

# Quarterly report

For the period ended 31 March 2020



## Highlights



Senex Energy Ltd (Senex, ASX: SXY) continues to record strong quarterly production growth as the execution phase of its transformational Surat Basin gas development projects nears completion. Highlights include:

- **Quarterly production up 31% to 589 kboe:** Gas production up 61% to 422 kboe from continuing Surat Basin ramp-up and the first full quarter of production from the Gemba field in the Cooper Basin
- **Surat Basin gas production outperformance:** Roma North producing above nameplate capacity at ~18 TJ/day; Surat Basin production now >29 TJ/day and tracking towards initial nameplate capacity of 48 TJ/day
- **Surat Basin drilling program reduced to 85 wells (from 110) due to production outperformance:** Roma North campaign reduced by 15 wells to 35 wells; Atlas campaign reduced by 10 wells to 50 wells
- **67 wells of 85 well campaign now drilled:** 58 wells brought on production with the remainder online in coming weeks
- **Senex to build, own and operate Atlas water management infrastructure:** Eliminating ongoing water processing tolls and increasing operational flexibility
- **Broad ranging COVID-19 protocols implemented:** Operations and work programs proceeding safely and with minimal disruption following swift implementation of broad ranging protocols
- **FY20 guidance reiterated:** Full year production guidance of 1.8-2.0 mmbœ; full year EBITDA guidance of \$40-50 million

### Comments from Managing Director and CEO Ian Davies:

“Against the backdrop of COVID-19 and lower oil prices, Senex has delivered another outstanding quarter highlighted by strong gas production growth and delivery of key project milestones.

“Our highest priority is always the safety and well-being of our employees, contractors and the communities in which we operate. Senex responded swiftly to COVID-19, with broad ranging protocols implemented. This has allowed operations and work programs to continue safely with minimal disruption.

“Surat Basin gas production continues to ramp and has exceeded 29 TJ/day, with Roma North producing above nameplate capacity. Ramp-up is set to continue as new Atlas wells are brought online later this month.

“The Surat Basin drilling campaign has been reduced by 25 wells due to production outperformance, and we will be eliminating Atlas water processing tolls through building and operating our own water infrastructure.

“Senex’s diversified revenue streams, low-cost business model and free cashflow breakeven below US\$30/bbl mean we are in a strong financial position to not only complete our transformational Surat Basin gas projects, but to thrive in a lower oil price environment”, Mr Davies said.

Key performance metrics	March Q3 FY19	December Q2 FY20	March Q3 FY20	Qtr on Qtr Change	FY20 YTD
Total production (kboe)	331	448	589	31%	1,369
Total sales volumes (kboe)	321	400	636 <sup>1</sup>	59%	1,355
Total sales revenue (\$ million)	27.8	29.4	33.3	13%	86.6
Average realised oil price (\$/bbl)	109.1	111.9	63.0	(44%)	92.5
Net cash / (debt) (\$ million)	23.1	(2.3)	(26.3)	(\$24.0m)	(26.3)

<sup>1</sup> Includes 97 kboe of third party gas purchases

# Financial



## Sales volumes and revenue

Sales volumes of 539 kboe (before third party gas purchase volumes of 97 kboe) were 35% higher than the prior quarter. Lower oil sales volumes due to natural field decline were offset by a 68% increase in gas and gas liquids volumes from the Surat Basin and the Gemba field in the Cooper Basin.

Sales revenue of \$33.3 million was 13% higher than the prior quarter due to an increase in gas revenue to \$23.2 million on higher gas production and strong prices, and lower Cooper Basin oil revenue of \$10.2 million due to lower oil prices. The average realised Australian dollar oil price was down 44% to \$63.0/bbl (Q2 FY20: \$111.9/bbl), which includes the revenue effect of oil hedges.

Senex recognises revenue using the accrual accounting method. For Senex oil sales, revenue is accrued at provisional prices when oil is delivered to the SACB JV at Moomba. The final price is determined and an adjustment recorded when oil is shipped to the end customer, around 70 days later. Consequently, in a declining oil price environment, the average realised oil price in a quarter may be lower due to re-pricing of the prior quarter's accrued volumes at the lower prevailing spot price. The opposite effect can occur in a rising oil price environment.

Sales volumes and revenue (Senex share)	March Q3 FY19	December Q2 FY20	March Q3 FY20	Qtr on Qtr Change	FY20 YTD
Oil sales volumes (kbbbl)	208	176	162	(8%)	518
Senex own gas and gas liquids sales volumes <sup>2</sup> (kboe)	112	224	377	68%	740
Third party gas purchase volumes (kboe)	–	–	97	n.m.	97
<b>Total sales volumes (kboe)</b>	<b>321</b>	<b>400</b>	<b>636</b>	<b>59%</b>	<b>1,355</b>
Oil sales revenue (\$ million)	22.7	19.7	10.2	(48%)	47.9
Gas and gas liquids sales revenue (\$ million)	5.2	9.7	23.2	139%	38.8
<b>Total sales revenue (\$ million)</b>	<b>27.8</b>	<b>29.4</b>	<b>33.3</b>	<b>13%</b>	<b>86.6</b>
Average realised oil price (\$/bbl)	109.1	111.9	63.0	(44%)	92.5
Average realised gas and gas liquids price (\$/GJe)	7.9	7.5	8.4	13%	8.0

NB. Totals throughout report may not add due to rounding

Senex's diversified revenue streams and resilient, low-cost business model position it well to continue delivering material operating cashflow in a lower oil price environment. Senex's diversified oil and gas portfolio generates revenue from fixed price domestic gas contracts, oil-linked gas contracts and oil production with material downside hedging in place, as summarised below.

- At Atlas, over 60% of expected gas production through to the end of calendar year 2022 is contracted at strong fixed prices.
- At Roma North, the oil-linked gas sales agreement with GLNG has downside price protection built into the contract and delivers positive operating cashflow at below US\$15/bbl and gas revenue of more than A\$5/GJ at an oil price of US\$27/bbl and an AUD/USD exchange rate of 0.60.
- 95% of Surat Basin gas production is contracted for calendar year 2020.
- In the Cooper Basin, 409,756 barrels of oil production are hedged for the 15-month period to 30 June 2021 at average swap prices between A\$90/bbl and A\$95/bbl.

Senex is in a strong financial position, with revenue well protected from oil price declines through strong fixed price gas contracts at Atlas, an oil-linked gas sales agreement with downside price protection at Roma North, and a proactive and material oil hedging program.

<sup>2</sup> Senex own product. Q3 FY20 sales volumes of 377 kboe include 28 kboe of non-methane sales volumes

# Financial



## Liquidity

As at 31 March 2020, Senex had strong liquidity with cash reserves of \$98.7 million and drawn debt of \$125.0 million. Senex's debt facility was sized to deliver its transformational Surat Basin gas projects, with peak net debt of less than \$80 million expected in Q1 FY21 upon completion of the work programs and at the commencement of free cashflow generation.

Senex continues to enjoy strong banking syndicate support. For details of Senex's debt facility, refer to the ASX announcement of 29 October 2018.

\$ million	March Q3 FY19	December Q2 FY20	March Q3 FY20	Qtr on Qtr Change
Cash reserves	58.1	122.7	98.7	(20%)
Drawn debt	35.0	125.0	125.0	–
<b>Net cash / (debt)</b>	<b>23.1</b>	<b>(2.3)</b>	<b>(26.3)</b>	<b>(\$24.0m)</b>

## Hedging

Senex continues to operate a proactive hedging policy. A total of 409,756 barrels of oil equivalent production is hedged for the three months ending 30 June 2020 and the 12 months ending 30 June 2021 using swaps with average prices of A\$95/bbl and A\$90/bbl, respectively.

Oil swaps	FY20 (Apr.–June)	FY21
Volume (kbbbl)	92	318
Weighted average swap price (A\$/bbl)	95	90



Roma North gas processing facility

# Financial



## Capital expenditure

Net capital expenditure of \$41.5 million included drilling, well completions and construction of gathering networks for the Surat Basin natural gas development projects.

\$ million	March Q3 FY19	December Q2 FY20	March Q3 FY20	Qtr on Qtr Change	FY20 YTD
Exploration and appraisal	8.9	3.5	1.6	(54%)	8.0
Development, plant and equipment	19.0	40.9	40.7	(0%)	119.3
<b>Capital expenditure incurred (gross)</b>	<b>27.9</b>	<b>44.4</b>	<b>42.3</b>	<b>(5%)</b>	<b>127.3</b>
Less: Cooper Basin free-carry <sup>3</sup>	(1.0)	(5.7)	(0.8)	(\$4.9m)	(6.5)
<b>Capital expenditure (net to Senex)</b>	<b>26.9</b>	<b>38.7</b>	<b>41.5</b>	<b>7%</b>	<b>120.8</b>

As announced on 11 March 2020, Senex has reduced the originally planned 110 well Surat Basin drilling campaign to 85 wells. At Roma North, just 35 of the originally planned 50 wells will be required due to production outperformance to date. At Atlas, Senex reviewed the strong production performance of the initial 23 wells and leveraged learnings from Roma North, which resulted in a reduction to the number of wells required to reach initial plateau production from the originally planned 60 wells to 50 wells.

Further, Senex has reviewed its Atlas capital program and identified an opportunity to build, own and operate Atlas water management infrastructure. This opportunity is value accretive to Senex, with capital investment of approximately \$15 million removing ongoing water processing tolls over the life of Atlas and increasing operational flexibility.

After the reduction of 25 wells and the inclusion of Atlas water management infrastructure, Senex expects net capital expenditure for its Surat Basin gas development projects to reduce by around \$15 million.

Senex retains full discretion as to growth capital expenditure through its 100% operated asset position and disciplined approach to capital allocation.



<sup>3</sup> As announced on 16 April 2018, Senex and Beach agreed the transfer of up to \$43 million (gross) of free-carry commitment from the joint venture's unconventional gas project to the Cooper Basin western flank oil assets. No additional interest in the Cooper Basin western flank oil assets will be earned by Beach through this free-carry arrangement

# Operations



## Response to COVID-19

Senex has implemented a broad range of COVID-19 protocols and business continuity measures and is working closely with Government, industry bodies and our contractors and joint venture partners to limit the spread of COVID-19. Strict travel restrictions, field access arrangements, hygiene discipline, social distancing at offices and work sites and other measures have been enacted. Our objective is to meet or exceed Government, World Health Organisations and industry guidelines.

Field operations and work programs are proceeding safely and with minimal disruption following implementation of these measures, allowing Senex to continue contributing to the vital energy requirements of our customers and the domestic market. Senex continues to actively monitor the impact of COVID-19 on its business and stakeholders and will update the market as appropriate.

## Production

Oil and gas production of 589 kboe was 31% higher than the prior quarter.

In the Cooper Basin, oil and gas production of 230 kboe was 4% higher than the prior quarter. Natural oil field decline was offset by an 82% increase in gas and gas liquids production to 64 kboe due to the first full quarter of production from the Gemba field. The 2.9 km Growler Northeast 2 horizontal oil development well came online late in the quarter and is currently cleaning up.

In the Surat Basin, gas production of 358 kboe was 58% higher than the prior quarter. Daily production has exceeded 29 TJ/day and continues to track towards initial nameplate capacity of 48 TJ/day (approximately 18 PJ/year).

At Roma North, quarterly production was up 24% to 242 kboe as the plant reached nameplate capacity of 16 TJ/day (around 6 PJ/year), more than 12 months ahead of schedule. The facility has since been operating above nameplate capacity with production consistently above 18 TJ/day over the past month.

As announced on 11 March 2020, Senex has entered FEED on the low-cost 8 TJ/day expansion of the gas processing facility to 24 TJ/day (approximately 9 PJ/year), which is expected to be finalised in H2 FY20. The expansion project is low risk with fast cash returns given the facility's modular processing design and more than 20 years of 2P reserves coverage at 24 TJ/day.

At Atlas, quarterly production was up 268% to 116 kboe. Production from the first 23 wells continues to perform strongly and exceeded 10 TJ/day subsequent to quarter end, with some interruption to well production following heavy rains early in the quarter. Connection of recently drilled wells will commence in late April 2020.

FY20 full year production guidance of 1.8-2.0 mboe has been reiterated.

Production (Senex share)	March Q3 FY19	December Q2 FY20	March Q3 FY20	Qtr on Qtr Change	FY20 YTD
Oil (kbbbl)	212	186	167	(11%)	533
Gas and gas liquids (kboe)	119	262	422	61%	836
<b>Total production (kboe)</b>	<b>331</b>	<b>448</b>	<b>589</b>	<b>31%</b>	<b>1,369</b>

NB. Preliminary Cooper Basin production data for current quarter

# Operations



## Drilling

### Surat Basin

In April 2019, Senex awarded the drilling contract for its Surat Basin campaign to experienced oil and gas services provider, Easternwell. The first well spudded on 5 June 2019 and 67 wells of the campaign have since been drilled and completed, including 35 wells at Roma North and 32 wells at Atlas.

As announced on 11 March 2020, based on strong production performance of wells to date, the originally planned 50 well Roma North drilling campaign has been reduced to 35 wells and the originally planned 60 well Atlas campaign has been reduced to 50 wells.

During the quarter, Easternwell Rig 27 successfully completed the 35 well Roma North drilling campaign with industry leading cycle times and well costs achieved. The rig remobilised to Atlas in March 2020 and is currently completing the Atlas drilling campaign.

#### Q3 FY20 Surat Basin wells

Well name	Area	Interest	Well status
Eos 17	Roma North	100%	C&S, successful
Eos 18	Roma North	100%	C&S, successful
Eos 35	Roma North	100%	C&S, successful
Eos 34	Roma North	100%	C&S, successful
Eos 30	Roma North	100%	C&S, successful
Glenora 45	Roma North	100%	C&S, successful
Glenora 47	Roma North	100%	C&S, successful
Glenora 48	Roma North	100%	C&S, successful
Glenora 46	Roma North	100%	C&S, successful
Glenora 43	Roma North	100%	C&S, successful
Glenora 44	Roma North	100%	C&S, successful
Glenora 59	Roma North	100%	C&S, successful
Glenora 61	Roma North	100%	C&S, successful
Glenora 49	Roma North	100%	C&S, successful
Glenora 34	Roma North	100%	C&S, successful
Atlas 30	Atlas	100%	C&S, successful
Atlas 36	Atlas	100%	C&S, successful
Atlas 31	Atlas	100%	C&S, successful
Atlas 63	Atlas	100%	C&S, successful
Atlas 26	Atlas	100%	C&S, successful
Atlas 27	Atlas	100%	C&S, successful



Drilling at Roma North

# Exploration and Development



## Surat Basin

Senex is nearing completion of its Surat Basin natural gas development work programs. With Roma North and Atlas gas production exceeding 29 TJ/day and continuing to ramp towards initial capacity of 48 TJ/day, Senex is achieving its goal of becoming a material supplier of gas to the east coast market. Significant progress and important milestones achieved during the quarter are noted below.

### Atlas milestones

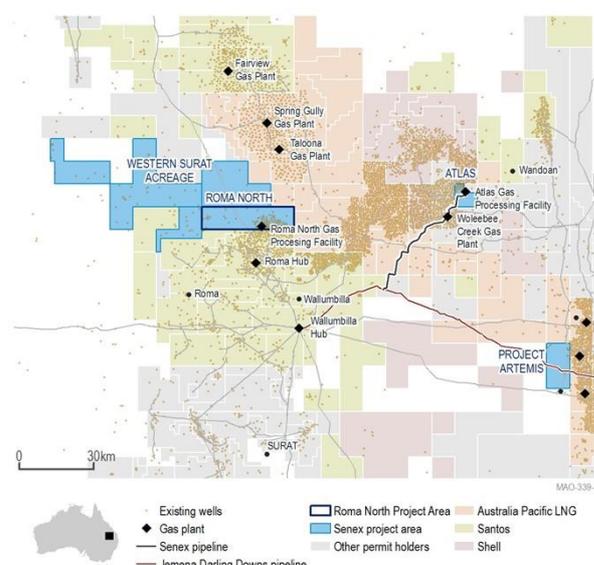
- Continuation of drilling campaign.** Easternwell Rig 27 returned to Atlas in March 2020 following completion of the Roma North drilling campaign. As announced on 11 March 2020, the originally planned 60 well campaign was reduced to 50 wells based on strong initial production performance from the first 23 wells and learnings from Roma North. During the quarter, six wells were spudded with 32 wells of the 50 well campaign now drilled and completed.
- Continuation of production ramp-up.** Production from the first 23 wells continues to perform strongly and exceeded 10 TJ/day subsequent to quarter end. New connections of recently drilled wells will commence in late April 2020. Some interruption to well production occurred following heavy rains early in the quarter.
- Water management infrastructure.** As announced on 11 March 2020, Senex reviewed its Atlas capital program and identified an opportunity to build, own and operate Atlas water management infrastructure. This opportunity is value accretive to Senex, with capital investment of approximately \$15 million removing ongoing water processing tolls over the life of Atlas and increasing operational flexibility. Construction of the water management facility commenced during the quarter with completion expected in Q1 FY21.

### Roma North milestones

- Completion of drilling campaign.** As announced on 11 March 2020, the originally planned 50 well Roma North drilling campaign was reduced to 35 wells based on production outperformance to date. During the quarter, the final 15 wells of the 35 well campaign were drilled and completed. Easternwell Rig 27 demobilised from the Glenora block in March 2020 and returned to Atlas to complete the Atlas drilling campaign.
- Production outperformance.** Roma North production reached the plant's nameplate capacity of 16 TJ/day (around 6 PJ/year) during the quarter, more than 12 months ahead of schedule. The facility has since been operating above nameplate capacity with production consistently above 18 TJ/day over the past month. As announced on 11 March 2020, Senex has entered FEED on the low-cost 8 TJ/day expansion of the gas processing facility to 24 TJ/day (around 9 PJ/year). Senex expects to finalise FEED in H2 FY20.

Expected timing for the remainder of the Surat Basin gas development program is set out below.

Milestone	Expected timing
Roma North first sales specification gas	Completed
Complete commissioning of Roma North gas processing facility	Completed
Atlas first sales specification gas	Completed
Sign additional Atlas gas sales agreements for 2020 delivery	Completed
Complete commissioning of Atlas gas processing facility	Completed
Complete integrated drilling campaign	Mid 2020
Achieve 18 PJ/year initial plateau production from Roma North and Atlas	End FY21



Surat Basin gas development program acreage

# Commercial and Corporate



## Atlas gas contracting

Senex commenced gas sales to CSR and Orora under fixed price gas sales agreements. Senex has now contracted more than 32 PJ of natural gas from Atlas (including potential contract volume expansions and term extensions), with over 60% of expected gas production through to the end of calendar year 2022 contracted at strong fixed prices.

Senex continues to negotiate new gas sales agreements with potential customers and will announce new contracts in due course.

## Investor Briefing

On 11 March 2020, Senex provided an Investor Briefing to outline its forecast step-change in annual production, cashflow and earnings from successful delivery of its Surat Basin natural gas development projects. The high-quality, low-cost nature of Senex's Surat and Cooper Basin assets, together with best-in-class execution capability, has enabled Senex to deliver this transformation in its business. Key highlights from the Investor Briefing are noted below<sup>4</sup>.

- A free cashflow breakeven Brent oil price of less than US\$30/bbl.
- A forecast tripling of production from FY19 levels to more than 3.6 mmbob in FY22, without growth capital expenditure.
- Foundation Asset Base annual EBITDA of \$100-110 million and free cashflow of \$70-90 million from FY22, the first full year of Surat Basin plateau production.
- Rapid Balance Sheet de-leveraging, with peak net debt of less than \$80 million in Q1 FY21 and Net Debt:EBITDA in FY22 of less than 0.5x.
- Surat Basin development capital expenditure savings due to production outperformance; well count reduced by more than 20% to 85 wells.
- FY20 production guidance of 1.8-2.0 mmbob reiterated.
- FY20 EBITDA guidance of \$40-50 million, which has subsequently been reiterated.



To listen to the Investor Briefing webcast, please visit: <https://webcast.openbriefing.com/5932/>

<sup>4</sup> FY22 figures represent contribution from Senex's Foundation Asset Base, as defined on slide 3 (Compliance Statement) of the Investor Briefing presentation from 11 March 2020. Key assumptions include: US\$65 Brent oil, A\$:US\$ exchange rates of 0.67, Atlas uncontracted gas price of A\$8.50/GJ; Atlas contracted gas price per existing gas sales agreements, Roma North oil linked gas price per existing gas sales agreement; unit operating costs are all-in, including field operating costs, tolls, tariffs and royalties. For further information and assumptions, refer to the Investor Briefing presentation from 11 March 2020.

# Glossary



<b>\$</b>	Australian dollars	<b>JV</b>	Joint venture
<b>ASX</b>	Australian Securities Exchange operated by ASX Ltd	<b>kbbl</b>	Thousand barrels of oil
<b>ATP</b>	Authority to Prospect - granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)	<b>kboe</b>	Thousand barrels of oil equivalent
<b>bbl</b>	Barrels - the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons	<b>mmbbl</b>	Million barrels of oil
<b>Bcf</b>	Billion cubic feet	<b>mmboe</b>	Million barrels of oil equivalent
<b>Beach</b>	Beach Energy Ltd	<b>mmscfd</b>	Million standard cubic feet of gas per day
<b>boe</b>	Barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy	<b>mscfd</b>	Thousand standard cubic feet of gas per day
<b>boepd</b>	Barrels of oil equivalent per day	<b>n.m.</b>	Not meaningful
<b>bopd</b>	Barrels of oil per day	<b>P&amp;A</b>	Plugged and abandoned
<b>C&amp;S</b>	Cased and suspended	<b>PEL</b>	Petroleum Exploration Licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
<b>Cooper</b>	Cooper Energy Ltd	<b>PJ</b>	Petajoule
<b>EPBC</b>	Environment Protection and Biodiversity Conservation Act	<b>PL</b>	Petroleum Lease granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)
<b>FEED</b>	Front end engineering design	<b>PPL</b>	Petroleum production licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
<b>FY</b>	Financial year	<b>PRL</b>	Petroleum retention licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
<b>GJ</b>	Gigajoule	<b>PRRT</b>	Petroleum Resource Rent Tax
<b>GLNG</b>	Gladstone Liquefied Natural Gas, a JV between Santos, PETRONAS, Total and KOGAS	<b>Q, Qtr</b>	Quarter
<b>GSA</b>	Gas sales agreement	<b>SACB JV</b>	South Australia Cooper Basin JV, which involves Santos (as operator) and Beach
		<b>Senex</b>	Senex Energy Ltd
		<b>TJ</b>	Terajoule
		<b>WSGP</b>	Western Surat Gas Project
		<b>YTD</b>	Year to date

# Further Information

## Conference call

Senex Managing Director and CEO Ian Davies and Chief Financial Officer Mark McCabe will hold a conference call to discuss these quarterly results.

Date: Wednesday, 15 April 2020

Time: 10.00am AEST (Brisbane, Sydney, Melbourne)

The conference call will be streamed live and can be accessed via the Senex company page on the Open Briefing website: <http://www.openbriefing.com/OB/3757.aspx>

A recording of the conference call will be available from 5.00pm AEST via the same link.

## 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.

## Authorised by:

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ASX: SXY

## Share Registry

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