

AGM addresses by the Chairman and Managing Director

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Senex Energy Ltd (Senex, 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).

FURTHER INFORMATION

Investor and media enquiries:
Ian Davies

Managing Director and CEO
Senex Energy Ltd
Phone: +61 7 3335 9000

Derek Piper

Head of Investor Relations and Treasury
Senex Energy Ltd
Phone: +61 7 3335 9000

Paul Larter

Communications Manager
Senex Energy Ltd
Phone: +61 400 776 937

ABOUT SENEX

Senex is an ASX-listed, growing and independent Australian oil and gas company with a 30-year history. We manage a strategically positioned portfolio of onshore oil and gas assets in Queensland and South Australia, with access to Australia's east coast energy market. Senex is focused on creating sustainable value for shareholders by leveraging our capability as a low cost, efficient and safe explorer and producer.

Chairman's Address

Chairman's Address to the Annual General Meeting 2018

Good morning ladies and gentlemen. It is a real pleasure to be with you today.

This is an exciting time for your company. The hard work of the last few years in pursuing our strategy is laying the groundwork for Senex to thrive for years to come.

Last month your company announced that it had closed its \$150 million debt facility and that Final Investment Decisions had been taken for Roma North, which is part of the Western Surat Gas Project, and Project Atlas in the Surat Basin. The Board also sanctioned multi-year work programs for those developments. We have already begun to see our plans becoming reality, with construction commencing at the Roma North processing facility earlier this week. These projects will establish Senex as a material supplier of natural gas on the east coast.

After the challenging years of sub-\$50 Brent oil, we have been back on a growth path over the past year. This has delivered increased reserves, production, revenue and operating cashflow. While market conditions have been more favourable for your company in 2018, we have made the most of the oil price recovery with a continued focus on capital management. A good example is the transaction we agreed with Beach Energy to transfer up to \$43 million of free carry for them to fund our drilling activity in the prolific western flank of the Cooper Basin this financial year. This program has already delivered success, with two commercial oil discoveries to date, and is progressing this year.

In operations, we continue to deliver successful outcomes, leveraging our capability and our strategically located acreage. The Cooper is Senex's traditional business where the company is an established low-cost oil producer. This basin is also firmly part of our future.

At this point I would like to talk briefly about our most important priority – safety. This is an area of increasing attention for our leadership team and our people, especially with the level of operational activity about to ramp up as we progress our major gas projects. We are also working with our industry partners to share learnings.

Senex remains active in Queensland's Safer Together group, a gas industry safety forum established in 2014 with more than 100 member companies. Our continued participation in the group reinforces our commitment to consistent and continuous improvement of safety standards across the industry. To be absolutely clear, our goal for our staff, contractors and communities is zero incidents and zero injuries.

Your company takes a similarly prudent approach to capital management. The Board and executive team take our responsibility as stewards of your capital very seriously. This has always been a hallmark of Senex and will continue to be as we move into a phase of investing for growth.

As mentioned in my earlier remarks, Senex has closed the \$150 million corporate and development debt facility with ANZ to fund construction of the Surat Basin gas projects. This followed an extensive assessment of bank and non-bank debt financing alternatives to secure the best option

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for this stage of our development. As shareholders, we should all be pleased with the favourable terms on which this debt facility has been closed.

Casting our view outside the company, the availability of affordable, reliable and sustainable energy has continued to be the focus of public policy debate this year. The Federal Government, as part of its planned solution to ensuring sufficient gas supply for future energy needs, continues to monitor the market for the year ahead through the Australian Domestic Gas Security Mechanism, introduced in 2017. Gas producers have responded for the second year by ensuring sufficient gas is available for domestic needs. In this context, neither the gas industry nor governments can afford to be complacent about the importance of new gas supply.

It is equally apparent that developing Australia's abundant gas resources will be critical to address tightness in the east coast market. Increasing the amount of gas available for sale by creating new sources of supply and competition will enhance security of supply and reduce pressure on prices. Let's not forget that gas, with low emissions compared to coal, is a fuel that supports the transition towards a lower carbon future. While some choose to disregard the facts to suit their ideological views, it is obvious that not all renewable energy options yet have the characteristics required for secure reliable energy. There will be a mix of solutions and gas will play a significant role.

Having taken Final Investment Decisions on our Surat Basin gas development projects, Senex is playing its part in helping to meet the broader public policy challenge. Project Atlas is the natural gas permit in Queensland's Surat Basin that was awarded to your company in September 2017. This gas will be developed and produced by Senex solely for domestic customers. Senex strongly supports the Queensland Government's policy to increase gas supply to the domestic market. We are delighted to be developing this high-quality acreage.

Gas producers need regulatory stability to invest in unlocking these resources. The demise of the National Energy Guarantee, which Senex supported, was a disappointing development. However, there is hope that at the COAG meeting of energy ministers in December the Commonwealth, states and territories will agree a reliability obligation similar to that which was originally proposed in the National Energy Guarantee. Agreement would be in the national interest as a positive step towards ensuring reliable, secure and affordable energy needed by industry and consumers. Again, we applaud the Queensland Government for its innovative approach.

Let me now discuss one of today's agenda items. I acknowledge the concerns of some shareholders, but more particularly governance advisers, who have questioned the proposed grant of Strategic Business Milestone rights to our Managing Director and CEO, Ian Davies – the subject of Resolution 5. The Board considers it important that the current leadership of Mr Davies continue during the critical Surat Basin project delivery period. We are proposing the one-off grant of these rights as a way of ensuring leadership continuity and securing value to shareholders. At the end of the milestone delivery period, the Board will assess the delivery of the two projects against our pre-established development plans with a focus on budget and schedule. The grant of these rights is also subject to there being a positive total shareholder return over the milestone delivery period. I am confident this is the right decision for our business.

At this point I would like to acknowledge changes to the Board since last year's Annual General Meeting.

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Yanina Barila resigned from the Board in December 2017 following the sale of Sentient's stake in Senex. Yanina and Sentient made important contributions to Senex's growth and, on behalf of the Board, I thank them for their efforts. In January 2018 EIG Global Energy Partners Managing Director Andy Zhmurovsky joined the Board. Andy, it's good to have you – literally – on Board. Andy contributes valuable insights from his wealth of experience of more than 20 years managing investments in energy projects in Australia and internationally. The company is fortunate to have very experienced and competent directors and I would like to thank them for the support and guidance they have given me over the past 12 months.

Our efforts as Directors are only as good as the ability of the executive team and staff to put strategy into action. On behalf of the Board, I would like to applaud Ian, his executives and employees for a year of strong performance.

Our sincere thanks also go to the wide range of external stakeholders without which our business could not operate: our landholders; the communities in which we operate; our community partners; contractors; suppliers; and government stakeholders at all levels.

Ladies and gentlemen, thank you for your continued support of Senex and for your attendance today. Let me finish by reflecting on our positive prospects.

By returning to growth over the past 12 months, Senex has consolidated its position of strength and is embarking on an exciting new chapter in our story. More broadly, as shareholders you can be proud that your company is making an important contribution to the Australian energy market, the economy and broader society.

In conclusion, and on behalf of the Board, I'm certainly looking forward to a tremendous year for Senex – one that will deliver on our strategy, which firmly remains:

- Realising the near-term potential in the Australian east coast gas market;
- Focusing our material exploration and production position in Cooper Basin oil; and
- Pursuing potential opportunities in new markets and new ventures that align with our core skills.

This is a remarkable way to begin celebrations for the 35th year of Senex as a public company in 2019.

Thank you.

Trevor Bourne
15 November 2018

Managing Director's Address

Managing Director's Address to the Annual General Meeting 2018

Good morning ladies and gentlemen. It's an absolute pleasure to have this opportunity to talk with you all. As you know, I love talking about your company.

We are finishing the calendar year with a lot of momentum. Trevor has outlined our advances over the past year and I'm going to colour in some of that big picture. Nothing could better describe 2018 than your company's new purpose statement. That is, "a growing and independent company, providing oil and gas to improve lives and support the energy needs of Australia and the world". This is something all of us at Senex truly believe in.

Firstly, to growth. Let me start by addressing the Roma North development, which is part of the Western Surat Gas Project, and Project Atlas. It's been a big few weeks for both developments, with the start of construction at Roma North on Monday just two weeks after Final Investment Decision.

I'll give you three examples of what these developments collectively involve:

- Firstly, developing and producing gas volumes in the region of 90 million barrels of oil equivalent over their lifetime. This is roughly the equivalent of supplying the entire world's oil demand for a day.
- Secondly, construction of processing facilities with a total capacity of 56 terrajoules per day. When operating at this rate, they would provide enough energy to power 150,000 family homes each and every day – or a city about the size of Toowoomba.
- And thirdly, creation of 150 jobs during construction, not to mention the indirect economic benefits to surrounding communities. These are long-life projects that will produce benefits for at least 30 years.

Atlas and Roma North are truly transformational for Senex and will result in a step-change in production, earnings and cash flow. And they are an example of how we are leveraging the success of our Cooper Basin operations into the Surat Basin. Without the Cooper Basin, Senex simply could not have funded these new developments.

Significantly, our gas projects represent the biggest single investment in growth in Senex's history, with between \$220 million and \$250 million invested over the next three years. Let's just pause for a moment to consider that number – that's up to a quarter of a billion dollars of capital. On top of this, Jemena, major infrastructure owner and operator, has committed \$140 million. With this capital they will build the Project Atlas gas processing facility and a 60km pipeline, with Senex paying a toll to Jemena over the life of the project. All up, the investment in your company's growth over the next three years is close to \$400 million – and all on material, low risk, long-life gas assets.

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It is also significant that:

- We will become a supplier of gas on the east coast, helping to ease supply pressures and contributing to broader economic prosperity;
- And through Project Atlas, Senex remains on target to become the first producer of natural gas from acreage dedicated to domestic supply in Queensland – by the end of 2019.

I would like to thank the Board and our debt and equity investors – including all of you here today – for your support in taking vital Final Investment Decisions that enable us to grasp these opportunities.

Over the past 12 months in the Surat, we have systematically de-risked these projects by delivering on our stated milestones. The various milestones now in our rear-view mirror include:

- Successful appraisal of an initial development area of the Western Surat Gas Project, proving up the resource and providing valuable insights to ensure efficient full-field development.
- All regulatory and environmental approvals across the whole of the Western Surat Gas Project acreage, again allowing full field development.
- And, as Trevor has mentioned, closing our \$150 million debt facility. I will talk more about this significant achievement in a few minutes.

Having now sanctioned both projects, Senex is focused on flawlessly executing our workplans over the next 18 to 24 months. The end goal of our gas programs is clear – to deliver more gas into the Australian east coast gas market and to grow your company into a material player in the energy industry. Specifically, these projects underpin a targeted increase in annual oil and gas production to four million barrels of oil equivalent, from less than one million now – a huge achievement.

Growth in both oil and gas was the defining feature of the 2018 financial year. Your company increased reserves, production and operating cashflow.

- 2P reserves were up 35 per cent to more than 113 million barrels of oil equivalent. These increases demonstrate both the quality of our assets and their earning potential in the coming years – and clearly underpin the Final Investment Decisions I just spoke of.
- Production rose 12 per cent to more than 800,000 barrels of oil equivalent;
- And sales revenue improved dramatically by 61 per cent to more than \$70 million, on improved pricing and production.

Importantly, our base oil portfolio continues to deliver. In combination with our strong balance sheet, oil from the Cooper Basin funded operating and capital expenditure across the business. With our focus firmly fixed on the prolific western flank, Senex delivered a successful drilling program in financial year 2018.

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We discovered the Marauder field and brought online our first horizontal oil development well, Growler 15, which has continued to produce ahead of expectations. And already in this financial year we have had success in our free-carried Cooper Basin drilling program, which will again lead to growth in production in financial year 2019.

Unfortunately, our safety performance declined in the 2018 financial year, with an increase in injuries sustained across drilling and completions and operations. We had a total of six recordable injuries during the financial year – five in the Cooper Basin and one in the Surat Basin. Of the total injuries, three were sustained by third-party drilling contractors and three within Senex operations. To address the root cause of incidents, we have renewed our focus on personal risk awareness and contractor safety management. Senex is proud of our behavioural safety culture and we are bitterly disappointed to have experienced an increase in injuries to our workforce. Each incident was comprehensively reviewed, lessons learned were captured and mitigating actions have been implemented. We are also working with our industry partners to share learnings so that we can strive to reduce our injuries to zero.

Back to our company purpose, we are proudly delivering oil and gas by embracing innovative approaches in several areas. There are four recent and powerful examples. Firstly, the Queensland Government's domestic gas tender – in which your company was the first successful bidder – is an innovative way to increase gas supply for Australia's east coast gas market. Before I go further, let me commend the Palaszczuk Government. This government has done the heavy lifting for the domestic market by taking an approach that is a first for Australia in dedicating acreage for east coast supply only. Senex was quick to seize on this opportunity and we are proud that the Queensland Government entrusted Senex to deliver first gas from Atlas by the end of 2019.

Project Atlas and Roma North have been enabled by Senex's second example of innovation, which is inherent in our closing of the \$150 million senior secured debt facility with ANZ last month. This was the first time dedicated senior project financing had been secured in Australia for onshore natural gas projects not held by an LNG proponent. In doing this we have opened the way for small-to-medium gas companies to secure funding for bringing new gas supplies to market.

The third recent example of our commitment to innovation is our partnership with Jemena. On behalf of Senex, Jemena will build, own and operate the Atlas processing plant and pipeline that will transport natural gas to the Wallumbilla Gas Hub – the gateway to the east coast market. This will be the first true open-access processing facility in the Surat Basin, designed to encourage other gas producers in the area to feed in additional gas volumes. The payoff will be transportation efficiencies and less infrastructure duplication – positive outcomes for industry, the community and customers.

A further enabler of our recent announcements – and a further innovation – has been Commonwealth EPBC approval for the Western Surat Gas Project. Importantly, this was the first EPBC approval for a greenfield development by a non-LNG producer, demonstrating the capabilities and professionalism of your Senex team.

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The bottom line in each of these examples is a strong desire and capability to find smarter solutions to bring new resources to market in the safest and most efficient way. With this approach we are making our presence felt far beyond our size. Government, the community and industry are watching with interest.

Again with our gaze firmly fixed on our company's purpose, we are "improving lives and supporting the energy needs of Australia and the world". As an industry, we have a long and proud history of – and I believe a bright future in – building economies. In the next few years natural gas from Senex wells in the Surat Basin will increasingly be used as an energy source on the east coast of Australia for manufacturing and will cut emissions in electricity generation, when used instead of coal.

Senex is also establishing lasting, positive relationships on the ground in our local communities and further afield. Our local communities rightly expect that companies like Senex will not only minimise their environmental and operational impacts but make a positive economic and social contribution. We work hard to meet these expectations through the positive relationships we build with landholders and other stakeholders, local employment and procurement, and our support for charitable causes that deliver local benefits.

We can deliver these benefits only through collaboration. In fact, the entire value chain of the oil and gas industry needs to work together to succeed. For clarity, this value chain includes not only producers but also infrastructure providers, financiers, government and customers as well as those in the community. Some of these gas customers are increasingly vocal, as you may have noticed in the media. Senex feels strongly that producers and customers have an obligation to work together to deliver affordable energy for all stakeholders, not just for the short-term benefits of the few. The energy industry is only too aware of the need to be agile and stay competitive in a global marketplace, just as producers did to survive when oil prices fell about 70 per cent to under 30 dollars a barrel from late 2014. Large industrial customers, too, need to invest in their future by adapting to changed circumstances and securing their input costs when opportunities arise. As Trevor has outlined, your company, through its collaborative approach on Project Atlas, is demonstrating that it is part of the solution.

With my Board membership of the industry association APPEA, you can be sure that Senex is advocating for a strong position in the ongoing public debate around domestic gas supply. Your company remains focused on the task at hand.

Finally, I'd like to celebrate the professionals at Senex that really give life to this great company. Thank you to the executive team and to each of Senex's people for playing their part to help our company achieve so much this year. We all know that a lot of hard work remains and no doubt there will be hurdles to jump. But the Senex team is ready. Together, you the investors and your company have set the foundation to deliver transformational growth.

Thank you.

Ian Davies
15 November 2018