

Chairman's Address at 2012 Annual General Meeting

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Ladies and Gentlemen,

It is a great pleasure to welcome you to the 2012 Annual General Meeting for Senex Energy Limited. It is especially pleasing as this last year has been the Company's best year since its inception. This morning, I would like to briefly review the 2012 results, share my reflections on remuneration and take a moment to consider the outlook of the Company.

2012 results

In 2011/12, Senex achieved major milestones that demonstrated the Company really has the energy to deliver. Senex is now more valuable than ever before. Its financial performance has overshadowed all previous results. Operationally, Senex is stronger, more resilient, and importantly, positioned for continued rapid growth in the future.

First, let us take a look at shareholder value. The market continued to be jittery but our share price increased 97 per cent to 71 cents, year on year to 30 June 2012, the Company more than doubled in size, and the market capitalisation was up by 168 per cent. In recognition of this outstanding business growth, Senex was admitted to the ASX 200 index in April 2012 – and proceeded to significantly outperform the index and the vast majority of its competitors over the course of the 2012 financial year.

This improvement in shareholder value was matched by very pleasing financial results.

- Revenue increased 433 per cent to more than \$70 million.
- The Company delivered net profit after tax of \$8.9 million, returning to positive territory.
- Cash reserves increased 193 per cent to \$124 million by 30 June 2012 and now stand at \$156 million.

- With zero debt, Senex is in a strong financial position.
- I believe and trust you will all agree that these are impressive numbers – but more impressive perhaps is the underlying operational strength that enabled these numbers to be achieved.

Again, let's consider the numbers: I am personally very pleased to report there were zero lost time injuries, confirming the effectiveness of our health and safety culture. By year end, Senex had produced more than 600,000 barrels of oil. That's a 248 per cent improvement on the previous year's production. At the same time, Senex achieved a 100 per cent success rate with development and appraisal drilling in our most prolific oil fields – Growler and Snatcher. Exploration programs delivered upgrades to oil reserves and coal seam gas reserves and our flagship unconventional gas exploration program delivered initial gas flows from our promising acreage in the southern Cooper Basin.

During the year we commenced installation of a 144km pipeline from Growler to Moomba to transport our oil. This pipeline will derisk the delivery of oil to market and deliver positive savings to the Company. For example, we will save more than half a million dollars a year on road maintenance as well as all the trucking costs of approximately \$5M per year.

During 2012, we still worked across more than 70 exploration and production permits. We operate 10 multi-well oil fields, participate in 44 joint ventures and have increased our land holding to close to 73,000 square kilometres.

These results are pleasing, but not really unexpected. Senex has a clear growth path and a well-developed plan to achieve it. It also has a qualified and experienced management team with the right skills and attitude to deliver. After the formal component of our meeting today, I will invite Managing Director Ian Davies to walk you through that strategy in detail. It should be said that an effective strategy is always the product of strong leadership and smart decisions. And this brings me to the second element of my address this year and a hot topic at shareholder meetings: remuneration.

Reflections on remuneration

As Chairman of Senex's remuneration and nominations committee, I would like to provide a few personal reflections on the subject, particularly as it applies to your Company.

First, let me say that my fellow Directors and I believe in rewarding people fairly. It is not a luxury for a company like Senex. It is absolutely critical to allow us to attract and retain top quality people, including Directors, with the skills, experience and never-say-die attitude required to deliver the Company's growth strategy. I am pleased to report that Senex's remuneration packages for executives and staff are competitive within the oil and gas industry in Australia. Those of you who have scrutinised our remuneration report and are familiar with our industry will know this to be a statement of fact.

Secondly, your Board has established a rigorous and defensible framework for setting targets and measuring performance. We set tough targets to drive exceptional performance. 2011/12 was a bumper year for Senex, but our executive managers earned only 70 per cent of the possible incentive payments. This highlights your Board's focus on driving dollars further and keeping our eyes on the targeted outcomes. I must emphasise to all shareholders that the future success of our Company depends on this strategy.

It is worth noting that all Board members are shareholders and all employees are encouraged to be shareholders. Incentives for executive managers and staff have been paid in shares. They benefit from share price growth, as do all shareholders, and therefore all our interests are aligned. We're heading in the same direction, which brings us to the future outlook for the company.

Outlook

Senex has momentum.

This fact is clear when you consider the Company's performance and the market's regard for our stock and our inclusion in the ASX 200 and the number of institutional investors who have taken an interest and position in the business.

There is clearly room to grow. Oil sales are funding both our oil and coal seam gas exploration programs. Gas demand will increase both locally and internationally and Senex is a major player in Australia's drive to develop a world class unconventional gas resource.

In regard to the Carbon Tax and the Petroleum Rent Resource Tax, I can advise that we do not expect to contribute to these new taxes in the near future..

Senex has much to contribute to the Australian economy and we look to Federal and State Governments to provide effective policies which will encourage growth and prosperity without placing further burdens and costs on our business operations.

Thank you

In closing, I would like to thank my fellow Directors for their generous contribution of time and energy during the year. I would also like to acknowledge the entire Senex team for their ongoing efforts and, in particular, the senior managers for their leadership and drive to deliver such outstanding results.

To our shareholders, I offer my thanks for your ongoing support as we work to build a strong and successful Australian energy company.

Thank you for your attendance today and best wishes for the festive season.

Denis F Patten
Chairman of Directors

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