

FY17 full year results and FY18 outlook

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Senex Energy Limited (ASX:SXY, “Senex”) today announced its FY17 results, and a growth and returns focused capital investment program of \$80 – 100 million for FY18, prioritising the Western Surat Gas Project and the western flank oil business in the Cooper Basin.

Senex Managing Director and Chief Executive Officer, Ian Davies, commented, “It is a promising time for Senex and our shareholders. We are steadily transitioning out of what has become a prolonged downturn in commodity prices and we are executing our strategy of delivering material gas production. Senex is emerging as a cost leader in CSG through our execution of the Western Surat Gas Project, and we have also continued our track record in the Cooper Basin as a low cost oil producer. We are well funded and well positioned to deliver year-on-year production and reserves growth for our shareholders.”

Key FY17 results against the prior year:

- **Solid safety and environmental performance**, including no recordable incidents or notices for the Western Surat Gas Project;
- **Production** of 0.75 mmboe, down 26%, reflecting natural field decline and the consequences of capital deferral during this extended lower oil price environment;
- **Proven (1P) reserves** of 16.7 mmboe, up 38%, a direct reflection of Senex’s strategy to pursue east coast gas opportunities, with successful appraisal activities on the Western Surat Gas Project;
- **Sales revenue** of \$43.6 million, down 37%, attributable to lower production volumes and a lower average realised oil price of A\$61 per barrel;
- **Unit operating costs** of A\$30 per barrel of oil excluding royalties, up 8%, reflecting continued focus on cost control against the backdrop of lower volumes;
- **Statutory net loss after tax** of \$22.7 million, primarily driven by lower sales volumes and a lower average realised oil price combined with higher exploration expense. This result represents a 32% improvement on FY16, consistent with an improving operating environment and focus on cost control;
- **Capital expenditure** of \$62.3 million, reflecting an expanded work program in both the Surat Basin and the Cooper Basin, accelerating during the last quarter of FY17 due to Phase 2 works commencing on the Western Surat Gas Project; and
- **Cash balance** of \$134.8 million, up 32%, given robust capital management and the institutional placement to EIG and other shareholders conducted during FY17.

FY18 outlook

Commenting on the outlook for financial year 2018, Mr Davies said, “Our FY18 investment program is designed to deliver returns from the oil business and growth in our gas business, while maintaining a strong balance sheet. In many ways the next twelve months represents a breakthrough year for Senex.”

“We expect to achieve a number of project milestones for the Western Surat Gas Project during FY18, which will ultimately facilitate a final investment decision for the project. These include securing environmental and regulatory approvals and finalising our commercialisation strategy. Senex is quickly building a leadership position in the safe, efficient and low cost delivery of gas, and this year we will consolidate this position while ramping-up production. In addition, the delivery of gas from the Vanessa field in the Cooper Basin in early 2018 will provide much-needed incremental gas to South Australian domestic customers.

“Running in parallel, Senex’s oil business remains cash generative and our ability to produce at low cost continues to be a hallmark of our operations. The majority of our oil is produced from the prolific western flank of the Basin, an area with solid economic credentials even in a low oil price environment. Our recent Birkhead oil discovery provides further evidence of the western flank’s potential, and we have confidently refocused our efforts and spend in pursuit of high value opportunities in the region,” Mr Davies said.

Senex provides the following outlook for FY18:

- **Progression of the Western Surat Gas Project**, with immediate focus on the completion of the Phase 2 work program and an expanded appraisal program west of the Eos block to facilitate future development of the area;
- **Returns focused capital program in the Cooper Basin** to stabilise and grow production, with success case economics of >50% internal rate of return applying to all drilling prospects;
- **Capital expenditure guidance of \$80 – \$100 million** as described below. This does not include potential capital associated with sales gas infrastructure or the next phase of Western Surat Gas Project drilling, which are under evaluation for investment decisions in FY18;
- **Net production guidance of 0.75 – 0.90 mmbœ**, primarily generated from the Cooper Basin western flank as well as the Vanessa gas field. Gas volumes from the Western Surat Gas Project will ramp up throughout FY18 with material gas production expected in FY19.

| Production mmbœ | FY18 guidance | FY17 actual |
|-------------------------|--------------------|-------------|
| Total production | 0.75 – 0.90 | 0.75 |

| Capital expenditure \$ million | FY18 guidance | FY17 actual |
|--------------------------------|-----------------|-------------|
| Cooper Basin | 30 – 40 | 26 |
| Surat Basin | 45 – 55 | 37 |
| Corporate | 5 | – |
| Total equity capex | 80 – 100 | 62 |
| Lattice Energy committed funds | 50 ¹ | 30 |

¹ Relates to calendar year 2018.

Surat Basin

The Western Surat Gas Project (100% Senex) represents a near term and material revenue stream from a large gas resource. Access to infrastructure and the global LNG market have been established through a binding 20 year gas sales agreement with GLNG. Importantly, this gas sales agreement allows for the staged development of the acreage serving to reduce risk and capital exposure for Senex.

During FY17, Senex commenced production from the Glenora pilot, with the raw gas sold to GLNG. Also during the year, Senex sanctioned its first major investment in the Western Surat Gas Project, committing \$50 million to a 30 well drilling campaign, which commenced in June 2017². Senex expects to have the first of these wells online in Q1 FY18 and will complete the drilling program by end calendar year 2017. In parallel, Senex will undertake an expanded program of appraisal activity west of the Eos block during FY18, including bringing two additional pilots online to facilitate future development of this acreage.

Senex continues to undertake planning work on the full field development of the project acreage, with a number of milestones to be reached in FY18 including securing environmental and regulatory approvals. The Company also expects to make investment decisions on sales gas infrastructure as well as on the next phase of drilling during FY18, in tandem with the delivery of a whole of company financing solution in early 2018.

Cooper Basin

The Company's oil business in the Cooper Basin continues to generate free cash flow at current oil prices, supported by low operating costs and a proactive oil price hedging program. Senex will run a returns focused capital investment program in FY18, prioritising spend on a small number of western flank drilling targets with internal rates of return higher than 50%. In addition, the Company will invest in seismic acquisition in the undeveloped south-west region of the Cooper Basin, a potential continuation of the western flank oil fairway.

Under the joint venture with Lattice Energy (formerly Origin Energy), plans are advanced to complete Stage 1 of a material unconventional gas exploration project. Of the original \$105 million work program, approximately \$55 million has been spent, with approximately \$50 million of Lattice committed funds remaining to be utilised to evaluate commerciality of this prospective gas acreage.

RESULTS WEBCAST

Senex Managing Director and Chief Executive Officer Ian Davies and Chief Financial Officer Graham Yerbury will hold a webcast today to discuss the full year results and outlook:

Time: 9.00am AEST
Date: Tuesday 22 August 2017

The webcast will be streamed live at this time and can be accessed via the Senex website (www.senexenergy.com.au) or through the following link: <http://webcast.openbriefing.com/3811/>. A recording of the webcast will be available from 5pm AEST via the same link.

² The permits for Glenora and Eos include commitments for 20 appraisal wells, which this work program will satisfy.

FURTHER INFORMATION

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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 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.

APPENDIX

1. Underlying net profit can be reconciled to statutory net profit / (loss) as follows:

| | FY17 \$ million | FY16 \$ million |
|---|--------------------|--------------------|
| Statutory net profit / (loss) after tax | (22.7) | (33.2) |
| <i>Add/(less):</i> | | |
| Gain on sale of Maisey block | - | (38.2) |
| Impairment of exploration assets and in-field consumables | - | 69.7 |
| Restructuring | 0.1 | 1.8 |
| Tax (benefit)/expense | - | - |
| Underlying net profit / (loss) after tax | (22.5) | 0.0 |

Underlying net profit is a non-IFRS measure
Numbers may not add precisely to totals provided due to rounding.

2. EBITDAX (earnings before interest, tax, depreciation, amortisation, impairment and exploration expense) can be reconciled to the statutory net profit/(loss) as follows:

| | FY17 \$ million | FY16 \$ million |
|--|--------------------|--------------------|
| Statutory net profit / (loss) after tax | (22.7) | (33.2) |
| <i>Add/(less):</i> | | |
| Net interest | 0.2 | 1.2 |
| Tax | - | - |
| Amortisation and depreciation | 21.1 | 23.6 |
| Impairment | - | 69.7 |
| EBITDA | (1.4) | 61.3 |
| <i>Add/(less):</i> | | |
| Oil and gas exploration expense | 8.7 | 2.3 |
| EBITDAX | 7.3 | 63.6 |