

Managing Director's Address, 2012 AGM

Release Date: 21 November 2012

Good morning ladies and gentlemen,

Senex is a very successful business, with massive growth ahead.

The Chairman has already run you through the numbers for last year. We delivered outstanding results for our shareholders in 2011/12 and we've been gaining momentum. Senex is now an energy stock among Australia's top 200 companies and I am confident that we have the energy to become a very meaningful player in Australia's oil and gas industry.



Energy to deliver

Ian Davies, Managing Director and CEO
Annual General Meeting Address
Brisbane, 21 November 2012

Today, I want to preach to the converted, the interested and the sceptical. I want you all to understand why I'm so excited about the business and share my confidence in Senex's bright future.

As the Chairman said earlier, 2011/12 was a terrific year for Senex. We set tough targets and overcame tough challenges to deliver a much larger, profitable business that has outpaced most of our contemporaries in oil and gas and the majority of our peers on the ASX 200. And the results look even better when you take a slightly longer view.

Senex has achieved incredible growth in the last 24 months			
			
Measure	30 June 2010	30 June 2012	Increase
Oil production	142,579 barrels	601,647 barrels	↑ 322%
Revenue	\$13.2 million	\$70.4 million	↑ 433%
2P reserves	9.1 mmboe	31.1 mmboe	↑ 241%
Net acreage	22,351 km ²	72,891 km ²	↑ 226%
Share price	0.24 cents	0.71 cents	↑ 196%

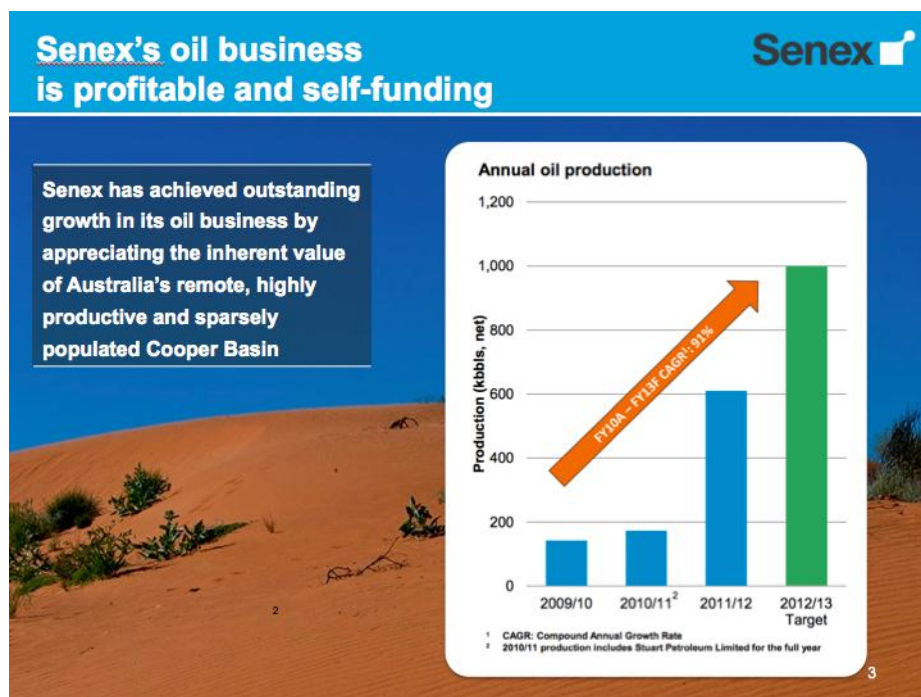
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In 2010, the Board decided to rejuvenate the business – which at the time had been a long-running underperformer in Australia's oil and gas sector. There had been recent successes with oil exploration but everyone knew the Cooper Basin was a dying hydrocarbon province and the great hope for Victoria Petroleum as it was known then lay in its newly acquired coal seam gas acreage in Queensland's Surat Basin.

When I came to this role in July 2010, I knew a lot about the virtues - and downsides - of coal seam gas but I was a relative newcomer to oil. So I immersed myself in the history and the geography and the personalities of the Cooper Basin, because Senex had a swag of tenements out there. I needed to understand what was so compelling about the Cooper. The Company's founder and former Managing Director John Kopcheff earned the moniker "Dry Hole John" for his unwavering insistence that there was oil out there – not just a truckload or two, but potentially hundreds of millions of barrels of oil. John believed the Cooper Basin was ripe for rediscovery. And today, I'm here to tell you that John was right.

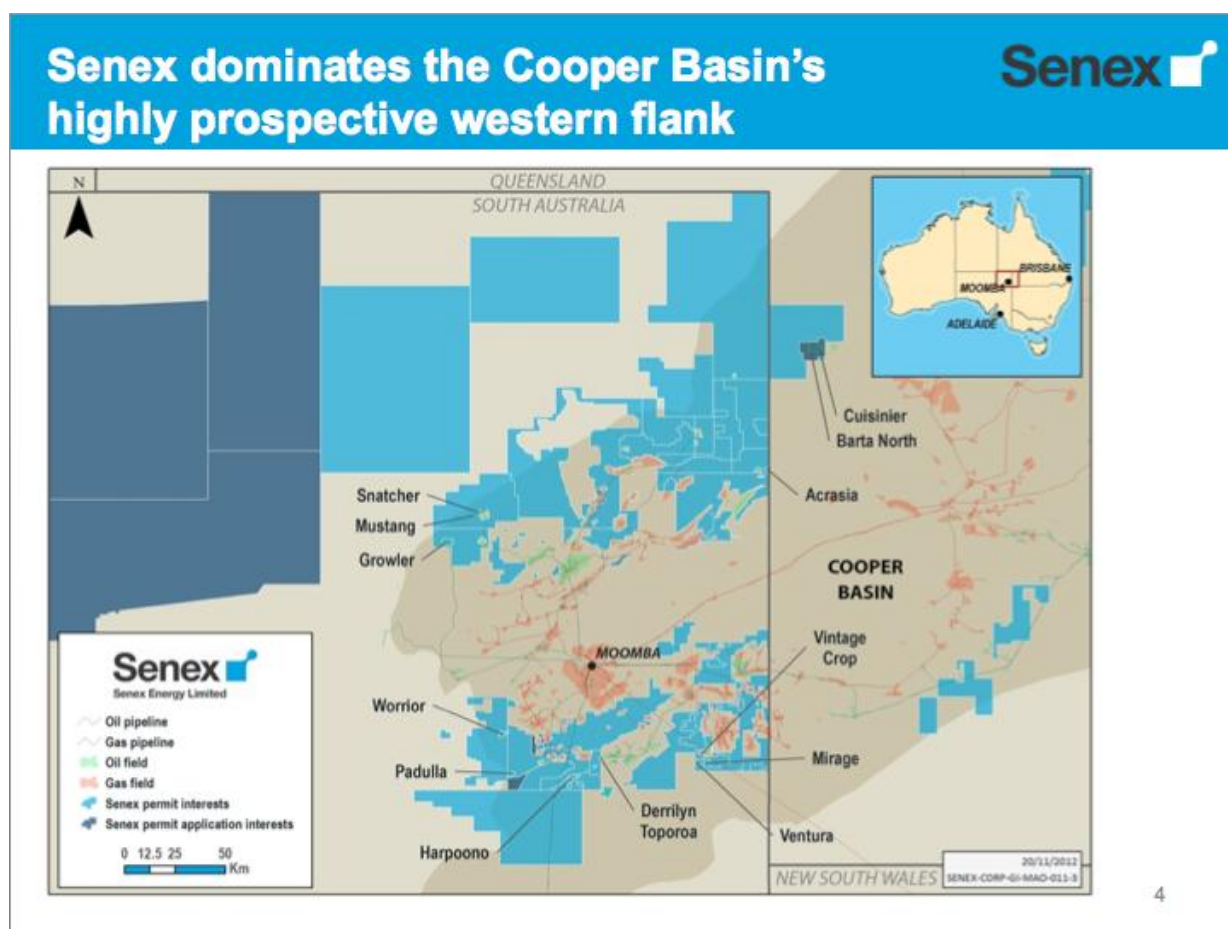
The Cooper Basin has a wealth of untapped potential for conventional oil. We're not talking about new giant size fields that you'll see in offshore Brazil. We're talking about an accumulation of modest fields that collectively represent billions of dollars in oil revenues. It's an exciting time for Senex because we are perfectly placed to exploit that potential. Our acreage is highly prospective for these oil fields, as you've seen from our progress in recent months. Our team has the experience to deliver and the business has the funds to achieve accelerated development of new oil discoveries.

In recent months, you've been hearing a lot about our unconventional gas potential. And the media attention is justified. Senex is an early mover in unconventional gas and I am convinced that we are in the box seat to unlock a world class unconventional gas resource in the Cooper Basin. While it is definitely newsworthy, the focus on unconventional gas has obscured the market's appreciation of our extremely valuable oil business.



To look at our share price in recent months, you'd think Senex was an oil and gas novice with excellent potential, and not a seasoned, rapidly growing oil producer with a track record for delivery.

Over the last two years, Senex has achieved incredible growth in its oil business by taking the Cooper Basin seriously. Ongoing flooding in the area may have delayed production, but it certainly hasn't slowed us down. If anything, the time allowed us to think more carefully, plan for contingencies and beat our competitors to the punch when the opportunities arose.



Since late 2010, Senex has gained an impressive foothold in the most prospective areas of the South Australian Cooper Basin. We moved early to acquire Adelaide-based oil producer Stuart Petroleum and we now hold more than 17,000 square kilometres of prime acreage. We've set about making Cooper Basin oil the engine that is driving our business.

Over the last two years, we've also achieved impressive organic growth within our oil business and established Senex as an excellent operator. Since November 2010, we've drilled 11 exploration wells and five of those have resulted in discoveries. That's a 45 per cent success rate.

If you include all of our conventional oil wells over the same period – that's all exploration, development and appraisal wells since November 2010 – the rate gets even better: Of 30 oil wells drilled by Senex and its joint venture partners, we've had 22 wells cased and suspended as future oil producers. That's a 73 per cent success rate, which is impressive by any standard.

I hope you're getting a sense of the scale of the potential upside.

Our oil business is onshore, politically stable and highly profitable. There are no cities or large towns but there is extensive infrastructure in place. So the potential for incremental growth in the Cooper Basin is a walk in the park compared to the challenges of greenfield developments offshore or in new onshore basins.

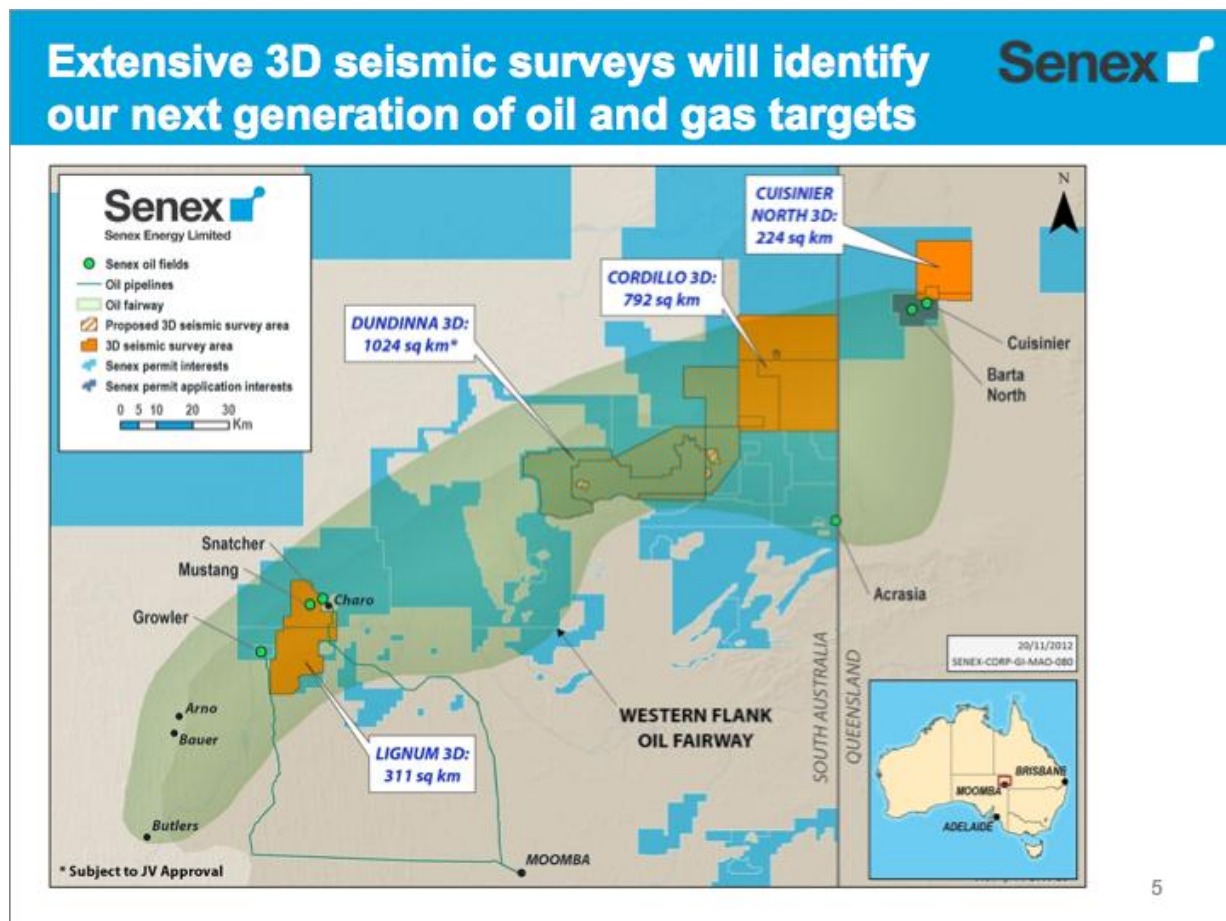
Let me paint you a picture: Take our permits on the western flank of the Cooper Basin. This is a highly productive region that contains Growler, Charo and Snatcher oil fields. It's adjacent to a string of oil discoveries such as Beach Energy's Bauer and Arno fields.

There is excellent evidence to support an optimistic stance on the prospect of further significant oil discoveries on the western flank as this play unfolds. Public data from the South Australian Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) demonstrates that oil exploration based on 3D seismic delivers a commercial success rate in excess of 45 per cent. Recent discoveries on the western flank of the Cooper Basin by Senex and other operators have delivered a mean field size of more than 4.2 million barrels of proved and probable reserves.

From Snatcher oil field in the north, to Butlers oil field (operated by Beach) in the south, an area of 220 square kilometres, 18 oil discoveries have already been made with more expected to come. On current mapping, we have identified over one hundred leads and prospects on Senex's 6,200 square kilometres of permits on the western flank. As a shareholder, you should know that we are sitting on valuable oil and gas acreage that we are aggressively exploring.

The key to achieving our dream for the western flank is knowledge.

It's now widely accepted that in the exploration business, knowledge comes in the form of 3D seismic surveys and intense scrutiny of historical performance.

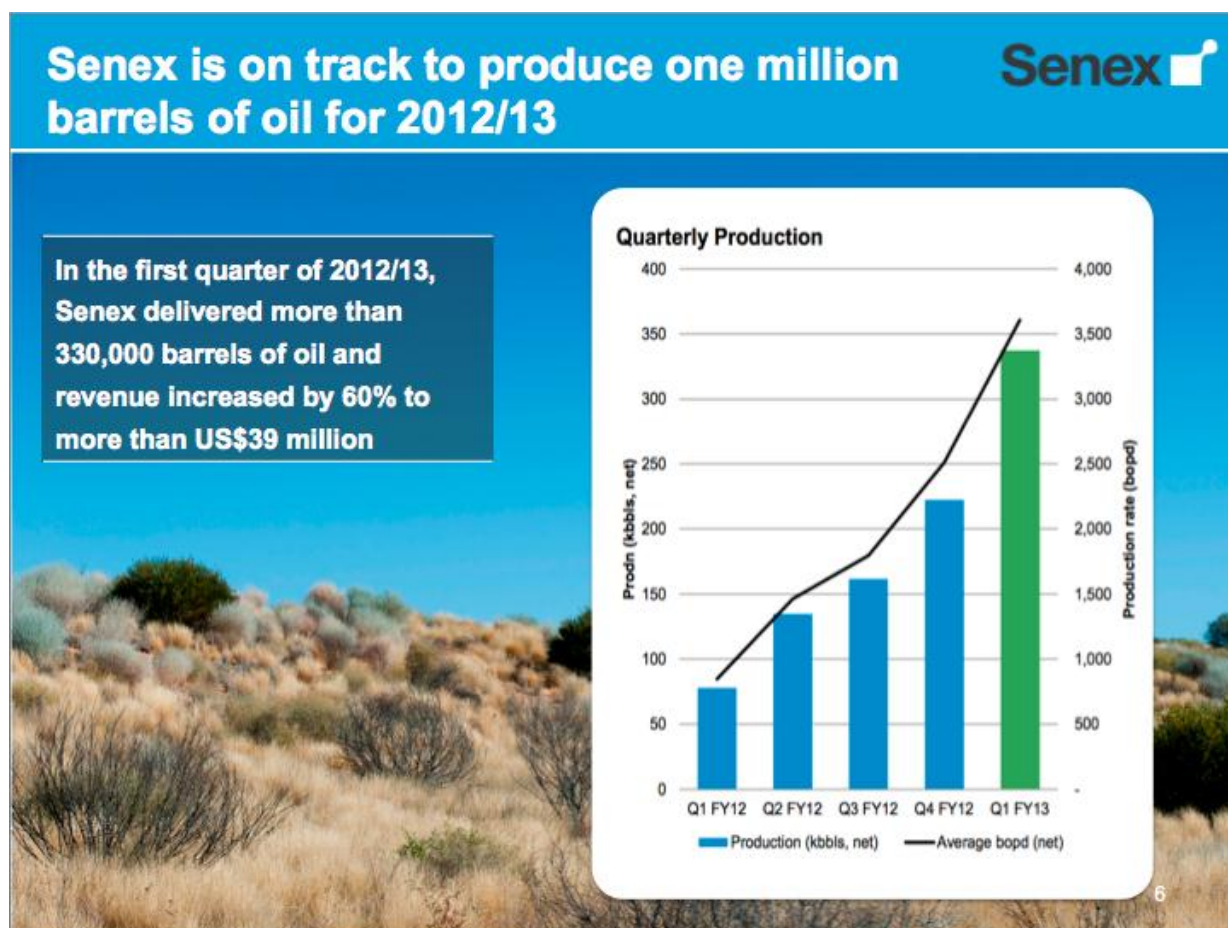


Right now, we're analysing the results of the Cordillo 3D seismic survey, which covered 790 square kilometres of our northern Cooper Basin acreage. We consider this acreage to be an extension of the oil fairway on the western flank. We've also commenced line clearing for the 310 square kilometre Lignum 3D seismic survey, which covers acreage adjacent to Growler, Charo and Snatcher oil fields. Over in the east, in Queensland, where Santos is the Operator, we're mid-way through another 3D seismic survey of a 224 square kilometre area north of the successful Cuisinier oil field.

As I mentioned earlier, we're taking the Cooper Basin seriously.

In coming months and years, we plan to survey significant portions of our Cooper Basin acreage to identify the next generation of oil and gas targets. After Lignum and Cuisinier North, our next 3D seismic survey – Dundinna – is proposed to cover over a thousand square kilometres west of Cordillo. With each new survey, we are gathering more information about the nature of our assets and we're looking at our plans with fresh eyes.

Our focus on the future has helped us to maintain momentum with our existing oil business. Senex is well and truly on track to deliver its target oil production of one million barrels by 30 June 2012.

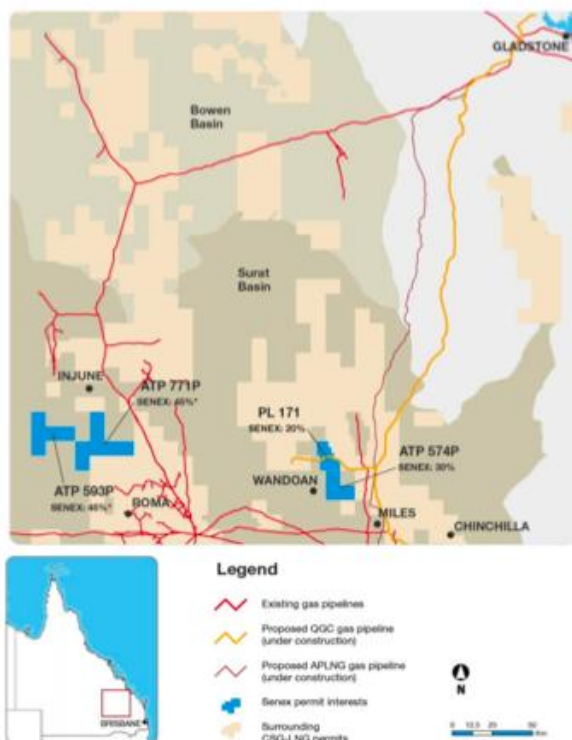


First quarter production was up 48 per cent on the previous quarter, delivering more than three hundred and thirty thousand barrels of oil. As a result, quarterly revenue was also up – and on the back of a strong oil price, Senex realised a 60 per cent increase to more than thirty-nine million US dollars.

When you add, that in the first quarter of 2012/13, Senex also delivered two new oil discoveries, four successful appraisal and development wells, and several upgrades to our operated oil production facilities, you have to admit that Senex’s oil position is compelling.

But what of our “strategically-located” coal seam gas assets?

Senex will continue to add value to its strategically-located CSG assets



- Located in the Gladstone LNG feedstock heartland
- Significant upgrade to net reserves announced in May 2012:
 - 2P reserves 138 PJ (↑75%)
 - 3P reserves 314 PJ (↑26%)
 - **More than 500 PJ of reserves and resources (~83mmboe)**
- Continued exploration and appraisal to build 2P reserves
- 17-well program across eastern and western permits to evaluate deliverability
- Commencement of field development planning ahead of pilot production programs in 2013/14

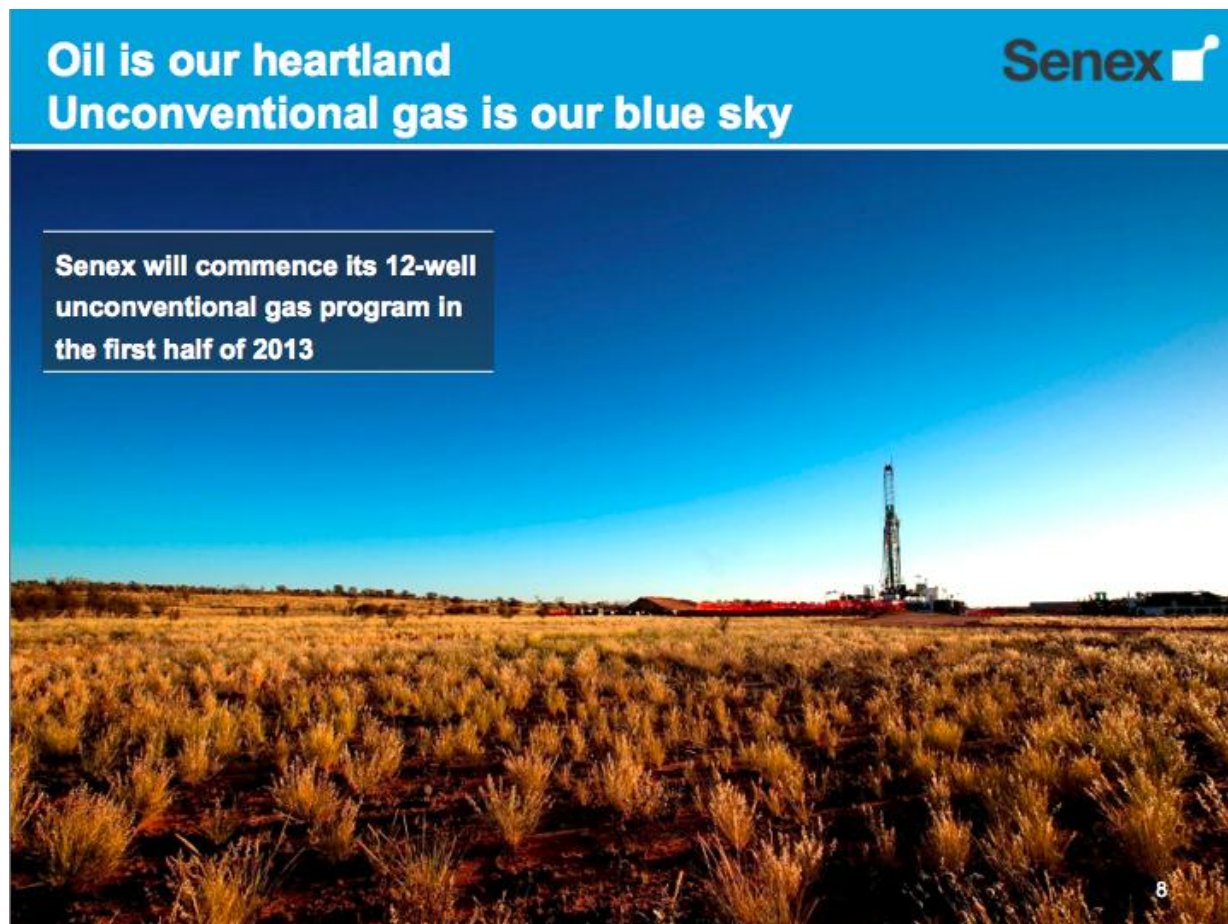
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It has to be said that the Surat Basin has taken a back seat to the Cooper Basin in terms of the strategic priorities for Senex over the last two years. Our assets are valuable, and their location makes them even more so, with the prospect of a gas supply shortfall for the CSG to LNG industry.

We will vigorously pursue opportunities to add value to our assets, and we are committed to proving up additional reserves with a program of appraisal drilling. We will seek to monetise these assets for our shareholders at the right time.

Our prime focus is the Cooper Basin, and the incredible opportunities it presents for a high-yield, high-margin, rapidly growing oil business.

Now that I've discussed the value of our oil business, let me turn your attention to the potential for unconventional gas in the Cooper Basin.



If conventional oil is our heartland, then unconventional gas is our blue sky.

The International Energy Agency released its annual *World Energy Outlook* last week in London and I'd argue it paints a very bright picture for Senex's unconventional gas assets. The IEA sees global gas demand growing strongly through to 2035, led by China, India and the Middle East. Importantly, the IEA projects that unconventional gas will supply nearly half of global gas production to 2035. It highlights the profound impact of unconventional oil and gas developments in North America, which is projected to reduce its energy imports dramatically in the next decade and become self-sufficient by 2035. I take these as positive endorsements of our plans to develop a world class energy resource based on our unconventional gas assets in the Cooper Basin.

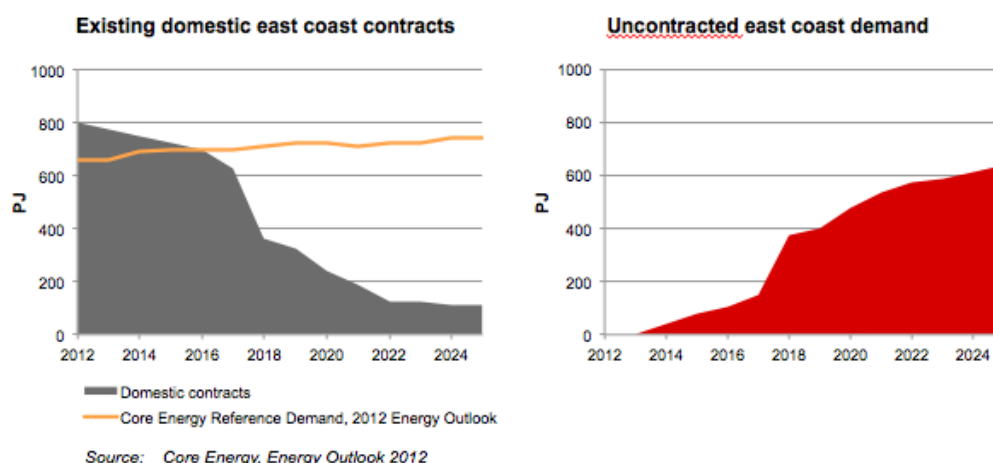
The growth of a successful and profitable unconventional gas industry in North America provides us with a terrific exemplar. Their pioneering work has identified technology improvements, production efficiencies and massive cost savings. It's also flagged problem areas and given us early insights into possible solutions.

The extra benefit of the North American experience is that the skills, expertise, technology and equipment can be transferred to Australia. From my perspective, there is a lot of opportunity for Australia's unconventional gas industry to benefit from our North American peers.

But the focus of our unconventional gas ambitions is not necessarily global.

In keeping with our very pragmatic world view, we see great opportunities for unconventional gas right here in Australia.

The domestic market offers excellent opportunities for new gas supply



"By 2017 reserve coverage, based on existing reserves and projected domestic demand, is expected to be approximately 15 years which is beginning to test the comfort limits of gas fuel security."

Core Energy, Energy Outlook 2012

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There are three prime targets:

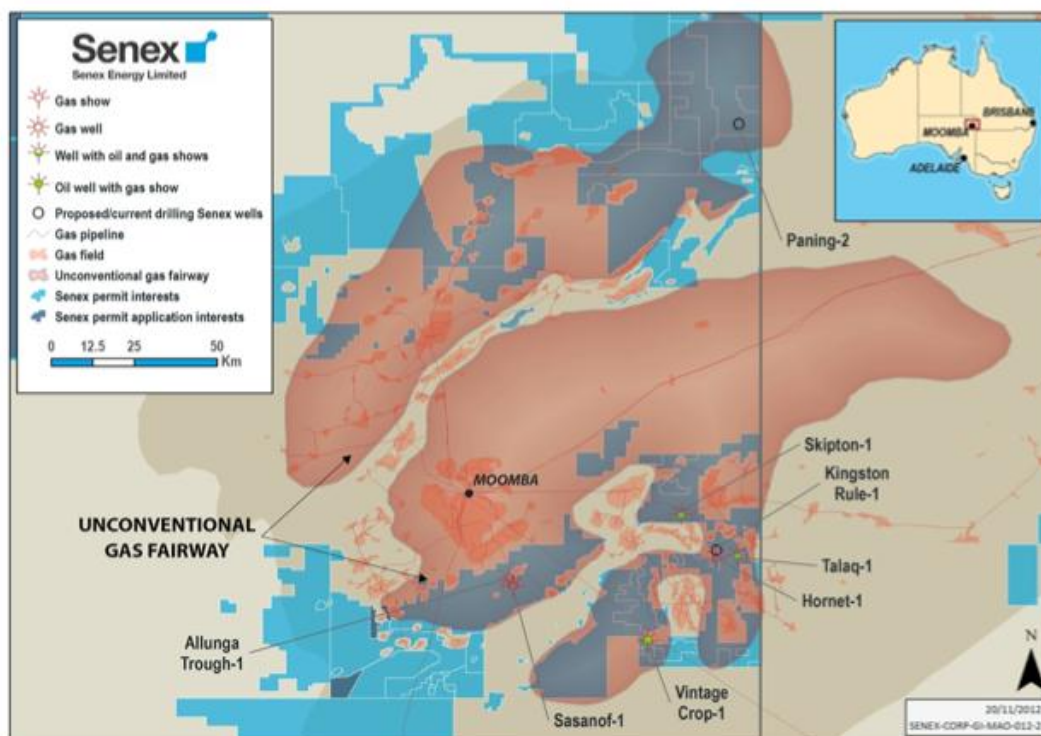
1. First, domestic gas demand.
2. Second, gas supply to Gladstone LNG projects.
3. Third, brownfield expansions of these LNG facilities.

After 2016, substantial gas contracts are due to expire and, not surprisingly, incumbent suppliers are holding out for the potential for LNG-linked pricing in what is clearly a rising gas price environment. We're talking about a material quantum of uncontracted demand. Core Energy Group projects this to be in the order of a billion cubic feet a day by 2018. That's equivalent to gas supply for two trains of LNG.

Senex's unconventional gas acreage in the southern Cooper Basin is close to the Moomba-to-Sydney gas pipeline and the Moomba-to-Adelaide gas pipeline, which both have spare capacity. We are well placed to exploit this market opportunity. The Queensland LNG industry has been plagued by gas shortfalls and cost overruns. These projects require cost-effective gas supply to meet their LNG contracts and our acreage offers a realistic supply alternative.

Finally, brownfield expansions of LNG facilities offer the best economic returns for the project sponsors. If Senex can deliver a substantial gas resource, it could underpin expansions of Gladstone LNG facilities, which will be able to compete with rival gas supplies from North America and east Africa, to meet growing Asian gas demand.

Senex's unconventional gas acreage is liquids rich and low in carbon dioxide



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Senex is an early mover in Australia's unconventional gas industry.

Our acreage contains massive quantities of gas and is close to existing gas pipeline infrastructure. We have proved the gas is there, that it contains liquid hydrocarbons and that it's low in CO₂. We've also proved that it can be produced. In North America, the presence of liquid hydrocarbons is a major factor in low cost unconventional gas production.

Our job now is to prove that we can produce it economically. We have already drilled four dedicated unconventional gas exploration wells, which have delivered exciting results. We are in the planning stages for our 12 well drilling program, which will build on what we have learned in the southern Cooper Basin and begin to assess the unconventional gas potential in the Patchawarra Trough of the northern Cooper Basin.

These are early days for Senex in the unconventional gas game.

We have a lot of work to do before we have a true sense of the scale, productivity and value of our resource. The early indicators are very exciting.



Senex 

A compelling investment proposition

Senex is a valuable oil and gas business with opportunities for rapid growth in the short, medium and long term

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“Exciting” is the word of the day and I hope I’ve managed to impart some of my personal enthusiasm about Senex’s future. This is a Company that has gained traction in the last two years. We’ve delivered outstanding results and we’re building momentum.

Right now, we have a very valuable oil business in the Cooper Basin. We believe there is a huge opportunity to grow that business rapidly in coming years.

In Queensland’s Surat Basin, we have valuable assets, perfectly positioned to supply coal seam gas to the LNG industry or domestic customers.

And in the longer term, we have exciting opportunities to supply growing energy demand both in Australia and Asia with a material and cost competitive unconventional gas resource.

In summary, our portfolio of assets represents a compelling investment proposition.

Our oil business, coal seam gas reserves and unconventional gas potential each present excellent opportunities to deliver shareholder value. We have assembled an impressive team with experienced leaders and accomplished technicians who are committed to getting the job done. The business bears no resemblance to the Company I joined in 2010. In 2012, your Company is strong, successful and perfectly placed to deliver future growth.

Ian Davies
Managing Director

Important notice and disclaimer

Important information

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Reserve and resource estimates

Unless otherwise indicated, the statements contained in this presentation about Senex's reserve and resource 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.

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