

Quarterly report for the period ending 30 September 2011

Release Date: 31 October 2011

Highlights for the quarter

- **Oil production online and increasing:** Senex regained access to the Growler oil field at the end of September and recommenced production immediately. Production commenced at Vintage Crop in October and two additional wells were brought on-line at the Cuisinier oil field.
- **Oil pipelines agreed:** Senex committed to construct important oil transportation infrastructure to de-risk the Company's oil production in the South Australian Cooper Basin.
- **Oil drilling campaign on schedule:** Senex commenced an aggressive development and exploration campaign in the South Australian Cooper Basin with the first of five development wells spudded on 17 October 2011.
- **Prospective unconventional gas interests secured:** Senex executed an agreement with Planet Gas Limited to farm-in to the strategically located permit PELA 514, which boasts prospective conventional oil and unconventional gas resources.
- **Coal seam gas appraisal continuing:** Senex received positive results in the Company's Surat Basin coal seam gas acreage. Gas flowed to surface during the drilling of Alex-7 and net coal thicknesses averaged close to 30 metres for the three wells drilled.
- **Entitlement issue over-subscribed:** Senex raised \$53.3 million through a successful and oversubscribed entitlement issue to fund pipeline infrastructure and the acceleration of oil, appraisal and development programs in the South Australian Cooper Basin.
- **Strong financial performance:** Revenue for the quarter was in excess of US\$8 million and net cash at the end of the quarter totalled more than \$93 million.
- **Energy specialist appointed to the Board:** Dr Ralph Craven was appointed to the Board as a non-executive Director following the resignation of Mr Robert Pett.

CORPORATE ACTIVITY

\$53.3 million capital raising

On 22 August, Senex announced a 1 for 5 non-renounceable entitlement issue at \$0.35 per Senex share to raise approximately \$53.3 million (before costs). The offer, which was fully underwritten by RBS Morgans Corporate Limited, was undertaken to raise funds to accelerate the appraisal and development of Senex's Cooper Basin operations, including the construction of new oil pipelines.

The entitlement issue closed on 16 September and was significantly over-subscribed. More than 122 million shares were taken up as entitlements and the Top Up offer was more than 100% over-subscribed. At the end of the quarter, Senex held cash in excess of \$93 million.

Strategic Cooper Basin farm-in

Also in August, Senex executed an agreement with Planet Gas Limited to farm-in to PELA 514, a strategically positioned permit in the north of the South Australian Cooper Basin. Under the agreement, Senex will farm-in separately to the Northern and Southern Areas of PELA 514 and assume Operatorship of the entire permit.

The Northern Area of PELA 514 adjoins Senex permits PEL 100, PEL 110 and PEL 90 and likely contains Birkhead structures capable of hosting oil plays similar to those at the Growler and Snatcher oil fields. Senex will earn a 50% interest in the area by funding 100% of the cost of two exploration wells.

The Southern Area of PELA 514 is highly prospective for unconventional gas, including coal sequences measuring over 40 metres in the Patchawarra and Toolachee formations. Senex will earn a 70% interest in this area by funding 100% of the cost of a third exploration well, which may be drilled in either the Northern or Southern Area of PELA 514.

Ambassador farm-out

During the quarter, Senex agreed to farm-out several conventional oil interests in the southern Cooper Basin to Ambassador Exploration Pty Limited (**Ambassador**). The arrangement gives Ambassador the right to earn a 60% interest in PEL 516 Mudlalee Block, a 60% interest in PEL 516 Rowley Block and a 50% interest in PEL 113 Zulu Block. Senex retains Operatorship of each of these licences as well as 100% of the rights to "unconventional hydrocarbon production" within the Zulu Block and to any petroleum recovered from the Mudlalee and Rowley Blocks from beneath the Poolowanna horizon.

Board changes

On 26 September, the Company's longest serving Director (and its Chairman until 2008), Mr Robert Pett, retired from the Board after 28 years.

On 29 September, the Company welcomed Dr Ralph Craven to the Board as a non-executive Director. Dr Craven is an energy industry specialist who has held several senior executive positions with energy companies in Australia and New Zealand. He has been a professional director since 2007 and is the present Chairman of Ergon Energy Corporation Limited. Dr Craven's appointment is to be ratified by shareholders at the Annual General Meeting on 23 November 2011.

OIL BUSINESS

Production

Gross oil production for the quarter totalled 138,277 barrels at an average gross production rate of over 1,500 barrels of oil per day. Details of net Senex production is provided in the table below.

Net Senex production

	Previous quarter	Current quarter
Barrels of oil	61,810	79,115
Barrels of oil per day (average)	679	860

Senex regained access to its high margin Growler oil field (Senex 60% and Operator) in late September once floodwaters receded, and recommenced production immediately. Production began soon after at the Company's most recent oil discovery; Vintage Crop-1 in PEL 516 (100% Senex) on the southern edge of the South Australian Cooper Basin.

In mid-July, Senex announced a production target of 700,000 barrels of oil (net) for the 2011/12 financial year. This growth will mainly be derived from existing proved reserves in western, southern and northern areas of the South Australian Cooper Basin (including Growler, Snatcher, Warrior, Acrasia, Padulla and Harpoono oil fields) as well as recent oil discoveries at Vintage Crop oil field in the south and Cuisinier oil field to the east in Queensland permit ATP 752P (Senex 15%).

Sales revenue

Senex net oil sales revenue for the September quarter is summarised below.

Net Senex sales revenue

	Previous quarter	Current quarter
Sales revenue	US\$7,092,530	US\$8,459,413
Net delivered sales (Barrels of oil)	67,126	74,007
Average oil price	US\$105.66	US\$114.31

Oil transportation infrastructure

During the quarter, Senex announced the development of two infrastructure projects with key partners in the South Australian Cooper Basin: Beach Energy Limited (**Beach**) and Santos Limited (**Santos**). The projects will significantly de-risk Senex's most productive assets in the Cooper Basin by providing flood-proof routes to market and allowing the Company to reduce operating costs as production volumes increase.

On 19 August, Senex and Beach agreed on a project to connect the Growler oil field with the Moomba processing facility. The project involves the construction of two flowlines to be constructed and operated by Beach:

- a six inch, 70 kilometre liquids flowline with an initial capacity of 8,000 barrels of oil per day from the Growler oil field to the Lycium oil field; and
- an eight inch, 74 kilometre liquids flowline with an initial capacity of 15,000 barrels of oil per day from Lycium to Moomba.

On 24 August, Senex and Santos (as respective Operators of the PEL 111 and PPL 177 joint ventures) agreed on key commercial terms for the development of a liquids trunkline to transport crude oil from Snatcher oil field in PEL 111 (Senex 60%, Beach 40%) to the Tirrawarra oil and gas field where the crude oil enters the main pipeline to Moomba. Under the agreement, the South Australian Cooper Basin Parties¹ will upgrade their proposed four inch diameter Charo to Tirrawarra Pipeline to six inch diameter to cater for additional crude oil from PEL 111.

Senex will make a capital contribution to the upgrade project, which will be treated as a prepayment of oil transportation charges. Snatcher oil field will be connected to Charo oil field via a new flowline to be constructed by Senex.

¹ Santos Limited Group of Companies, Delhi Petroleum Pty Ltd, Origin Energy Resources Limited

Both projects will be funded from cash reserves and are expected to be operational by mid-2012.

Oil development

Reinstatement of access to the Growler oil field in late September also marked the beginning of Senex's aggressive drilling campaign in PRL 15 and PEL 104 (both Senex 60%, Beach 40%). Five oil development wells are planned to be drilled in the licence during 2011/12 and are expected to make an immediate contribution to production. Drilling began on the first well of the campaign, Growler-6, on 17 October.

Oil exploration

In July, Senex announced a six-well exploration program for South Australian licence PEL 104 and PRL 15. Located on the western flank of the Cooper Basin, PEL 104 is thought to contain a number of oil bearing stratigraphic traps that seismically emulate the adjacent Growler and Snatcher oil fields. The drilling campaign is expected to materially increase 2P and 3P reserves.

In addition, Senex will acquire and process 3D seismic over more than 300 square kilometres of other Senex-operated permits in the north of the South Australian Cooper Basin.

UNCONVENTIONAL GAS BUSINESS

PEL 516 (Senex 100%)

Exploration well Vintage Crop-1, drilled in May 2011, significantly exceeded expectations in relation to the unconventional gas potential of Senex's acreage in the South Australian Cooper Basin. Results from the evaluation of core samples were strongly positive, confirming the presence of at least 100 metres of shale gas, continuous gas shows from both shales and coals, the presence of liquids rich gas and favourable mineralogy. These attributes are consistent with successful commercial shale gas operations in North America.

On the strength of these results, Senex announced plans in July to drill three dedicated unconventional gas wells in the 2,500 square kilometre permit during 2011/12. The wells will be cored, fracture stimulated and flow tested in all gas bearing formations. The first well is expected to commence drilling in December 2011.

COAL SEAM GAS BUSINESS

PL 171 (Senex 20%)

Coal seam gas appraisal in Queensland's Surat Basin delivered positive results during the quarter. Throughout August and September, joint venture partner and Operator, QGC – a BG Group business, drilled, cased and suspended three appraisal wells in the permit: Alex-7, Carla-4 and Carla-7.

During drill stem testing on Alex-7, gas flowed to the surface from the Upper Juandah coal sequence with net coal thicknesses on the three wells averaged close to 30 metres. These results serve to further demonstrate the highly prospective nature of the permit.

The aim of the appraisal program in PL 171 is to assess gas deliverability from the Walloon Coal Measures and to maximise Proved and Probable (2P) certified coal seam gas reserves. The permit is situated in the prime Walloon Coal Seam Gas fairway on the eastern side of the Surat Basin.

ATP 593P (Senex 45% and Operator)

In the December quarter, Senex will drill two core wells in the Don Juan CSG Project on the western Surat Basin. The aim of the coring program is to confirm the characteristics of the coals and to boost 3P reserves. A comprehensive appraisal program will be planned following favourable results.

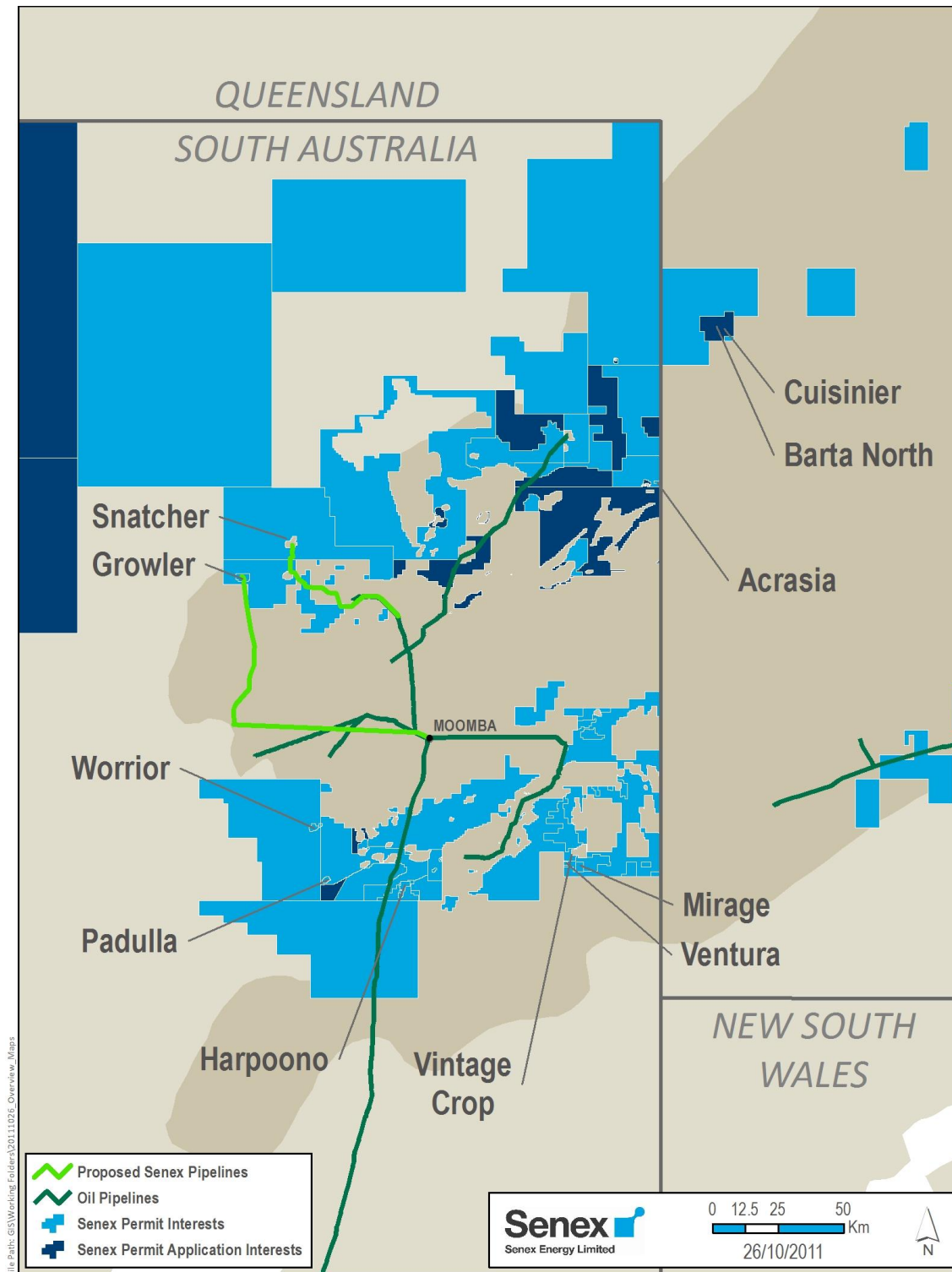
For further information contact:

Ian Davies
Managing Director
Senex Energy Limited
Phone: (07) 3837 9900

Competent Person Statement

Unless otherwise indicated, the statements contained in this report about Senex's reserves estimates have been prepared by Dr Steven Scott BSc (Hons), PhD, who is General Manager – Exploration, a full time employee of Senex, in accordance with the definitions and guidelines in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (**SPE PRMS**). Dr Scott consents to the inclusion of the reserves estimates in the form and context in which they appear. Senex's reserves are consistent with the SPE PRMS.

Location of Senex assets in the South Australian Cooper Basin



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10, 17/12/10.

Name of entity

Senex Energy Limited

ABN

50 008 942 827

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	9,370	9,370
1.2 Payments for: (a) exploration and evaluation	(4,502)	(4,502)
(b) development	655	655
(c) production	(3,172)	(3,172)
(d) administration	(4,294)	(4,294)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	547	547
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (overhead recoveries)	999	999
Net operating cash flows	(397)	(397)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(285)	(285)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(285)	(285)
1.13 Total operating and investing cash flows (carried forward)	(682)	(682)

Appendix 5B
Mining exploration entity quarterly report – Senex Energy Limited

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(682)	(682)
Cash flows related to financing activities		
1.14 Net proceeds from issues of shares, options, etc.	52,148	52,148
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other	-	-
Net financing cash flows	52,148	52,148
Net increase (decrease) in cash held	51,466	51,466
1.20 Cash at beginning of quarter/year to date	42,278	42,278
1.21 Exchange rate adjustments to item 1.20	2	2
1.22 Cash at end of quarter	93,746	93,746

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	190
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, salaries and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

Appendix 5B

Mining exploration entity quarterly report – Senex Energy Limited

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Joint Venture partners in ATP 752P (Wompi) funded the drilling of the second well in the Wompi block, resulting in a decrease in Senex's interest as per the Farmin Agreement.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,028
4.2 Development	7,308
4.3 Production	5,796
4.4 Administration	3,206
Total	18,338

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,527	9,942
5.2 Deposits at call	85,000	30,000
5.3 Bank overdraft	-	-
5.4 Cash advanced to joint venture operations	4,219	2,336
Total cash at end of quarter (item 1.22)	93,746	42,278

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	ATP 752P (Wompi)	Completion of drilling of the second well in the Wompi block, resulting in a decrease in Senex's interest as per the Farmin Agreement	24.5%	22.75%
6.2 Interests in mining tenements acquired or increased	N/A	N/A	N/A	N/A

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 +Preference securities				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	915,159,081	915,159,081		
7.4 Changes during quarter				
(a) Increases through issues	1,500,000	-	25.00c	25.00c
	1,875,008	-	35.60c	35.60c
	566,668	-	0.00c	0.00c
	152,936,858	-	35.00c	35.00c
(b) Decreases through returns of capital, buy-backs	-	-	-	-
	-	-	-	-
	-	-	-	-

Appendix 5B
Mining exploration entity quarterly report – Senex Energy Limited

7.5	+Convertible debt securities				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				

Appendix 5B
Mining exploration entity quarterly report – Senex Energy Limited

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.7 Options	<i>Expiry date:</i> 31/1/2012 7,100,000	-	<i>Exercise price:</i> 25.0c	-
	<i>Expiry date:</i> 30/6/2014 2,210,000	-	<i>Exercise price:</i> 37.0c	-
	<i>Expiry date:</i> 2/2/2014 2,000,000	-	<i>Exercise price:</i> 25.5c	-
	<i>Expiry date:</i> 9/9/2015 1,200,000	-	<i>Exercise price:</i> 25.5c	-
	<i>Expiry date:</i> 19/7/2016 800,000	-	<i>Exercise price:</i> 25.5c	-
	<i>Expiry date:</i> 19/7/2017 1,000,000	-	<i>Exercise price:</i> 25.5c	-
	<i>Expiry date:</i> 19/7/2018 1,000,000	-	<i>Exercise price:</i> 25.5c	-
	<i>Expiry date:</i> 31/8/2014 3,000,000	-	<i>Exercise price:</i> 27.0c	-
	<i>Expiry date:</i> 30/6/2014 600,000	-	<i>Exercise price:</i> 37.0c	-
	<i>Expiry date:</i> 16/11/2011 833,335	-	<i>Exercise price:</i> 35.6c	-

Appendix 5B
Mining exploration entity quarterly report – Senex Energy Limited

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	<i>Expiry date:</i> 31/01/2012 1,500,000	-	<i>Exercise price:</i> 25.0c	-
		<i>Expiry date:</i> 26/7/2011 625,005	-	<i>Exercise price:</i> 35.6c	-
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31 October 2011
Managing Director

Print name: Ian Davies

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities: The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards: ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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