senex's 2017 cash balance was at the highest level in several years. Our investment programs during the year were carefully sized and prioritised, with moderate investment into the Cooper Basin oil business while we increased investment into our Queensland gas portfolio.

We also continue to implement a foreign exchange and hedging strategy to protect sales revenues, and this provided a level of downside protection during the last financial year.

We elected to reduce our debt facility to \$20 million, with part of that drawn for bank guarantees, leaving approximately \$16 million of undrawn debt capacity.

We have been carefully planning for the capital required to advance key projects, particularly the Western Surat Gas Project and now Project Atlas. We are close to assembling a competitive whole-of-company financing solution and will provide an update on that in due course.

I'll now discuss some of today's agenda items.

In preparation for today, I was reflecting on the past three years as your Chairman and my 20 years of experience as a director. I believe that Senex has a very high-quality team of directors and equally well-credentialed executive team leading the business. We are also operating in one of the most dynamic commodity cycles that I've seen with complex issues to navigate, and Senex has emerged from the downturn more resilient and with a portfolio of growth projects. This doesn't happen by chance and you need strong leadership to thrive in this environment.

This is why, at the Board level, I believe we have an optimal mix of skills, knowledge, connections and insights. Your Board and executive team remain committed to growth and are very capable of executing this promise.

For these reasons, it was proposed that EIG becomes an additional member of the Board team, and Resolutions 6 and 7 presented in the Notice of Meeting reflect this. I acknowledge the concerns of some shareholders who question if now is the right time to increase the number of directors and associated fee pool to accommodate this. I am confident this is the right decision to retain the corporate knowledge and experience we have and to strengthen the director team with EIG's representation.

EIG became a substantial shareholder earlier this year when we executed the successful capital raising of \$91 million. EIG is a global energy investor with a 35-year track record in global energy markets. As you may know, part of EIG's business is to provide development funding for gas projects around the world, and welcoming EIG to our register adds further diversity to Senex's funding options.

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There have been queries about Resolution 8 of the Notice of Meeting. This resolution involves ratifying the shares placed to institutions and EIG undertaken earlier this year, which was just under 15% of total shares on issue. The concern was around the impact of this placement of additional shares on those shareholders who were not eligible to participate in the raising, which are the only group with voting rights for this resolution.

Your company saw a valuable opportunity to form a strategic alliance with EIG, to provide an avenue for significant funding for future development projects, and we seized that opportunity. We offered our largest institutional holders the opportunity to participate on the same terms, which resulted in the placement of just under 15% of issued share capital at a premium of 12.5% compared to the price before the raising was announced.

To ensure we gave our shareholders the opportunity to participate on the same or better terms as the institutional placement, we executed a successful Share Purchase Plan to raise approximately \$35 million of additional equity capital. We considered this was an ideal vehicle for Senex given the vast majority of our shareholders hold smaller parcels of shares. Around a quarter of those holders elected to participate in the opportunity, demonstrating strong support for the raising.

All shareholders, whether they participated in the raising or not, have enjoyed meaningful growth in the value of Senex since we undertook the raisings, with the share price increasing by just on 30%.

Moving on to key board changes during the year.

I would firstly like to acknowledge Ben McKeown, who resigned from Sentient and his position as a director of Senex in May. Ben made a significant contribution during more than eight years on the board and I sincerely thank him for his expertise and service.

In Ben's place, the directors were pleased to appoint Yanina Barilá as Sentient's nominee, and she stands for re-election today. Yanina is thoroughly familiar with Senex having been an alternate director since 2011, and brings to our group her diverse financial experience and expertise, as well as six years of Senex corporate memory.

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

Senex is a more valuable company today than it was 12 months ago, reflecting a strong strategy in action and ongoing navigation of a complex and, at times, uncertain external environment.

I want to thank my fellow directors for your collective stewardship and counsel. Thank you to Ian and his executive team, and to all Senex staff and contractors, for your unwavering focus on execution and on creating Senex's positive legacy.

I look forward to the year ahead and to Senex's continued momentum.

Trevor Bourne
15 November 2017

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Thank you and good morning Ladies and Gentlemen. Today I will expand on Trevor's address to outline how Senex fits into this landscape, and how we are capturing market opportunities. I will follow this with an operational update and outlook.

Before I do that, I would like to personally recognise the efforts of our leadership team and staff, as well as our many contractors and suppliers. We have all come together brilliantly over the past year to execute our strategy, capably navigating challenges and opportunities in the oil and gas sector. I am excited with the team we have built and the positive legacy we are creating, and I thank our people for their commitment and hard work.

Senex continues to operate in a dynamic, challenging and exciting period of global energy history. As an agile and low-cost explorer and producer, we have an important role in realising Australia's goals of affordable, reliable and sustainable energy supply. Senex's long-held strategy to build a gas business of scale has prepared us well for the energy revolution before us now.

Three years ago we set out to capture east coast gas market opportunities and propel our gas business forward, by securing and progressing the Western Surat Gas Project. While we protected our oil business during an unparalleled commodity downturn, we continued to focus on proving and building our gas capability, ensuring we were well positioned for emerging opportunities and an eventual oil price recovery. This year we achieved meaningful milestones in progressing our Queensland gas portfolio, including strong performance from the Western Surat Gas Project, and by securing new top tier gas acreage which we named Project Atlas. I will share more on that shortly.

Material gas production is on track for 2018 and, together with our cash generating oil business, we are heading for year on year production and reserves growth.

The challenge of bringing new gas to market from domestic onshore resources provides a compelling opportunity for Senex. In most of Australia's petroleum basins, traditional gas resources are already committed under long term supply arrangements. New supply will largely come from unconventional and more marginal gas resources, and at a higher cost. This is where Senex is advantaged - driving safe, low cost and efficient execution of exploration, appraisal and development programs to supply affordable energy to the east coast.

To echo Trevor, we are one of the only independent operators bringing new gas volumes to market. In an industry dominated by majors and multinationals, with whom we also partner, we create competition and diversity, and adjust quickly to the cyclical nature of energy markets. In our sector, Senex was one of the earliest responders to the 2014 global oil price collapse, and we have become a stronger, more resilient organisation.

On the ground in our communities, our focus is on creating transparent and open relationships. This approach helps local stakeholders to have consistent Senex touch points, access to information, and experience minimal layers of decision making. We know that maintaining a strong social license is key to our success.

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Moving on to what we have achieved since I addressed you last year. It is clear that we have significantly strengthened our foothold in the east coast gas market.

Project Atlas is a great example of our strategy in action. This is tier one gas acreage surrounded by producing fields in south western Queensland. Senex was awarded the block in a government tender - a direct response to the unfolding energy crisis and its impact on domestic gas consumers. Senex is proud to be entrusted to deliver this innovative government initiative.

All gas from Project Atlas will be supplied to the domestic market, making the project an important contributor to energy security for Australian businesses and households. Following this month's Queensland state election, we will continue to work closely with government to ensure the project delivers on the government's promise to industry and gas users.

At an operational level, the project is already being integrated into our portfolio. We are transferring skills and learnings from the Western Surat Gas Project, and our teams are already on the ground engaging with stakeholders.

We are targeting first gas from Project Atlas in 2019, and look forward to engaging fully with potential domestic customers in the near future.

During the year, we also welcomed a new major shareholder in EIG and we look forward to the contribution of EIG to help us realise our growth aspirations.

Let me now turn to our operating performance over the past year.

- First, our successful pilot and appraisal activities for the Western Surat Gas Project contributed to increasing our proven reserves, to 16.7 million barrels of oil equivalent at 30 June 2017.
- Our thirty-well drilling program for the Western Surat Gas Project set new industry benchmarks for low cost performance, and those wells will be online next month.
- In the Cooper Basin, we are running our oil fields safely and at low-cost with solid production, operating at a breakeven oil price of US\$35 per barrel. First quarter production this year was up six per cent, with the Marauder-1 oil discovery online in just 53 days.
- Illustrating our balance sheet strength, we closed FY17 with the highest cash balance for several years of \$135 million. Going forward to support our growth projects, we are working through a whole of company financing strategy and are making great progress on this.

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- Over the last year, we have also ensured that Senex has a voice on important industry issues as they emerge. We will continue to do so, where it supports our interests and those of our shareholders. This is very important as we navigate a complicated interplay of political, regulatory, economic and market dynamics.

I now want to move on to the topic of safe and sustainable performance, which is clearly Senex's top priority.

- With a ramp up in site activity, we recorded an increase in work hours of 36 per cent against FY16. Three safety incidents were recorded and each was reviewed with action plans implemented, and we remain vigilant to the health and safety of our people.
- In the Surat Basin, we have continued to focus on building our local relationships to progress the Western Surat Gas Project, and now Project Atlas. As a team we pride ourselves on understanding the needs of our stakeholders and collaborating for mutual benefit.
- Our involvement in the Safer Together gas industry initiative also continues in Queensland. This brings together senior leaders of operators and contractors to promote the health and safety of our workforces.
- In South Australia, we extended our major partnership with the Royal Flying Doctor Service and renewed our support of the Senex-led Cooper Medivac 24 helicopter. These initiatives are important to us because they support workers, residents and visitors in remote and rural areas where we operate.

Before I conclude, I would like to provide a few insights on the outlook ahead. Senex is in great shape and has emerged from the oil price downturn as a stronger, more resilient, and more focused company.

The year ahead will be transformational for Senex as we move towards full development of the Western Surat Gas Project. This will include investment decisions on export compression facilities, development drilling, and an expanded exploration and appraisal program. We are on track to deliver material gas production next year with safe, low cost and efficient performance as our advantage. This capability is highly transferable to future opportunities, and we are uniquely positioned to be part of the solution for affordable gas supply on the east coast.

In parallel, we look forward to starting the journey of developing Project Atlas.

For our oil business, it is pleasing to see an improving oil market and we will maintain a focus on the Cooper Basin's prolific western flank. We are working with our joint venture partners to accelerate development in key operating fields, and will continue to pursue good quality exploration prospects out of recent seismic programs. We are progressing our farm down strategy in areas of the Cooper Basin outside the western flank, and look forward to potentially welcoming new partners.

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Our focus on relationships, particularly those locally on the ground, will continue to be front and centre for Senex as we build a long term legacy.

In summary, I am very optimistic about the year ahead. I would also like to express my sincere thanks to Trevor Bourne and the board for their guidance and support. And thanks to you for your attendance today and for your continued support.

Ian Davies
15 November 2017