

Quarterly report

For the quarter ended 31 December 2020



Highlights



Senex Energy Ltd (Senex, ASX: SXY) has continued its strong financial performance from Q1 with further production growth from its Surat Basin natural gas assets. Senex's transformation is delivering balance sheet strength, cashflow resilience, production growth and future dividends. The sale of its Cooper Basin business to Beach Energy for \$87.5 million was announced in November 2020 and will bring forward more than five years of Cooper Basin free cashflow generation. Development of Senex's extensive 2P reserves position of 780 PJ is continuing as part of a targeted five-fold growth in annual production to >10 mmboe (60 PJ) by the end of FY25.

- **Surat Gas production reaches 50 TJ/day (>18 PJ/year):** With Atlas achieving a daily rate above 30 TJ after quarter end, peak daily production for our Surat Basin assets reached 50 TJ/day.
- **Surat Gas quarterly production up 16% to 4.3 PJ:** Atlas ramp-up continued with production increasing 31% for the quarter (up 225% on the previous December quarter) and tracking to initial nameplate capacity (32 TJ/day).
- **Sales revenue up 26% to \$27.9 million:** Increased revenue due to higher production volume and improved realised pricing for oil-linked Roma North natural gas production.
- **Sale of Cooper Basin business to Beach Energy:** Sale to Beach in November 2020 for \$87.5 million strengthens Senex's balance sheet and cashflow resilience. Completion is expected in Q3 FY21.
- **Additional customer contracts signed:** During the quarter additional customer contracts were signed for more than 6 PJ over CY 2021 and 2022.
- **Roma North expansion enters FEED:** FEED activities commenced for the expansion of the Roma North field to 48 TJ/day (~18 PJ/year).

Comments from Managing Director and CEO Ian Davies

"Senex has achieved a significant milestone with natural gas production reaching 50 TJ/day, or more than 18 PJ/year, equivalent to around 10 per cent of Queensland's natural gas demand.

"This milestone follows another impressive quarter of production and sales revenue growth, the sale of our Cooper Basin business to Beach Energy for \$87.5 million, and the signing of additional domestic gas customer contracts.

"Looking forward, we continue to aggressively pursue the development of our low-risk high-return organic growth opportunities as we progress towards our FY25 annual production target of 60 PJ/year.

"Our Roma North expansion to 24 TJ/day (~9 PJ/year) is on track to be online by Q1 FY22, with further production expansions (totalling an additional ~15 PJ/year) at Roma North and Atlas both within the FEED phase," Mr Davies said.

Key performance metrics	December Q2 FY20	September Q1 FY21	December Q2 FY21	Qtr on Qtr Change	FY21 YTD
Continuing Operations¹					
Total production (PJ)	1.3	3.7	4.3	16%	8.0
Total sales volumes (PJ)	1.1	3.3 ²	4.0 ²	21%	7.4
Total sales revenue (\$ million)	8.6	22.2	27.9	26%	50.1
Average realised gas price (\$/GJ) ³	7.1	5.9	6.2	5%	6.1
Net debt (\$ million)	2.3	54.6	52.0	(5%)	52.0

¹ Continuing operations exclude Cooper Basin assets following Senex's announcement on 3 November 2020 that it had entered into a binding agreement with Beach Energy to sell its Cooper Basin business for \$87.5 million cash consideration.

² Includes third party gas purchases of 0.1 PJ in Q1 FY21 and 0.2 PJ in Q2 FY21

³ Average realised gas price excludes impact of oil price linked hedges

Financial



Sales volumes and revenue

Sales volumes for continuing operations of 4.0 PJ were 21% higher than the prior quarter due largely to the increase in production at Atlas as the field continues to ramp up towards initial name plate capacity of 32 TJ/day (~18 PJ/year).

Sales revenue from continuing operations of \$27.9 million was 26% higher than the prior quarter due to the strong ramp up in production from Atlas and higher realised oil-linked Roma North natural gas prices. The average realised Australian dollar gas price for the portfolio was up 5% to \$6.2/GJ (Q1 FY21: \$5.9/GJ).

Sales volumes and revenue (Senex share)	December Q2 FY20	September Q1 FY21	December Q2 FY21	Qtr on Qtr Change	FY21 YTD
Continuing Operations – Surat Basin					
Gas sales volumes ⁴ (PJ)	1.1	3.2	3.8	18%	7.1
Third party gas purchase volumes (PJ)	-	0.1	0.2	143%	0.3
Total sales volumes (PJ)	1.1	3.3	4.0	21%	7.4
Total sales revenue (\$ million)	8.6	22.2	27.9	26%	50.1
Average realised gas price (\$/GJ) ⁵	7.1	5.9	6.2	5%	6.1
Discontinued Operations - Cooper Basin					
Total sales volumes (kboe)	205	151	150	(1%)	301
Total sales revenue (\$ million)	20.8	8.9	10.0	12%	18.9
Average realised price (\$/boe)	101	59	67	14%	63

NB. Totals throughout report may not add due to rounding



Senex began supplying natural gas to Visy Glass on 1 January 2021 under an Atlas natural gas supply agreement.

⁴ Senex own product

⁵ Average realised gas price excludes impact of oil price linked hedges

Financial



Liquidity

As at 31 December 2020, Senex had strong liquidity with cash reserves of \$58 million and net debt of \$52 million. Drawn debt reduced to \$110 million, following a voluntary \$15 million debt prepayment which is available for redraw.

\$ million	December Q2 FY20	September Q1 FY21	December Q2 FY21	Qtr on Qtr Change
Cash reserves	122.7	70.4	58.0	(18%)
Drawn debt	125.0	125.0	110.0	(12%)
Undrawn debt	6.6	9.1	23.3	156%
Net debt	2.3	54.6	52.0	(5%)

Capital expenditure

Capital expenditure from continuing operations of \$8.1 million was 23% higher than the prior quarter (Q1 FY21: \$6.6 million). The minor increase in capital expenditure reflected development planning work for the Roma North and Atlas expansions (refer Development Update section on page 5) and finalisation of Atlas water processing infrastructure.

\$ million	December Q2 FY20	September Q1 FY21	December Q2 FY21	Qtr on Qtr Change	FY21 YTD
Continuing Operations					
Exploration and appraisal	0.9	0.1	0.3	200%	0.4
Development, plant and equipment	33.3	6.5	7.7	18%	14.2
Capital expenditure (Continuing Operations)	34.3	6.6	8.1	23%	14.6
Capital expenditure - Discontinued Operations ⁶ - Cooper Basin	4.4	1.3	0.7	(46%)	2.0

Hedging

A total of 139,138 barrels of oil equivalent production is hedged for the six months ending 30 June 2021 using swaps with an average price of A\$90/bbl.

Oil swaps	FY21 (Jan - June)
Volume (kbbbl)	139
Weighted average swap price (A\$/bbl)	90

⁶ As announced on 16 April 2018, Senex and Beach agreed the transfer of up to \$43 million (gross) of free-carry commitment from the joint venture's unconventional gas project to the Cooper Basin western flank oil assets. No additional interest in the Cooper Basin western flank oil assets will be earned by Beach through this free-carry arrangement. The December Q2 FY20 capital expenditure (discontinued operations) is presented net of \$5.7 million free carry funding pursuant to this agreement.

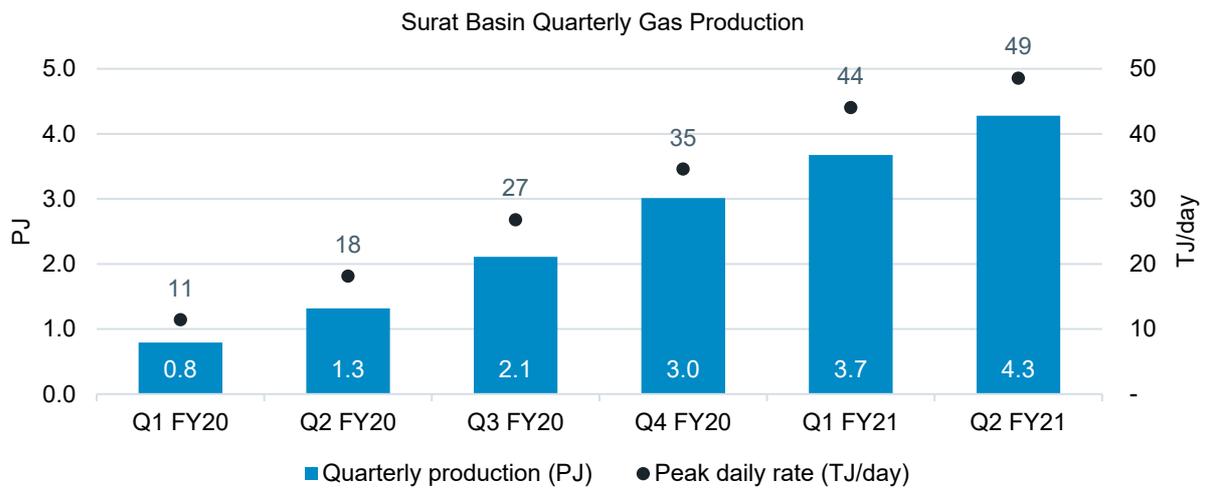
Operations



Production

In the Surat Basin, daily production reached 50 TJ/day (>18 PJ/year) after quarter end. Gas production of 4.3 PJ for the quarter was 16% higher than the prior quarter. Daily production at Atlas reached 30 TJ/day subsequent to quarter end and continues to track towards initial nameplate capacity of 32 TJ/day (~12 PJ/year).

The chart below demonstrates continued strong quarterly growth in Surat Basin gas production and peak daily rates, with an average quarterly compound production growth rate of 40% since Q1 FY20.



Production (Senex share)	December Q2 FY20	September Q1 FY21	December Q2 FY21	Qtr on Qtr Change	FY21 YTD
Continuing Operations – Surat Basin					
Total production (PJ)	1.3	3.7	4.3	16%	8.0
Cooper Basin					
Total production (kboe)	221	171	157	(8%)	328

NB. Preliminary Cooper Basin production data for current quarter

Development update

At the Investor Briefing held on 5 November 2020, Senex set out a target of a five-fold growth in annual production to >10mboe (~60PJ) by the end of FY25. This is to be achieved primarily through development of Senex's extensive natural gas reserves position and its proven hub-and-spoke infrastructure operating model. Senex currently holds 780 PJ of 2P reserves and over 1,000 PJ of 3P reserves across its Surat Basin natural gas acreage.

Roma North expansion to 24 TJ/day (~9 PJ/year) – Expected online in Q1 FY22

On 13 October 2020, Senex announced the Final Investment Decision (FID) for expansion of natural gas production at Roma North by 50% to 24 TJ/day (~9 PJ/year), which is expected to be online in Q1 FY22.

Key activities currently underway include the execution of the gas processing facility expansion, design of the wells and gathering campaign, progressing land access and other approvals, and procurement and fabrication of long lead items including compressors and well field equipment.

Atlas expansion to 48 TJ/day (~18 PJ/year) – Targeting FID for Execute phase by H2 FY21

On 21 September 2020, Senex announced that it had been awarded highly valuable Atlas acreage immediately adjacent to Senex's existing development. The Atlas acreage award enables rapid expansion of natural gas production to ~18 PJ/year.

Activities currently underway for the expansion include working with Jemena on FEED and long lead item planning for the gas processing facility expansion with FID targeted for H2 FY21. In addition, the wells and gathering program is currently in FEED. Long lead items are in the process of being procured and execution is targeted for Q4 FY21.

Expansion of the facilities will be dependent on customers committing to term contract volumes.

Roma North expansion to 48 TJ/day (~18 PJ/year) – Targeting FID for Execute phase by H1 FY22

Senex has commenced FEED activities for the expansion of the Roma North acreage with a view to a FID decision by H1 of FY22 and a target online date in H1 FY23.

Senex has previously secured the primary approvals required for this project, including environmental authorities to construct additional compression and wells, native title agreements and EPBC approval. Key activities underway include site selection for an additional gas processing facility, landholder discussions and wells and gathering design. Senex is also considering its approach to construction and ownership of the additional facilities, including another roll out of Senex's proven modular approach to facilities (supported by debt financing), or awarding a BOO contract to an infrastructure provider.



Procurement of long-lead items is underway for the expansion of Roma North to 24 TJ/day. This includes compressor modules such as the one pictured, which was delivered during construction of the existing facility.

Commercial and Corporate



Sale of Cooper Basin business

Senex announced on 3 November 2020 that it has entered into a binding agreement with Beach Energy to sell its Cooper Basin business for \$87.5 million cash consideration. Completion is expected in Q3 FY21.

Investor briefing

On 5 November 2020, Senex provided an Investor Briefing to outline its growth transformation delivering balance sheet strength, cashflow resilience, dividends and production growth. Key highlights from the Investor Briefing are noted below.

- Following the Cooper Basin sale, Senex to fully de-lever to a proforma net cash position of ~\$30 million (\$155 million cash on hand)⁷, with an ongoing leverage policy targeting 1.0x Net Debt: Adjusted EBITDA through the cycle;
- Annual EBITDA of \$85-95 million and free cashflow of \$40-60 million per annum from Foundation Asset Base⁸;
- Commencement of dividends from FY22 from strong and resilient natural gas production cashflows, with Senex's dividend policy to target a 20-30% payout of free cashflow⁹;
- Targeting annual production of >10 mmboe (~60 PJ) by the end of FY25 from best-in-class project execution and primarily through development of Senex's extensive reserves position in the Surat Basin (780 PJ of 2P reserves)

Additional GSAs

Contracted volumes across calendar years 2021 and 2022 increased by over 6 PJ during the quarter, including a new two-year gas sales agreement with Alinta Energy to supply four petajoules (PJ) of natural gas from 1 January 2021 at the Wallumbilla Gas Hub in Queensland.

Director retirement

Non-Executive Director Ms Debbie Goodin retired as a Director of the Company on 19 November 2020. Ms Goodin served as the Chair of the Audit and Risk Committee and a member of the Nomination Committee and the People and Remuneration Committee.

Executive changes

On 21 December 2020, Senex announced a number of changes to the executive team. Mark McCabe (currently CFO) will move to the new position of Chief Commercial Officer, once a replacement as CFO is recruited. Darren Stevenson has been promoted to the new role of Executive General Manager – Surat Basin, while Peter Mills will continue in the role of Chief Operating Officer until the end of the financial year as part of a formal leadership succession arrangement with Darren.

Small shareholding sale facility

On 15 October 2020, Senex announced that it was establishing a small shareholding sale facility for shareholders who hold less than \$500 of fully paid ordinary Senex shares, with the facility closing on 26 November 2020. Approximately 900,000 shares were purchased from 1,110 shareholders.

Share consolidation

As disclosed during the Investor Briefing on 5 November 2020, Senex is planning a share consolidation to provide additional flexibility with dividend payments. Shareholder approval will be required for the consolidation, with an Extraordinary General Meeting to be convened following Senex's half year results. Further details will be provided in due course.

⁷ As at 30 September 2020, on completion, and before transaction completion adjustments

⁸ Foundation Asset Base refers to Atlas gas assets at 12 PJ/year (32 TJ/day) nameplate capacity and Roma North gas assets at 9 PJ/year (24 TJ/day) nameplate capacity; plateau production and earnings targets expected during H1 FY22 following Roma North expansion

⁹ Free cashflow is Operating cashflow less principal payments for lease liabilities, less sustaining capital expenditure

Glossary



\$	Australian dollars	JV	Joint venture
ASX	Australian Securities Exchange operated by ASX Ltd	kbbbl	Thousand barrels of oil
ATP	Authority to Prospect - granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)	kboe	Thousand barrels of oil equivalent
bbl	Barrels - the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons	mmbbl	Million barrels of oil
Bcf	Billion cubic feet	mmbboe	Million barrels of oil equivalent
Beach	Beach Energy Ltd	mmscfd	Million standard cubic feet of gas per day
boe	Barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy	mscfd	Thousand standard cubic feet of gas per day
boepd	Barrels of oil equivalent per day	n.m.	Not meaningful
bopd	Barrels of oil per day	P&A	Plugged and abandoned
C&S	Cased and suspended	pcp	Prior corresponding period
Cooper	Cooper Energy Ltd	PEL	Petroleum Exploration Licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
EPBC	Environment Protection and Biodiversity Conservation Act	PJ	Petajoule
FEED	Front end engineering design	PL	Petroleum Lease granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)
FY	Financial year	PPL	Petroleum production licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
GJ	Gigajoule	PRL	Petroleum retention licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
GLNG	Gladstone Liquefied Natural Gas, a JV between Santos, PETRONAS, Total and KOGAS	PRRT	Petroleum Resource Rent Tax
GSA	Gas sales agreement	Q, Qtr	Quarter
		SACB JV	South Australia Cooper Basin JV, which involves Santos (as operator) and Beach
		Senex	Senex Energy Ltd
		TJ	Terajoule
		YTD	Year to date

Further Information

Conference call

Senex Managing Director and CEO Ian Davies and Chief Financial Officer Mark McCabe will hold a conference call to discuss the quarterly results.

Date: Friday, 22 January 2021

Time: 10.00am AEST (Brisbane) / 11.00am AEDT (Sydney, Melbourne)

The conference call will be streamed live and can be accessed via the Senex company page on the Open Briefing website: <https://www.openbriefing.com/OB/4068.aspx>

A recording of the conference call will be available via the same link.

About Senex

Senex is an ASX-listed, growing and independent Australian oil and gas company with a 30-year history. We manage a strategically positioned portfolio of onshore oil and gas assets in Queensland and South Australia, with access to Australia's east coast energy market. Senex is focused on creating sustainable value for shareholders by leveraging our capability as a low-cost, efficient and safe explorer and producer.

Authorised by:

Ian Davies
Managing Director and CEO
Phone: +61 7 3335 9000

Investor and media enquiries:

Mark McCabe
Chief Financial Officer
Phone: +61 7 3335 9000

Paul Larter
Communications Manager
Phone: +61 400 776 937

Registered Office
Level 30, 180 Ann Street
Brisbane Qld 4000

Postal Address
GPO Box 2233
Brisbane Qld 4001

Phone: +61 7 3335 9000
Facsimile: +61 7 3335 9999
Web: senexenergy.com.au

Senex Energy Ltd
ABN 50 008 942 827

Securities Exchange
ASX: SXY

Share Registry
Computershare Investor Services
Phone: 1300 850 505