

Quarterly report for the period ending 31 December 2011

Release Date: 25 January 2012

DECEMBER QUARTER HIGHLIGHTS

- **Oil production target on track:** Average net oil production for the December quarter was 1,453 barrels of oil per day (**bopd**), up 69% over the previous quarter, with current net production exceeding 2,100 bopd. Senex is on track to achieve its target of 700,000 barrels of oil (net) for 2011/12.
- **Oil appraisal and exploration underway:** Senex began an 11-well drilling campaign in October 2011, with three of five appraisal wells and one of six exploration wells drilled during the quarter on the western flank of the South Australian Cooper Basin.
- **Growler oil field exceeds expectations:** During the current drilling campaign, Growler-6 flowed at a rate of more than 1,300 bopd on test and Growler-9 extended the mapped limits of the oil field to the south east.
- **Oil pipeline underway:** Work began on the Lycium to Moomba pipeline with approximately 8 kilometres of 8" pipe laid before the Christmas break.
- **Coal seam gas appraisal delivers positive preliminary results:** Exploration well Kato-1 in the eastern Surat Basin in Queensland delivered good coal and carbonaceous shale thicknesses as well as excellent permeability.
- **Strong financial position:** Revenue for the quarter was in excess of US\$14 million and net cash at the end of the quarter totalled more than \$90 million.

JANUARY 2012 HIGHLIGHTS

- **Unconventional gas exploration underway:** Senex commenced its unconventional gas exploration program in the South Australian Cooper Basin, with the spudding of the Sasanof-1 exploration well on 4 January 2012.
- **Growler oil field extended to the west:** Appraisal well Growler-7 delivered the largest net oil pay to date with an 18.8 metre oil column and extended Growler oil field to the west.

OIL BUSINESS

Production

In July 2011, Senex announced a production target of 700,000 barrels of oil (net) for the 2011/12 financial year. Senex remains on track to achieve this production target. Gross oil production for the quarter totalled 231,296 barrels and the average gross production rate increased by 67% during the quarter. Details of Senex net oil production is provided in the table below.

Senex net oil production

	Previous quarter	Current quarter	Difference
Barrels of oil	79,115	133,691	+69%
Barrels of oil per day (average)	860	1,453	+69%

Senex regained access and recommenced production at its high margin Growler oil field in PRL 15 (Senex 60% and Operator) once the floodwaters receded in late September 2011. Since that time, Senex total net oil production has increased from an initial rate of 1,280 bopd at the beginning of October 2011 to a rate of over 2,100 bopd in January 2012.

Road access to the Snatcher oil field in PEL 111 (Senex 60% and Operator) was reinstated during the quarter, with work commencing in January 2012 to reinstate the Snatcher-1 and Snatcher-2 wells, and bring the Snatcher-3 well onto production.

Sales revenue

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

Senex net oil sales revenue

	Previous quarter	Current quarter	Difference
Sales revenue (US\$)	8,459,413	14,286,898	+69%
Net delivered sales (Barrels of oil)	74,007	127,814	+73%
Average oil price (US\$)	114.31	111.78	

Oil transportation infrastructure

In the September 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 oil transportation 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.

During the quarter, construction commenced on the Lycium to Moomba pipeline (Senex 40%; Beach 60% and Operator) with approximately 8 kilometres of 8 inch pipe laid prior to the Christmas break. This and the Growler to Lycium section (Senex 60%; Beach 40% and Operator) are scheduled for completion and commissioning by 30 June 2012.

The second pipeline infrastructure project, the Charo to Tirrawarra pipeline, will be constructed by Santos on behalf of the South Australian Cooper Basin Parties. Senex will make a capital contribution to this project as a prepayment of usage tariffs. Work on this project has commenced and is expected to be completed in April 2012.

Both projects will be funded from cash reserves.

Oil exploration

In July 2011, Senex announced an 11-well appraisal and exploration program for South Australian permits PEL 104 and PRL 15 (Senex 60% and Operator). Located on the western flank of the Cooper Basin, PEL 104 was thought to contain a number of oil bearing stratigraphic traps that seismically emulate the adjacent Growler and Snatcher oil fields.

During the December quarter, Senex drilled three of five appraisal wells in PRL 15 and one of six exploration wells in PEL 104. The three appraisal/development wells, Growler-6, Growler-9 and Growler-11, all intersected the main mid-Birkhead Formation reservoir and recorded between six and 11.5 metres of net pay. By the end of the quarter, Growler-6 had commenced production. The exploration well, Jaguar-1, failed to find a reservoir in the mid-Birkhead Formation at that location.

The table below summarises progress with the oil exploration and appraisal program to date:

Well	Spud date	Type	Result	Net pay
Vintage Crop-1	24 May 2011	Exploration	Successful	3.0 metres
Growler-6	17 Oct 2011	Appraisal	Successful	6.0 metres
Growler-9	20 Nov 2011	Appraisal	Successful	11.5 metres
Jaguar-1	2 Dec 2011	Exploration	Unsuccessful	N/A
Growler-11	22 Dec 2011	Appraisal	Successful	7.7 metres
Growler-7	5 Jan 2012	Appraisal	Successful	18.8 metres
Spitfire-1	20 Jan 2012	Exploration	To be advised	To be advised

UNCONVENTIONAL GAS BUSINESS

PEL 516 (Senex 100%)

On the strength of positive results from the Vintage Crop-1 exploration well, Senex announced plans in July to drill three dedicated unconventional gas wells in the permit during 2011/12. The program commenced in January 2012 with the spudding of Sasanof-1 as well as the completion of injectivity testing at the adjacent Allunga Trough-1 well. Results from the “mini fracs” at Allunga Trough-1 will assist with the design of commercial scale fracture stimulations at the three dedicated unconventional gas wells in the current program.

COAL SEAM GAS BUSINESS

ATP 593P (Senex 45% and Operator)

Senex drilled the first of two coal seam gas wells, Kato-1, in ATP 593P during the quarter. The well reached a total depth of 330 metres and allowed for the collection of 200 metres of core, with 30 coal and carbonaceous shale core samples currently being analysed for gas composition, gas saturation and other attributes. In addition, four successful drill stem tests were conducted over intervals in both the Juandah and Taroom Coal Measures to understand gas deliverability. The second well, Kato-2, was delayed until the beginning of the next quarter due to poor weather.

CORPORATE ACTIVITY

Share registry changed

On 17 October 2011, Senex appointed Brisbane-based Link Market Services to operate its securities registry.

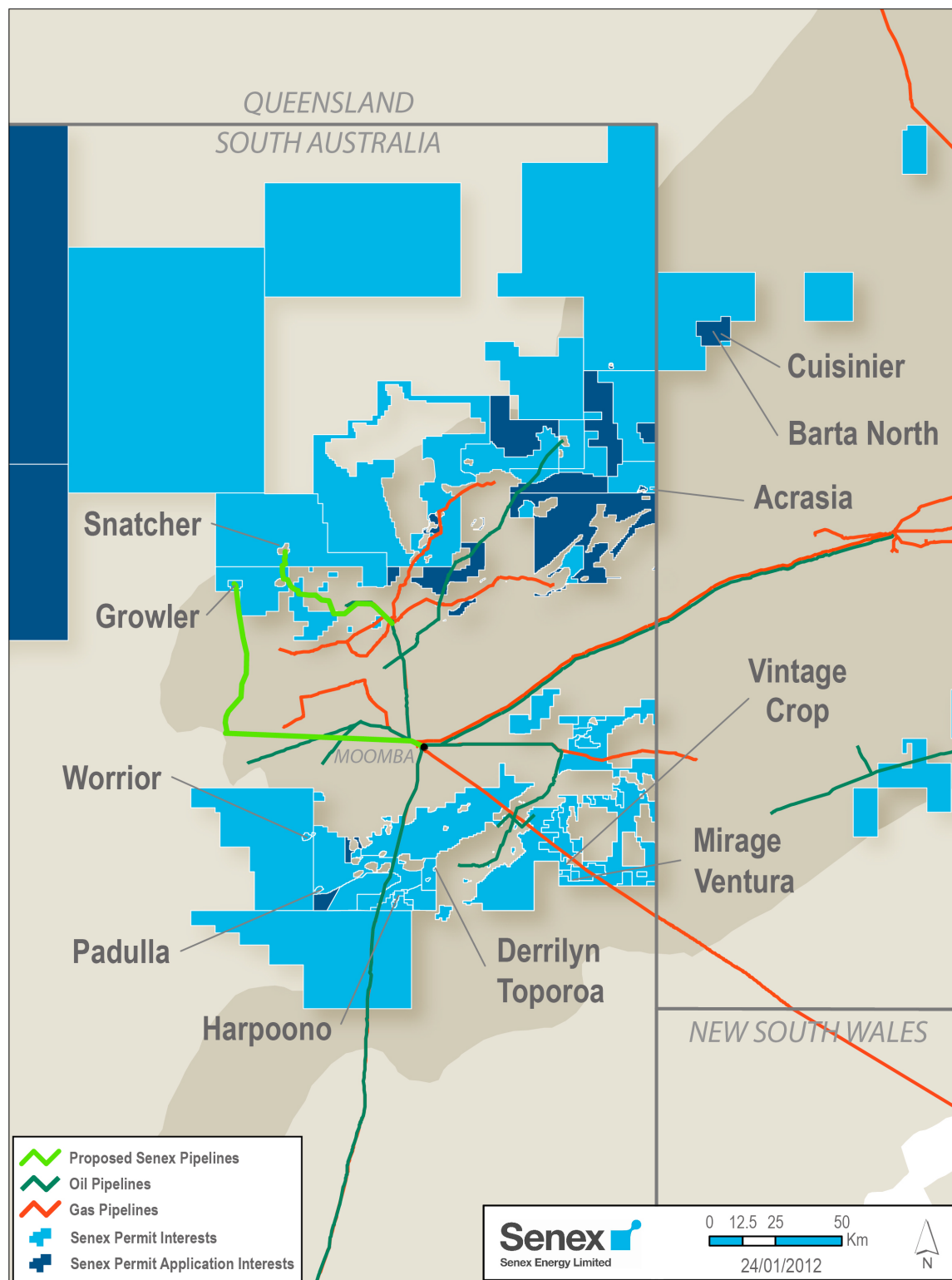
For further information contact:

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")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	9,403	18,773
1.2 Payments for: (a) exploration and evaluation	(3,479)	(7,981)
(b) development	(7,288)	(6,634)
(c) production	(3,694)	(6,867)
(d) administration	(1,468)	(5,762)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	530	1,077
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (overhead recoveries)	1,161	2,161
	(4,835)	(5,233)
Net operating cash flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(403)	(688)
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)	-	-
	(403)	(688)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(5,238)	(5,921)

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

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(5,238)	(5,921)
Cash flows related to financing activities		
1.14 Net proceeds from issues of shares, options, etc.	1,903	54,051
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	1,903	54,051
Net increase (decrease) in cash held	(3,335)	48,130
1.20 Cash at beginning of quarter/year to date	93,746	42,275
1.21 Exchange rate adjustments to item 1.20	121	127
1.22 Cash at end of quarter	90,532	90,532

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	211
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

Nil.

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	14,474
4.2 Development	15,444
4.3 Production	5,471
4.4 Administration	3,160
Total	38,549

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	15,072	4,527
5.2 Deposits at call	70,000	85,000
5.3 Bank overdraft	-	-
5.4 Cash advanced to joint venture operations	5,460	4,219
Total cash at end of quarter (item 1.22)	90,532	93,746

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	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	PRL16 (Dunoon) and PPL209 (Harpoono)	Purchase of remaining interest in PRL16 and PPL209 from Beach Energy Limited	66.67% 100%

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	920,967,416	920,967,416	
7.4	Changes during quarter			
	(a) Increases through issues	4,975,000 833,335	- -	25.00c 35.60c
	(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 2,125,000	-	<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> 1/7/2014 667,000	-	<i>Exercise price:</i> 40.0c	-
	<i>Expiry date:</i> 1/7/2015 667,000	-	<i>Exercise price:</i> 40.0c	-
	<i>Expiry date:</i> 1/7/2016 666,000	-	<i>Exercise price:</i> 40.0c	-

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	<i>Expiry date:</i> 1/7/2014 667,000	-	<i>Exercise price:</i> 40.0c	-
		<i>Expiry date:</i> 1/7/2015 667,000	-	<i>Exercise price:</i> 40.0c	-
		<i>Expiry date:</i> 1/7/2016 666,000	-	<i>Exercise price:</i> 40.0c	-
7.9	Exercised during quarter	<i>Expiry date:</i> 31/01/2012 4,975,000	-	<i>Exercise price:</i> 25.0c	-
		<i>Expiry date:</i> 26/7/2011 833,335	-	<i>Exercise price:</i> 35.6c	-
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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:
Company Secretary

Date: 25 January 2012

Print name: Frank Connolly

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.

== == == == ==