

## Chairman's Address at 2013 Annual General Meeting

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Ladies and gentlemen,

Welcome to the 2013 Annual General Meeting for Senex Energy Limited. I'm pleased to report that your Company has gone from strength to strength over the last 12 months, setting new records for oil production, revenue growth and profit. At the same time, Senex has continued its track record for successful exploration, delivering new oil and gas discoveries that will drive future growth.

Senex is a Company with its eyes firmly fixed on the future. The Board, management and entire team is focused on building a valuable, sustainable energy company that is here for the long term.

Today, I want to take a cold, hard look at your Company. In our fast-paced lives, we often ignore the big picture and respond only to daily fluctuations. Let us take a moment to stand back and consider the underlying value of this business that many of us – myself included – are so passionate about.

Let's evaluate the Company's current position to provide a meaningful context for the formal business we have come here to address today – most of which revolves around the value we place on the people charged with managing your investment.

### **Strong fundamentals**

The analysts agree. Senex is a strong business, built on solid foundations. Right now, your Company has cash reserves of more than \$100 million, zero debt and a thriving oil business that generated more than \$39 million in the quarter ended 30 September 2013.

This is not a new development. Rather, this is the product of a carefully conceived, disciplined and executed strategy that has delivered sustained growth in production, revenue and profit for the last three years.

Year on year, Senex has stuck to its rapid growth agenda and delivered on its promises: Not marginally, but emphatically.

In the financial year 2012/2013:

- Oil production more than doubled to 1.25 million barrels.
- Oil sales more than doubled to \$137 million.
- Net profit after tax rocketed to \$61 million - almost a seven fold increase on the 2011/12 result of \$8.9 million.

Let me repeat, this is not a fortunate accident. It is the result of a disciplined, committed and targeted program of work in one of the world's most challenging environments:

- Right now in the Cooper Basin, temperatures soar to 50 degrees. In January this year, you might remember that the Bureau of Meteorology had to adopt a new colour to describe average temperatures over 50 degrees. That colour sits firmly over our operations.
- Our 46 fly-in/fly-out employees and up to 70 contractors in the field spend the better part of their day working in these conditions. Each of our operational bases in the Cooper Basin is at least two hours drive from Moomba, which has the only sealed airstrip in the region. The only town within hundreds of kilometres is Innamincka – home to approximately 12 people. There is no local supply chain.

The logistical circumstances are extreme and constant. Success requires much more than careful planning. It requires the ability to roll with the punches. It takes tenacity, creativity and teamwork. It also requires a long term view.

### **Future focused**

Over the last 12 months, Senex has proven that it has its sights firmly fixed on future growth. Operationally and commercially, your Company has positioned itself for a long term role in the rediscovery of the Cooper Basin.

At this time, as you know, oil is our strength. At an operational level, we now have infrastructure in place, such as permanent camps and pipelines, that will enable us to continue growing rapidly. And, on the back of successful oil exploration, appraisal and development, Senex achieved a reserves replacement ratio of more than 300% over the last year. And that was before we embarked on a 30 well drilling program in this financial year that has already delivered two significant discoveries.

At a commercial level, Senex has demonstrated that it is focused on a continuing and growing presence in Australia's oil scene. In August this year, the Company signed a landmark agreement with the South Australian Government that provides tenure security for up to 15 years for our Cooper Basin oil exploration permits. This was a significant move that grants Senex flexibility and control over its exploration dollars.

Through collaboration and big picture thinking, Senex has ensured it is in a position to make the most of its extensive acreage in the Cooper Basin.

Senex Managing Director Ian Davies will explain more about the next stages of development for our oil business at the conclusion of today's formal proceedings. It is an exciting story.

Equally exciting is the progress Senex made on the delineation of its Cooper and Surat Basin gas resources during the year:

- The discovery of the Hornet gas field this year was an early win that delivered a significant conventional gas resource, less than 30 kilometres from the Moomba to Sydney gas pipeline.
- Senex also booked its first unconventional gas resources during the year, demonstrating that our acreage in the Cooper Basin has what it takes to meet an expected supply shortfall in Australia's eastern gas markets from 2016.
- Here, in Queensland's Surat Basin, Senex achieved a 15% increase in its coal seam gas portfolio, bringing total reserves and resources close to 600 petajoules. That's a sizeable asset perfectly positioned to supply the State's LNG industry.

There's no doubt that 2012/13 was a terrific year for Senex.

Right across our portfolio of oil and gas assets, Senex has set its sights high and delivered on its promises.

### **A simple, effective strategy**

As I mentioned earlier, all of the growth your Company has experienced over the last three years was the result of a simple and effective strategy. This will lead us to our goals of delivering:

- Firstly, a thriving Cooper Basin oil business.
- And secondly, a world-class gas resource.

I trust I have conveyed to you that Senex made great progress in working towards both of these objectives during the year. As the cover of this year's annual report proclaimed: we are building an energy company.

By keeping it simple and focusing on delivery, I am proud to report that your Company is in an exceptionally healthy state: financially, operationally and commercially.

Although it was disappointing to see the market undervalue that performance over the 12 months to 30 June, it has been pleasing to see the share price rally in recent months – with our market capitalisation exceeding one billion dollars earlier this month. Senex is turning heads and earning mainstream attention for its efforts.

And what is behind that success? As I said last year, and the year before that, the success of this Company is a function of the talents of its people.

**A talented team**

The team at Senex is delivering on its strategy under the guidance of an experienced Board and the leadership of an ambitious and motivated Managing Director, Mr Ian Davies, who by the way was honoured in this very building last month by the Brisbane Lord Mayor as *Businessperson of the Year*.

The efforts of Ian's executive leadership team and each member of the Company – which now numbers more than 180 – have delivered this third consecutive year of rapid growth.

I would like to take this opportunity to thank the entire team at Senex for their tireless work and relentless focus on delivery. That includes my fellow Directors who give so willingly of their time and energy in overseeing the Company's strategic development.

I'd also like to thank the people and communities of the outback who host our operations across the Cooper, Eromanga and Surat Basins. I had the privilege of visiting the town of Innamincka in recent weeks and meeting with some of our key stakeholders from across the Cooper Basin, to announce a three year partnership between Senex and the Royal Flying Doctor Service. It gives us great comfort to know that we are doing our part to keep the Flying Doctors flying high to serve everyone who lives and works in this remote region of Australia.

Most importantly, I wish to acknowledge the loyalty and support of our shareholders. Thank you for your continued investment. Rest assured that every member of the Senex team will be working to serve your interests over the coming years.

Denis F Patten  
Chairman of Directors

20 November 2013

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