

### HIGHLIGHTS

During the third quarter of FY17, Senex Energy (Senex, the Company, ASX:SXY) achieved several significant corporate developments and sanctioned its first major investment on the Western Surat Gas Project. Highlights of the quarter include:

- 30 well work program sanctioned on the **Western Surat Gas Project**, to deliver material gas by mid-2018
- First gas production achieved from the **Glenora pilot**, with gas sales to GLNG from April 2017
- **A\$91 million raised** via an institutional placement and a Share Purchase Plan, taking Senex's cash position to A\$157 million. The Company is actively pursuing supply opportunities in the east coast gas market
- **Strategic relationship** formed with specialist energy investor EIG Global Energy Partners (EIG), with Senex and EIG working together to establish a funding model to accelerate development of the Western Surat Gas Project and other growth projects
- The **Vanessa gas project** was the recipient of \$5.82 million in funding through the South Australian Government's Plan for Accelerating Exploration (PACE) Gas Grant Program
- Spudding of the high impact gas well Silver Star-1 targeting material gas resources in the Cooper Basin as part of a \$105 million **unconventional exploration program** with Origin Energy. A 1,500 metre horizontal section is currently being drilled
- **Net production** of 170,000 bbls with good underlying performance from the base oil portfolio (declining at 3% per month this quarter, in line with previously stated guidance of 2 - 4% per month). Approximately 10% of production decline on the previous quarter is due to temporary mechanical failures on several wells, with these barrels deferred to future periods
- Senex expects **annual production volumes** of between 750,000 - 800,000 barrels of oil equivalent in FY17 given these temporary mechanical failures on wells and the performance of Worrior-11 impacting second half production

KEY PERFORMANCE METRICS	March Quarter Q3 FY17	December Quarter Q2 FY17	Quarter on Quarter change	March Quarter Q3 FY16	Quarter on Quarter change
Net Production (mmboe)	0.17	0.20	(15%)	0.25	(32%)
Net Sales volumes (mmboe)	0.17	0.20	(15%)	0.24	(29%)
Sales revenue (\$ million)	11.0	12.8	(14%)	16.7	(34%)
Cash (\$ million)	156.9	82.8	89%	100.5	56%
Average realised oil price (A\$ per barrel)	65	64	2%	70	(7%)

Against the backdrop of significant long-term supply opportunities in a structurally short east coast gas market, Senex is committed to building a material gas business:

1. **Accelerating the Company's flagship Western Surat Gas Project**
2. **Progressing material gas opportunities in the Cooper Basin**
3. **Aggressively pursuing new opportunities, leveraging our strong financial position and operating capabilities**

## CORPORATE DEVELOPMENTS

### **Strategic developments achieved during the quarter bolstered Senex's strength and momentum to address substantial opportunities in the east coast gas market**

In February 2017, Senex announced it had formed a strategic relationship with specialist energy investor EIG. The leading global energy investor became a substantial shareholder in Senex, now holding 12.2% of Senex's issued share capital. EIG and Senex are working together to develop and expand the Company's significant upstream positions in both the Surat and Cooper Basins, including agreeing a funding model to accelerate development of the Western Surat Gas Project<sup>1</sup>.

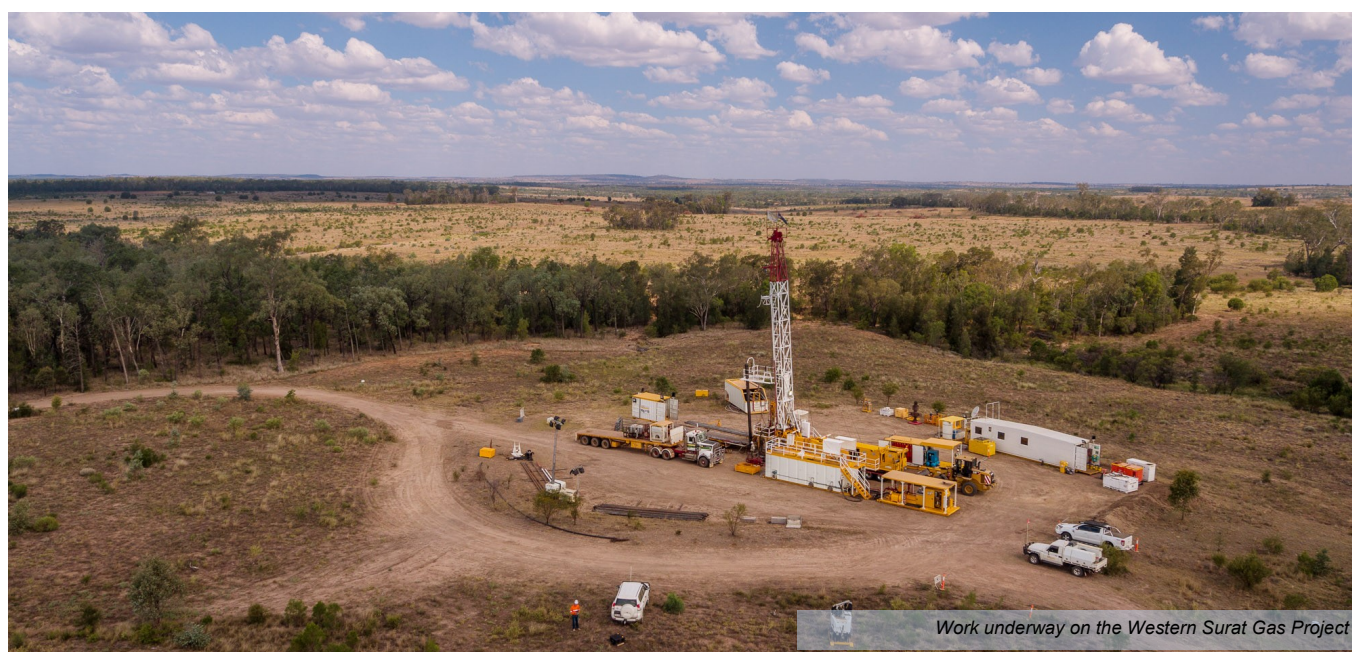
A total of A\$55 million was raised through the institutional placement to EIG and other institutional and sophisticated investors at a premium to market value. Senex extended to existing shareholders the ability to participate on the same terms by applying for new shares under a Share Purchase Plan (SPP). Senex saw strong uptake in the SPP raising a further A\$36 million.

### **Senex bids for newly released Surat and Bowen Basin acreage**

In April 2017, Senex responded to the Queensland Government's Call for Tenders for a Petroleum Lease (PL) on acreage in the Surat Basin and an Authority to Prospect (ATP) on acreage in the Bowen Basin. The acreage release represents an important opportunity to support the State's growth and deliver critical energy supply to the domestic market.

### **Senex signs new long term sale and purchase agreements for Cooper Basin oil**

Also in April 2017, Senex executed new Crude Oil Sale and Purchase Agreements (COSPAs) with the SACB JV, to which Senex sells the majority of its oil production. The new COSPAs have improved pricing based on a direct pass-through mechanism and a five year term, giving greater security of off-take with reduced administrative burden. In addition, exploration is incentivised with incremental volumes attracting further improved pricing.



<sup>1</sup> Any future transaction or agreement between Senex and EIG regarding development funding will be subject to due diligence, any relevant internal or regulatory approvals, and the parties reaching agreement on terms

### FINANCIAL SUMMARY

#### Sales revenue was \$11 million for the quarter, on 170,000 barrels of oil sold

- Sales volumes for the March quarter were 170,000 barrels, down 15% on the previous quarter in line with lower production given temporary mechanical issues on several wells deferring barrels produced into future periods
- The average realised oil price for the March quarter was A\$65 per barrel. Senex has hedged the majority of its production for the second half of FY17, with swaps providing downside protection below US\$55 per barrel (A\$73 per barrel), and call options providing upside participation above US\$60 per barrel (A\$80 per barrel). The average price received for oil sales is a function of the hedged price, adjusted for the call premium and for the timing impacts of oil sales revenue recognition

SALES	March Quarter Q3 FY17	December Quarter Q2 FY17	Quarter on Quarter change	March Quarter Q3 FY16	Quarter on Quarter change
Oil sales (mmboe)	0.17	0.20	(15%)	0.24	(29%)
Sales revenue (\$ million)	11.0	12.8	(14%)	16.7	(34%)
Average realised oil price (A\$ per barrel)	65	64	2%	70	(7%)

#### Capital expenditure of \$12.7 million was incurred across the Cooper Basin and Western Surat Gas Project work programs

- The major components of the capital expenditure for the quarter were drilling in the Cooper Basin (on the Spitfire-8 oil appraisal well and PEL182 oil exploration campaign) and spend in the Surat Basin (on the remaining items associated with the Glenora pilot and the commencement of Phase 2 works)
- The rate of spend on the Western Surat Gas Project will increase into the fourth quarter as drilling of the Phase 2 wells and construction of surface facilities are commenced, along with continued spend on planning for full field development
- Senex continued work on the plug and abandonment of wells on the Eos block during the quarter, expending \$6.0 million (not included in capital expenditure)

CAPITAL EXPENDITURE	March Quarter Q3 FY17	December Quarter Q2 FY17	Quarter on Quarter change	March Quarter Q3 FY16	Quarter on Quarter change
Exploration and appraisal	11.5	15.2	(24%)	3.1	271%
Development, plant and equipment	1.2	2.6	(54%)	2.4	(50%)
<b>Total</b>	<b>12.7</b>	<b>17.8</b>	<b>(29%)</b>	<b>5.5</b>	<b>131%</b>



### PRODUCTION OPERATIONS

PRODUCTION	March Quarter Q3 FY17	December Quarter Q2 FY17	Quarter on Quarter change	March Quarter Q3 FY16	Quarter on Quarter change
Net Production (mmboe)	0.17	0.20	(15%)	0.25	(32%)
Oil	0.17	0.20	(15%)	0.24	(32%)
Gas and gas liquids	0.00	-	-	-	-

#### Senex delivered net oil production of approximately 170,000 barrels for the quarter

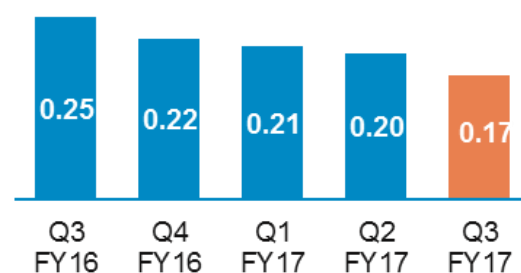
The reduction on the prior quarter was due to natural field decline in combination with the impact of pump failures on several wells:

- Senex’s major producing oil fields continued to perform in line with expectations, declining at 3% per month (in line with previously stated guidance of 2 - 4% per month)
- Pump failures resulted in production deferrals into future periods, with the wells impacted due for remedial workover in the fourth quarter of FY17

Two new wells were connected during February. The Worrior-11 oil development well was brought online to produce from the lower Birkhead-Hutton Sandstone formation, however the well is performing below expectations. The Spitfire-8 oil appraisal well is performing in line with expectations.

Given these developments during the third quarter, Senex expects annual production volumes of between 750,000 - 800,000 barrels of oil equivalent for FY17.

#### Quarterly Net Production (mmboe)



Spitfire-8 oil appraisal well, Cooper Basin

## SURAT BASIN

### GAS | *Western Surat Gas Project*

#### **First gas produced from the Glenora pilot, with sales commenced in April 2017**

The Glenora wells were brought online for continuous production in February following a period of pulse testing. Gas was produced immediately, indicating that the coal seams have already been partially dewatered by neighbouring operations.

Since that time, production from the wells has been slowly but continuously increasing as the reservoir pressure reduces towards levels of critical desorption.

The Glenora pilot marks the first execution stage of Senex's Western Surat Gas Project and is enhancing the Company's understanding of reservoir performance and costs to inform full field development planning.

Subsequent to the end of the quarter, Senex commenced delivery and sales of raw gas from the Glenora pilot to GLNG. Senex can supply up to 3 TJ/day of raw gas from the pilot, avoiding the need to flare this valuable resource.

Senex is receiving a USD JCC oil linked price for raw, unprocessed gas to be supplied at its option. In addition, Senex has secured the ability to toll produced water through existing GLNG infrastructure, if required. Appraisal gas sales are an important foundation step towards the full commercialisation of the Western Surat Gas Project acreage.

The Company continued to make good progress in the plug and abandonment of legacy QGC wells on the Eos block during the quarter, with good cost performance achieved to date.



*Produced gas at the Glenora pilot, Western Surat Gas Project*



*Surface facilities at the Glenora pilot, Western Surat Gas Project*



### SURAT BASIN

#### GAS | Western Surat Gas Project (continued)

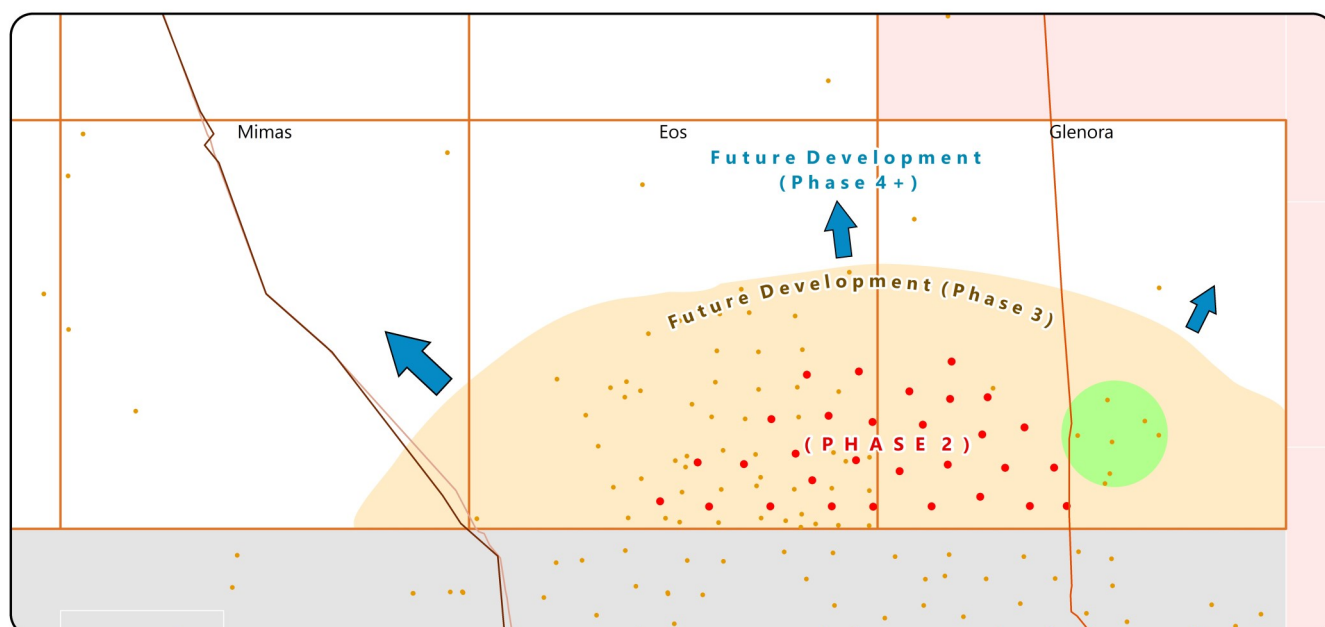
##### First major investment in the Western Surat Gas Project sanctioned during the quarter

In February 2017, Senex committed \$50 million to a 30 well drilling campaign across the Glenora and Eos blocks, expected to produce ~10 TJ/day by mid-2018. This investment will also cover appraisal activities to be undertaken in other parts of the project acreage later in 2017, facilitating staged full field development.

Critical path activities to achieve first gas production from Phase 2 wells were undertaken throughout the quarter. Land access and environmental approvals have been secured, with cultural heritage clearances well advanced. Long lead items were ordered and major supply contracts were signed, including a lump sum contract for drilling and completions services. This de-risks a material proportion of the projected capital cost of the project. The Phase 2 work program is giving Senex the opportunity to test and embed all cost management processes for full field development.

Drilling will commence on the Eos block in May 2017 and run over the course of the calendar year, with first wells expected online in mid-2017. Construction of gas and water handling infrastructure will be undertaken in parallel, including the refurbishment of the existing dam located on Eos for use during Phase 2.

Senex continues to consider all commercial options for the Phase 2 raw gas thoroughly in order to reach the highest value outcome for shareholders.



- Phase 2 work program
- Existing wells
- Comet Ridge to Wallumbilla Trunkline
- Spring Gully to ML1A Trunkline
- Wallumbilla to Gladstone
- WSGP blocks
- Drill ready acreage
- Production



### COOPER BASIN

#### OIL AND GAS | *Exploration and Development*

##### Drilling activity

The **Spitfire-8** appraisal well (*ex PEL 104: Senex 60% and operator*) was drilled in January successfully testing the extension of the Birkhead reservoir in the field. The well was brought online in February and is performing in line with expectations.

The PEL 182 oil exploration campaign (*Senex 57% and operator*) was commenced during the quarter. The **Sparta-1 and Hoplite-1** targets were defined by the Jasmine 3D seismic survey to test the extent of hydrocarbon migration to the north of the western flank through an under-explored area of the Cooper Basin.

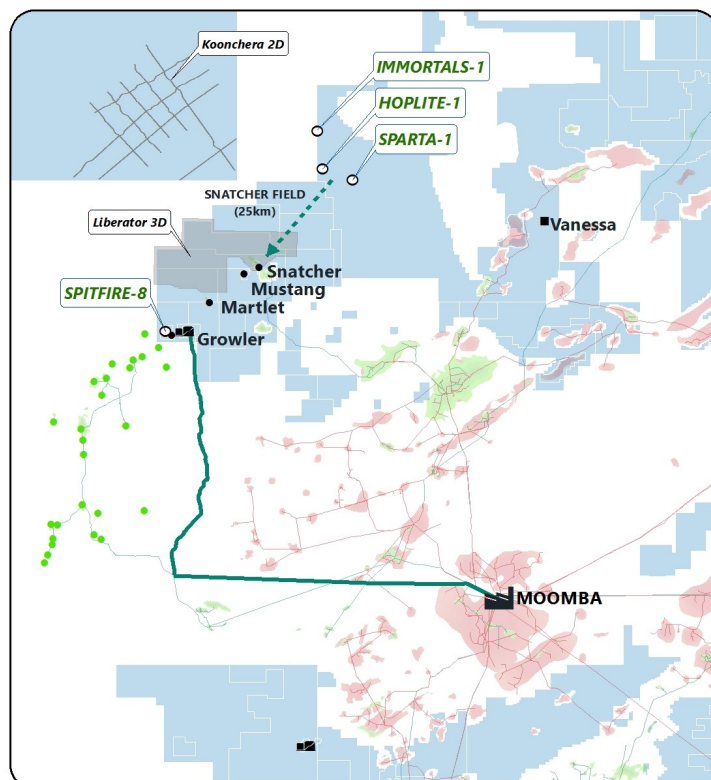
Both wells encountered oil shows in the Birkhead Formation proving that hydrocarbons had migrated through the area, with Hoplite-1 recovering oil on drill stem test. The **Hoplite-1 DW1 side-track well** was subsequently drilled to further test and appraise the Birkhead Formation, however that well (along with Sparta-1) was plugged and abandoned due to non-commercial reservoir qualities.

The discovery of oil from the Birkhead formation within the Sparta-1, Hoplite-1 and Hoplite-1 DW1 wells is highly encouraging for the northern extension of the western flank play fairway. Senex and its joint venture partner are aligned on the location of the third exploration target in this campaign, with the **Immortals-1** well to be drilled during the fourth quarter of FY17.

##### Seismic surveys

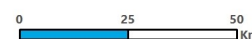
Processing of the **Liberator 3D seismic survey** (*ex PEL 111: Senex 60% and operator*) commenced during the quarter, covering an unmapped northern section of the western flank. Initial indications are that the data acquired is high quality and will allow for high resolution interpretation of stratigraphic and structural targets within the survey area. The Liberator seismic survey is being merged with Senex's existing 3D seismic programs on the western flank to drive new regional insights which will underpin the development of drilling prospects for FY18. Budgets for this activity are currently being assessed and reviewed with joint venture parties.

Processing of the **Koonchera 2D seismic survey** (*PEL 424: Senex 60% and operator*) also commenced during the quarter. The survey targets material structural highs that would justify further exploration activity. Processing and interpretation of the data is expected to be completed by the end of FY17 to define the forward work program.



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- Beach operated fields
- Senex oil field
- Proposed Senex wells
- Senex gas field
- Senex operational bases
- Moomba processing facility
- Gas pipeline
- Oil pipeline
- Gas field
- Oil field
- Senex permit interests



## COOPER BASIN

### GAS | *Vanessa gas field*

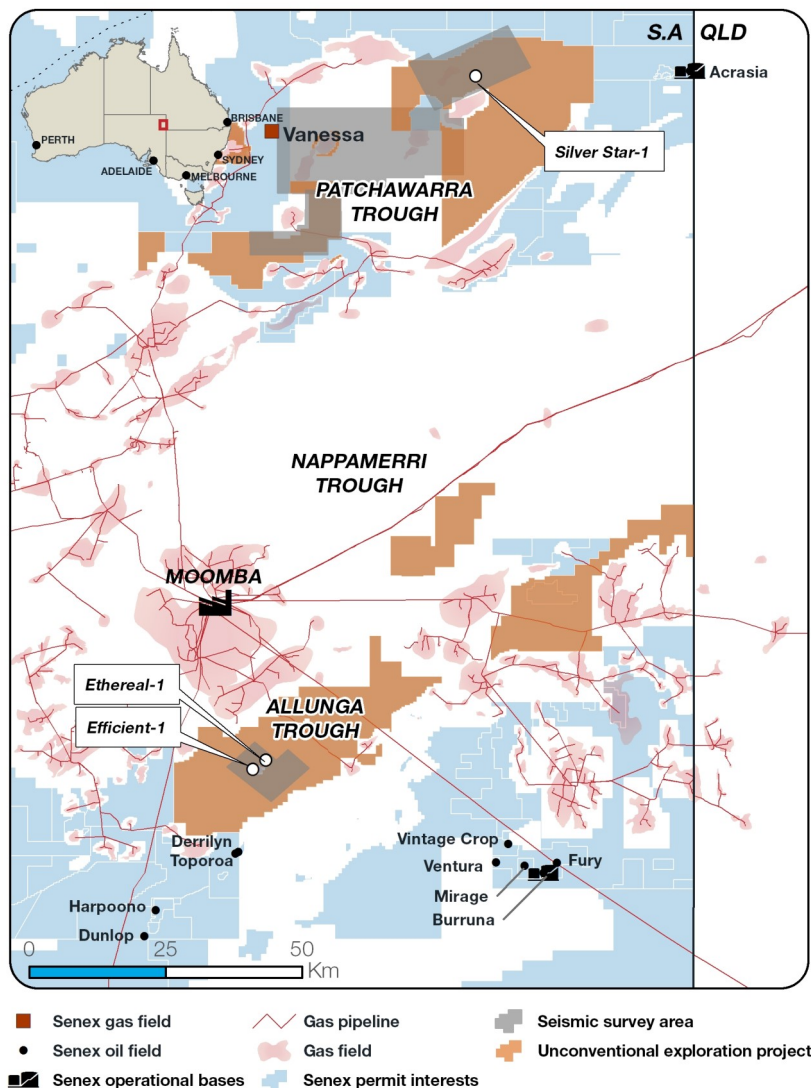
#### Senex project to receive \$5.82 million to accelerate the delivery of gas from Vanessa

In March 2017, a Senex project was pledged support by the South Australian Government through the PACE Gas Grant Program, which aims to bring new gas to market.

The PEL 182 joint venture (*Senex 57% and operator*) is working in cooperation with the Patchawarra East joint venture to bring stranded Cooper Basin gas assets to market, including the Vanessa gas field.

The PACE grant funding will contribute to the cost of infrastructure to connect Vanessa with South Australian customers, and Senex has commenced negotiations with several potential customers.

The work program to deliver the connecting infrastructure is being developed with the joint ventures, with construction expected to commence during H1 FY18.



### GAS | *Unconventional gas JVs with Origin Energy*

#### Proceeding to drill the horizontal section on Silver Star-1 gas exploration well

Silver Star-1 is a high impact gas exploration well targeting basin centred gas in the Permian sandstones of the Patchawarra Trough. Subsequent to the end of the quarter the well reached target depth of 3,770 metres. The joint venture has determined that Silver Star-1 successfully meets the pre-defined reservoir thresholds and is drilling a horizontal section of up to 1,500 metres. Multi-stage fracture stimulation and testing of the well will follow.

Senex is free carried by Origin for its share of expenditure on the agreed \$105 million work program under the Senex-Origin farm-in arrangement.



### Conference Call

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

Date: Wednesday 26 April 2017

Time: 10 am AEST

The audio briefing will be streamed live and can be accessed via the Senex company page on the Open Briefing website: <http://www.openbriefing.com/OB/2484.aspx>

## FURTHER INFORMATION

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### ABOUT SENEX

*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 the majority of its low cost oil producing assets, and is successfully developing a gas business including the 100% owned and operated Western Surat Gas Project in Queensland.*

## GLOSSARY

**\$** means Australian dollars unless otherwise stated

**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 Versus 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, the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy

**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

**ESP** means electric submersible pump

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

**FY** means financial year

**JV** means joint venture

**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

**Patchawarra East Joint Venture** parties are Santos, Delhi Petroleum and Origin Energy

**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)*

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

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

**Production** is the volume of hydrocarbons produced in production operations (including extended production testing)

**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)

**Sales volumes** are equal to production less volumes of hydrocarbons consumed in operations (fuel, flare, vent and other shrinkage) and inventory movements

**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