Senex
Senex Energy Limited

ASX Announcement

Senex secures landmark 15-year tenure retention deal with South Australia

Release Date: 19 August 2013

Senex Energy Limited (Senex, ASX: SXY) and the South Australian Government have today agreed a 15-year petroleum retention licence scheme to enable efficient investment in exploration and appraisal across Senex's operated oil permits in the South Australian Cooper-Eromanga Basin.

Key points

- Covers approximately 10,000 square kilometres of Senex-operated oil exploration permits in the South Australian Cooper-Eromanga Basin, including the prolific western flank oil fairway
- Allows Senex to convert petroleum exploration licences (**PELs**) to more secure petroleum retention licences (**PRLs**)
- 15-year scheme, with an initial five-year term and provision for two further five-year terms
- Replaces tenure specific expenditure obligations with a portfolio-wide oil exploration and appraisal expenditure target enabling efficient and targeted investment
- Increases operational flexibility and provides planning and expenditure certainty for Senex and its shareholders
- Exploration and appraisal expenditure target of approximately $30 million per year, net to Senex

INVESTMENT SECURITY AND CERTAINTY

The PRL scheme is a joint initiative of Senex and the South Australian Department of Manufacturing, Innovation, Trade, Resources and Energy (**DMITRE**), the peak regulatory authority for the State's petroleum industry.

Senex Managing Director Ian Davies said the initiative highlights the benefits of investing in South Australia.

"DMITRE has proven to be Australia's thought leader in the design of regulation that balances investors' need for security and certainty with the government's need to encourage economic development that delivers increased royalties, employment opportunities and a thriving oil and gas industry.

"For Senex shareholders, this is a major coup at a pivotal stage of the Company's development that enables us to target investment dollars efficiently," he said.

The scheme enables Senex to meet its new expenditure obligations with a portfolio-wide overall expenditure target for oil exploration and appraisal. This means that Senex will retain its permit interests over each of the five-year terms of the scheme provided it meets the agreed overall expenditure target for that period.

"The scheme allows us to prioritise investment in our oil business according to prospectivity and therefore spend our capital efficiently and target the highest return investments for Senex and South Australia," Mr Davies said.

ATTRACTING INVESTMENT TO SOUTH AUSTRALIA

In a statement released today (refer Attachment A), South Australian Minister for Mineral Resources and Energy, Tom Koutsantonis, said Senex has grown rapidly as a result of its focus on oil and gas exploration and developing the Cooper-Eromanga Basin.

"The hundreds of millions of dollars to be invested by Senex will inevitably create jobs not only in the Cooper-Eromanga Basin, but in Adelaide and elsewhere in South Australia," he said.

"Many local enterprises will also have an opportunity to benefit by providing equipment and services to these exploration and development projects."

A map of the proven oil play agreed subject area and is shown in Figure 1 and a summary of key terms is presented in Attachment B.

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MINISTER TOM KOUTSANTONIS

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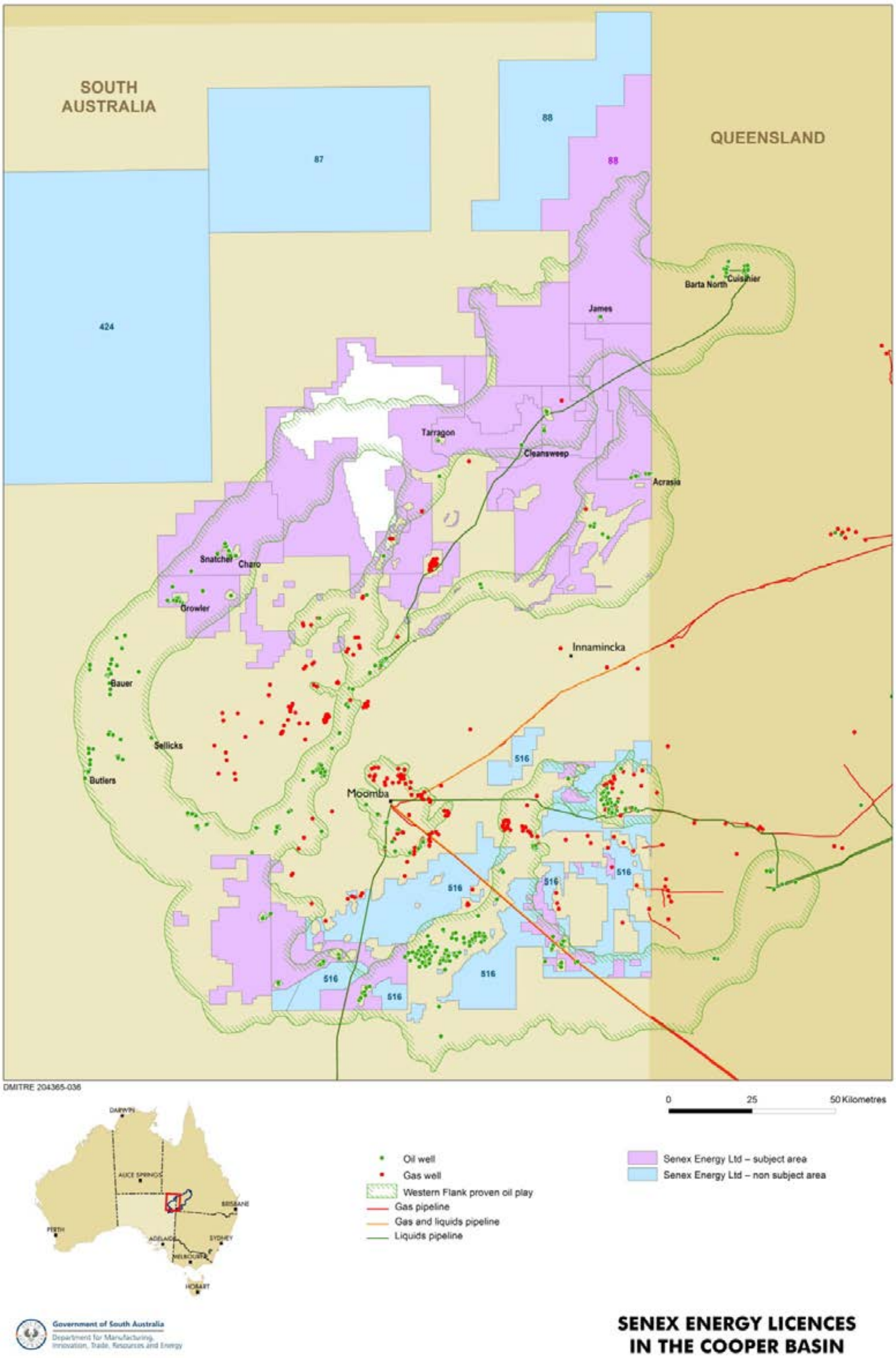
Figure 1: Permits covered by the PRL scheme



News Release

Premier Jay Weatherill
Treasurer
Minister for State Development
Minister for the Public Sector
Minister for the Arts

Minister Tom Koutsantonis
Minister for Transport and Infrastructure
Minister for Mineral Resources and Energy
Minister for Housing and Urban Development

Monday, 19 August 2013

Senex Energy to accelerate investment in South Australia

Senex Energy will accelerate exploration for oil and gas across almost 10,000 square kilometres of the Cooper-Eromanga basin.

The State Government and Senex Energy today reached a subject area agreement which has been announced to the Australian Stock Exchange.

Premier Jay Weatherill said the agreement was a significant step toward the company stepping up its investment in the State's far north.

"This is a big step toward the granting of licences that will bring forward about $200 million in exploration and appraisal expenditure as part of a 15-year exploration program," he said.

"South Australia has vast reserves of oil and gas waiting to be unlocked which will lead to significant future jobs and investment.

"Senex joins Santos, Beach Energy, Chevron, BP, Statoil, Northern Petroleum and others in strengthening their commitments to South Australia's oil and gas industry."

A Brisbane-based S&P/ASX 200 company, Senex Energy has grown rapidly in recent years as a result of its focus on oil and gas exploration and development in South Australia's Cooper-Eromanga Basin.

The company can now apply for Petroleum Retention Licenses in the Cooper-Eromanga basin which will are required to develop our State's oil and gas resources.

Senex Energy Managing Director and Chief Executive Officer Ian Davies said security of tenure was vital.

"This is an excellent outcome for Senex Energy and for South Australia that creates a nation-leading model for long-term investment in oil and gas exploration," Mr Davies said.

Mineral Resources and Energy Minister Tom Koutsantonis said the Cooper-Eromanga basin is Australia's largest onshore oil and gas province, supplying major south-eastern markets with gas for more than 40 years and oil since 1982.

"Hundreds of millions of dollars are to be invested," Mr Koutsantonis said.

"This will inevitably create jobs not only in the Cooper-Eromanga basin, but in Adelaide and elsewhere in the State as many local enterprises provide equipment and services to these exploration and development projects."

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Attachment B - Summary of the Petroleum Retention Licence Scheme

Area:	The scheme applies to the majority of Senex's operated petroleum exploration licences[1] (**PELs**) in the South Australian Cooper-Eromanga Basin, including the western flank oil fairway. This equates to 9,753 square kilometres (refer Figure 1).
Duration:	The 15-year scheme applies for an initial five-year term and can be renewed for two further five-year periods.
Operation:	Subject to exploration and appraisal expenditure across the scheme licences, the relinquishment provisions that would otherwise apply at the end of each PEL term will not apply to the scheme licences.
Expenditure:	For the first five-year term, the overall expenditure target is set at $4,500 per square kilometre per year across the scheme area. The level of expenditure depends on the area included in the scheme. As areas move to production (with a production licence) or areas are relinquished, then the scheme area will decrease and so too will the commitment. If the expenditure target is not met at the end of the five-year term, then relinquishment is pro-rata based on the extent of the shortfall, with Senex deciding the areas to be relinquished. Relinquishment is also subject to a cap, being the area of land that would have been relinquished had Senex not entered into the scheme.
Eligible activity:	All expenditure up to the point of establishing the commerciality of discoveries (exploration and appraisal) qualifies as expenditure to meet the overall expenditure target. Senex can choose where expenditure is spent.

[1] Inclusion in the scheme is subject to joint venture approval where required