

Quarterly report for the period ending 30 September 2012

Release Date: 22 October 2012

SEPTEMBER QUARTER HIGHLIGHTS

- **Net oil production up 48%:** Senex Energy Limited (**Senex**) produced 337,337 barrels of oil (net) from operated and non-operated fields for the September quarter, up 48% on the previous quarter. Average net production across operated fields increased to 3,607 barrels of oil per day (**bopd**), up 44%.
- **Rapid oil field development underway:** Senex drilled four successful appraisal and development wells at Snatcher oil field on the western flank of the South Australian Cooper Basin in the quarter.
- **Successful oil exploration across the Cooper Basin:** Oil exploration programs delivered oil discoveries in Queensland at Cuisinier North-1 and in South Australia at Mustang-1, with Mustang-1 producing at 2,500 barrels of oil per day during drill stem testing.
- **Oil transportation infrastructure completed:** Construction of oil flowlines connecting the Growler oil field with the Moomba oil processing facility was substantially completed during the quarter. The flowlines are expected to be operational in coming weeks.
- **Unconventional gas campaign delivers excellent results:** Senex achieved liquids rich gas flows of over 200,000 cubic feet per day from Sasanof-1 during flowback. Two further exploration wells, Talaq-1 and Skipton-1, were cased and suspended after confirming the presence of liquids rich gas, fluorescence and high gas readings throughout the Permian section.
- **3D seismic survey of northern Cooper Basin completed:** Senex completed the data capture phase of the 790 square kilometre Cordillo 3D seismic survey to identify the next generation of conventional oil and gas targets in its northern Cooper Basin permits.
- **Coal seam gas appraisal continues in Queensland's Surat Basin:** Senex and its joint venture partners drilled seven coal seam gas wells in the September quarter.
- **Fully funded for growth:** Revenue for the quarter increased by 60% to more than US\$39 million and net cash at the end of the quarter totalled more than \$171 million.

OIL BUSINESS

Production

Production from Senex-operated oil fields increased rapidly during the quarter in line with the Company's target production for the year of one million barrels of oil. Average gross production for the September quarter increased to 5,735 bopd as a result of improved performance of the Growler oil field and the reinstatement of production from the Snatcher oil field. During July 2012, the Company achieved a gross peak production rate from operated fields of over 6,600 bopd (approximately 4,200 bopd net to Senex).

Senex net oil production

	Previous quarter	Current quarter	Difference
Production (barrels of oil)	228,298	337,337	+48%
Average production rate* (barrels of oil per day)	2,509	3,607	+44%

* Senex-operated fields

The location of Senex oil fields is shown in Figure 1.

Sales revenue

Senex net oil sales revenue for the September quarter exceeded US\$39 million, up 60% on the back of excellent production performance with a strong oil price.

Senex net oil sales revenue

	Previous quarter	Current quarter	Difference
Sales revenue (US\$)	24,571,717	39,334,594	+60%
Net delivered sales (barrels of oil)	222,294	332,705	+50%
Average oil price (US\$)	110.63	118.23	+7%

Oil transportation infrastructure

Senex continued to work on two infrastructure projects with key partners Beach Energy Limited (**Beach**) and the South Australian Cooper Basin Joint Venture (operated by Santos Limited (**Santos**)). These oil transportation projects will significantly de-risk Senex's most productive assets in the Cooper Basin, providing flood-proof channels to market. The status of the projects is provided below:

Growler to Moomba flowlines

The project to connect the Growler oil field with the Moomba processing facility was substantially completed during the quarter. The project involved the construction of two flowlines, both of which will be operated by Beach. The 70 kilometre Growler to Lycium flowline (Senex 60%) was completed during the quarter and the end of line facilities were substantially completed. The 74 kilometre Lycium to Moomba flowline (Senex 40%) and end of line facilities were also substantially completed. The flowlines are expected to be operational in coming weeks.

Snatcher to Tirrawarra pipeline

Construction of the Charo to Tirrawarra pipeline was completed during the quarter by Santos on behalf of the South Australian Cooper Basin Parties. Senex has commenced construction of a 4 kilometer flowline to connect Snatcher oil field (Senex 60%, Beach 40%) with the neighbouring Charo oil field (operated by Santos) in the December quarter.

Oil exploration, appraisal and development

The September quarter was a very successful period of exploration, appraisal and development for Senex, with two new oil discoveries and four successful appraisal and development wells drilled. Senex also continued work on an extensive 3D seismic survey of its northern Cooper Basin interests to identify the next generation of oil and gas targets.

South Australian permit PEL 111 (Senex 60% and Operator, Beach 40%)

In July 2012, the Senex-operated Mustang-1 exploration well resulted in a new oil discovery on the western flank of the South Australian Cooper Basin. The well demonstrated excellent reservoir quality with highly permeable oil filled sands and an interpreted net oil pay of 4.0 metres. The well was completed for production in September and produced the equivalent of 6,700 bopd through a 3/4 inch choke during a 15 minute clean up flow. During a subsequent 10 day production test, the well produced at a controlled rate of 800 barrels of oil per day through an 18/64 inch choke with minimal pressure depletion. Planning is now underway to expedite longer term production testing at Mustang-1, targeting 2,000 bopd.

In August 2012, Senex drilled the Tomcat-1 oil exploration well to assess the oil bearing sands of the mid-Birkhead Formation. Although the well encountered a developed stratigraphic channel with more than 15 metres of net sand, it did not intersect hydrocarbons and was plugged and abandoned.

South Australian licence PPL 240 (Senex 60% and Operator, Beach 40%)

The South Australian Government granted Petroleum Production Licence (PPL) 240 over approximately three square kilometres within PEL 111 during the quarter. This recognised successful exploration, appraisal, development and production testing at the Snatcher oil field, which underpinned a major reserves upgrade at the field in February 2012.

During the quarter, Senex drilled four successful appraisal and development wells at the Snatcher oil field. All four wells were cased and suspended as future oil producers after intersecting developed channels within the mid-Birkhead Formation. The Snatcher-6, Snatcher-7, Snatcher-8 and Snatcher-10 wells intersected interpreted net oil pay of between 5.2 metres and 14.1 metres, with the Snatcher-10 appraisal well extending the field to the north west.

South Australian licence PPL 241 (Senex 100%)

The South Australian Government also granted PPL 241 in PEL 516 (Senex 100%) during the quarter, following successful exploration and production testing at Vintage Crop-1 in the southern Cooper Basin.

South Australian permit PEL 516 (Mudlalee Block) (Senex 40% and Operator, Ambassador Oil and Gas 60%)

In July 2012, Ambassador Oil and Gas funded 100% of the Kruger-1 oil exploration well to earn a 60% interest in the PEL 516 Mudlalee block. The well encountered oil shows over a 7 metre section of the target Birkhead/Hutton horizon, but failed to recover hydrocarbons and was plugged and abandoned.

Queensland permit ATP 752P (Barta Block) (Senex 15%, Santos 45% and Operator)

In July 2012, the Cuisinier North-1 exploration well in Queensland delivered a new oil discovery for Senex. This well was interpreted to have intersected a net pay of 2 metres. This well was part of the 2011/12 drilling campaign at the Cuisinier oil field, which successfully targeted the Murta Formation. It followed three successful appraisal wells drilled at the field in the June quarter. Extended production testing is expected to commence on all four wells during the December quarter.

Oil exploration, appraisal and development drilling during 2012/13

Well	Location	Spud date	Type	Result	Net pay
Cuisinier North-1*	ATP 752P	2 July 2012	Exploration	Successful	2.0 metres
Mustang-1	PEL 111	4 July 2012	Exploration	Successful	4.0 metres
Kruger-1**	PEL 516	23 July 2012	Exploration	Unsuccessful	N/A
Snatcher-6	PPL 240	30 July 2012	Development	Successful	5.2 metres
Tomcat-1	PEL 111	16 August 2012	Exploration	Unsuccessful	N/A
Snatcher-7	PPL 240	28 August 2012	Development	Successful	7.5 metres
Snatcher-10	PPL 240	18 September 2012	Appraisal	Successful	10.0 metres
Snatcher-8	PPL 240	30 September 2012	Development	Successful	14.1 metres

*Operated by Santos

**Funded 100% by Ambassador Oil & Gas

The location of these wells is shown in Figure 2.

Cordillo 3D Seismic Survey

In early October, Senex completed the data capture phase of the 790 square kilometre Cordillo 3D seismic survey of its northern Cooper Basin permits. The extensive program aims to identify Senex's next generation of oil and gas targets and covers three South Australian permits: PEL 88 (Senex 100%), PEL 90M (Senex 100%) and the Northern Area of PEL 514 (Senex 50% and Operator, Planet Gas Limited (ASX:PGS) 50%). Data processing is currently underway.

UNCONVENTIONAL GAS BUSINESS

Senex made excellent progress with its unconventional gas exploration campaign during the September quarter. Gas flowed to surface at a rate of more than 200,000 cubic feet per day following fracture stimulation of the Sasanof-1 exploration well and Senex successfully drilled and cored its third unconventional gas exploration well, Skipton-1, with very positive results.

South Australian permit PEL 516 (Senex 100%)

Exploration data from the Skipton-1 unconventional gas exploration well has confirmed the presence of a basin centred gas play in the southern Cooper Basin, representing a material gas discovery. Skipton-1 intersected a liquids rich sandstone reservoir in a previously unexplored trough. Regional mapping indicates the trough extends across 200 square kilometres or 49,000 acres, which is equivalent to a gas field development of more than 600 wells, with 80 acre spacing.

Wireline logs and mud logs confirmed material quantities of hydrocarbons outside of the structural closure. During a comprehensive coring program, the well intersected more than 75 metres of net gas pay in the Patchawarra Formation and 164 metres of gas charged Roseneath and Murteree shales.

Earlier in the quarter, Senex conducted a large scale fracture stimulation program at its first unconventional gas exploration well, Sasanof-1. The program demonstrated gas deliverability from the southern Cooper Basin with gas flowing to surface at a rate of more than 200,000 cubic feet per day during flowback. The well is currently shut in pending installation of production tubing to continue dewatering of fracture stimulation fluid in the well.

South Australian permit PEL 115 (Senex 55%, Orca Energy Limited (ASX:OGY) 20%)

In October 2012, Senex will drill its fourth operated unconventional gas exploration well in the southern Cooper Basin. Kingston Rule-1 will be drilled to a total depth of approximately 3,000 metres and will target the Roseneath-Epsilon-Murteree package of shale and tight gas sands, as well as the tight gas sands and deep coal seams of the Patchawarra Formation. Weatherford Rig 826 is now mobilising to Kingston Rule-1, following its release from Skipton-1. Senex will conduct an extensive hydraulic fracture stimulation campaign across Kingston Rule-1, Talaq-1 and Skipton-1 in December 2012 to test gas quality and deliverability.

The location of Senex's unconventional gas interests and wells in the southern Cooper Basin are shown in Figure 3.

COAL SEAM GAS BUSINESS

Senex and its joint venture partners drilled seven coal seam gas wells in the Surat Basin during the quarter as part of the program to increase proved and probable (2P) gas reserves. Drilling results indicate good coal and carbonaceous shale thickness with good permeability (refer table below).

Eastern Surat Basin permits

In PL 171 and ATP 574P, Operator QGC has advised that six of 11 planned coal seam gas wells have now been drilled. During the quarter, QGC drilled five appraisal wells to assess the gas bearing coals within the Juandah and Taroom Coal Measures: Lawton-5, Lawton-8, Alex-10, Peebs-9 and Peebs-11. Exploration data from these wells is currently being evaluated. Senex holds a 20% interest in PL 171 and a 30% interest in ATP 574P.

Western Surat Basin permits

In ATP 771P and ATP 593P, Senex drilled two of six wells planned for 2012/13. Core holes Indy-1 and Indy-2 were drilled in ATP 771P to confirm the coal seam gas potential of the Walloon Coal Measures. Drill stem tests were conducted in both the Juandah and Taroom Coal Measures to evaluate the potential for gas deliverability, with good permeability recorded. Senex is now evaluating the coal and carbonaceous shale samples for gas content, composition, saturation and other attributes. Senex holds a 45% interest in both permits and is the Operator.

Coal seam gas exploration and appraisal drilling

Well	Location	Spud date	Type	Depth	Result
Indy-1	ATP 771P	24 July 2012	Core	351 m	7.3 m of coal 5.3 m of carbonaceous shale
Lawton-5*	PL 171	25 July 2012	Appraisal	663 m	41.9 m of coal 22.4 m of carbonaceous shale
Lawton-8*	PL 171	5 August 2012	Appraisal	648 m	36.2 m of coal 16.9 m of carbonaceous shale
Indy-2	ATP 771P	7 August 2012	Core	381 m	12.6 m of coal 7.3 m of carbonaceous shale
Alex-10*	PL 171	15 August 2012	Appraisal	573 m	37.2 m of coal 18.2 m of carbonaceous shale
Peebs-9*	ATP 574P	15 September 2012	Appraisal	737 m	24.9 m of coal 15.3 m of carbonaceous shale
Peebs-11*	ATP 574P	21 September 2012	Appraisal	708 m	32.3 m of coal 16.8 m of carbonaceous shale

*Operated by QGC

The location of exploration, appraisal and development activities undertaken during the September quarter is shown in Figure 4.

For further information contact:

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

Competent persons statement

Unless otherwise indicated, the statements contained in this drilling report about Senex's reserves estimates have been compiled 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 estimates in the form and context in which they appear. Senex's reserves and resources are consistent with the SPE PRMS.

Figure 1: Location of Senex oil fields in the South Australian Cooper Basin

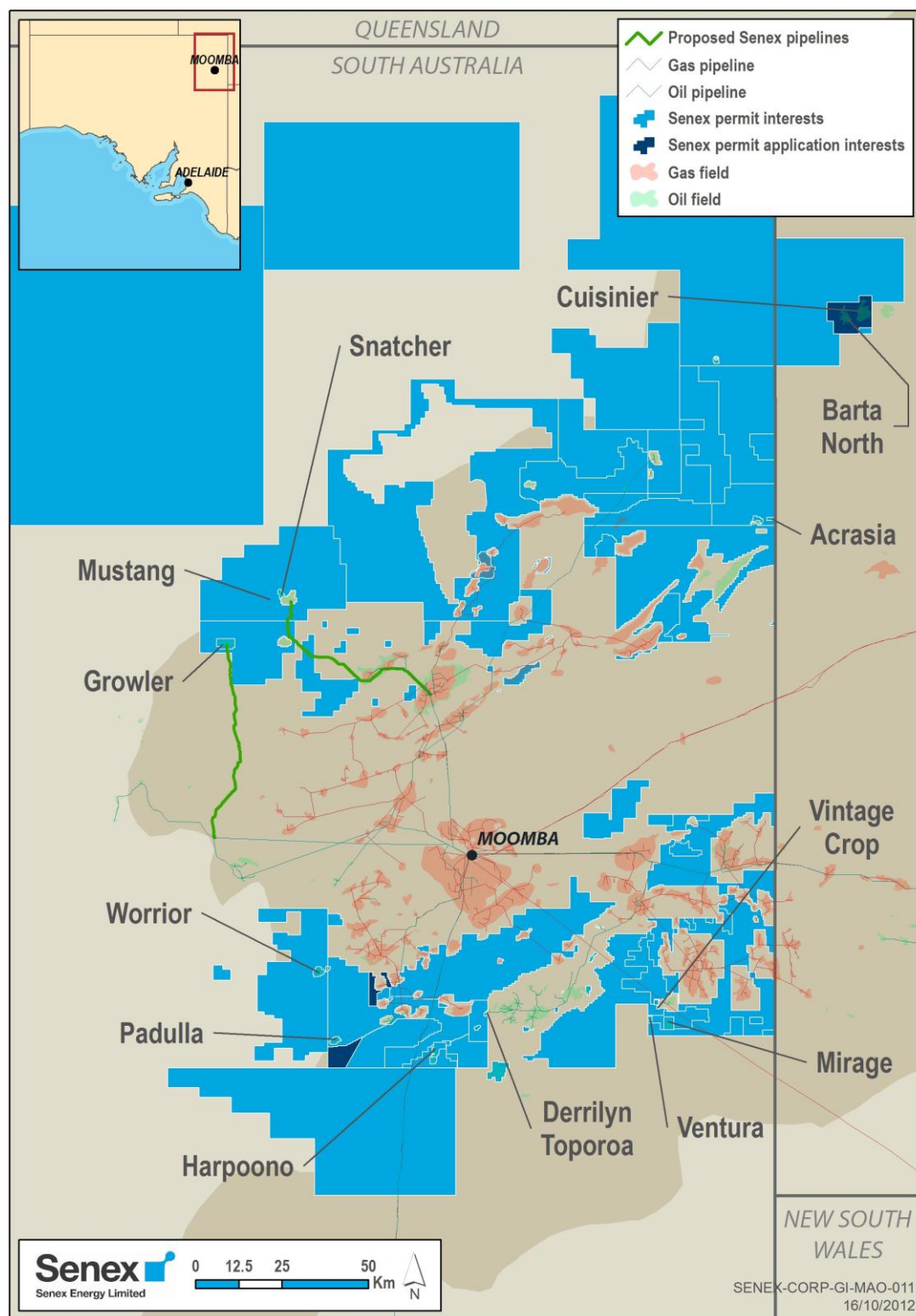


Figure 2: Oil exploration, appraisal and development wells drilled in the quarter

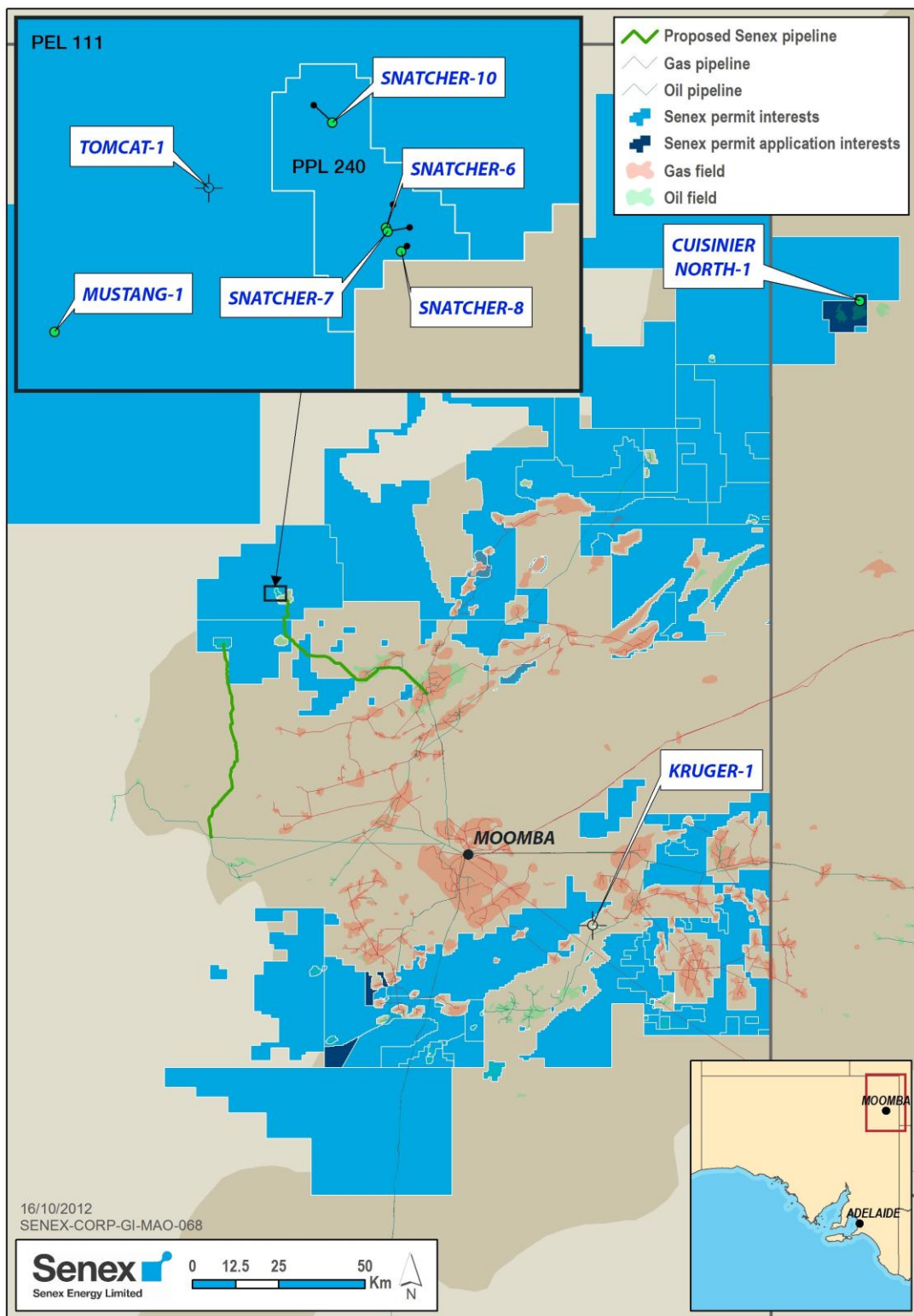


Figure 3: Unconventional gas interests in the southern Cooper Basin

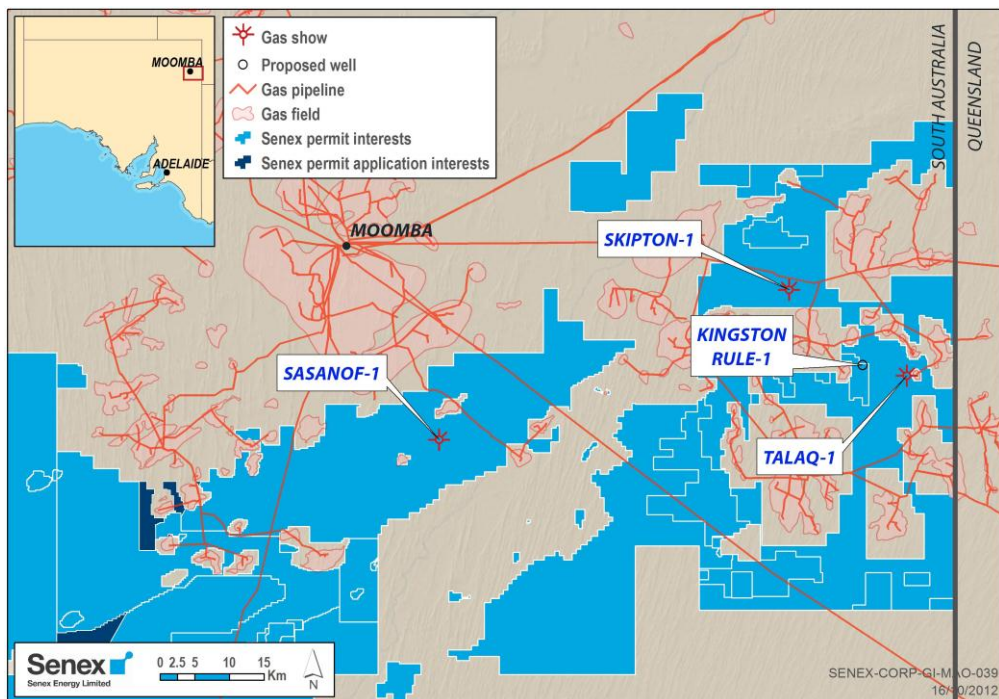
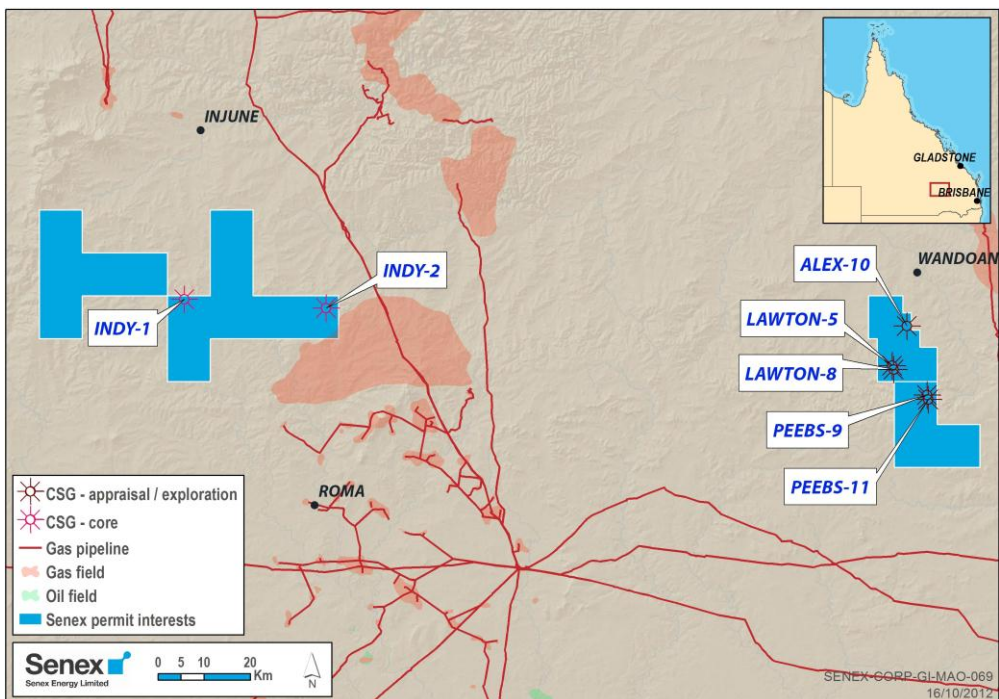


Figure 4: Senex coal seam gas interests in Queensland's Surat Basin



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 2012

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	21,197	21,197
1.2 Payments for: (a) exploration and evaluation	(19,970)	(19,970)
(b) development ¹	(4,732)	(4,732)
(c) production	(11,761)	(11,761)
(d) administration	(1,058)	(1,058)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	397	397
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net operating cash flows	(15,927)	(15,927)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(11,590)	(11,590)
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)		
	(11,590)	(11,590)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(27,517)	(27,517)

¹ Excluding payments for development of facilities and pipelines, classified as "other fixed assets".

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)	(27,517)	(27,517)
Cash flows related to financing activities		
1.14 Net proceeds from issues of shares, options, etc.	74,751	74,751
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	(74,751)	(74,751)
Net increase (decrease) in cash held	47,234	47,234
1.20 Cash at beginning of quarter/year to date	123,948	123,948
1.21 Exchange rate adjustments to item 1.20	(428)	(428)
1.22 Cash at end of quarter	170,754	170,754

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	274
1.24 Aggregate amount of loans to the parties included in item 1.10	-

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	20,000
4.2 Development (including fixed assets)	16,000
4.3 Production (net outflow)	-
4.4 Administration (net outflow)	2,500
Total	38,500

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	47,936	21,255
5.2 Deposits at call	105,000	90,000
5.3 Bank overdraft	-	-
5.4 Cash advanced to joint venture operations	17,818	12,693
Total cash at end of quarter (item 1.22)	170,754	123,948

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	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	1,139,734,837	1,139,734,837	
7.4	Changes during quarter			
	(a) Increases through issues	2,529,106	-	0.00c
		1,000,000	-	27.00c
		104,111,540	-	74.00c
	(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> 30/6/2014 1,940,000	-	<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> 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	-	-	-	-
7.9	Exercised during quarter	<i>Expiry date:</i> 31/8/2014 1,000,000	-	<i>Exercise price:</i> 27.0c	-
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:  Date: 22 October 2012
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.

== == == == ==