

Quarterly report

For the quarter ended 30 September 2021

Senex
Senex Energy Limited

For personal use only

Highlights

Senex Energy Ltd (Senex, ASX: SXY) continued its track record of production growth delivering a 6% increase in production to 5.0 PJ. The low-cost, low-carbon, high-return Atlas Stage 2 expansion to 18 PJ/year (48 TJ/day) achieved FID during the quarter, with commissioning anticipated in Q1 FY23. At Roma North, the Stage 1b processing facility expansion was successfully commissioned. FEED activities have been completed for the expansion of Roma North to 18 PJ/year (48 TJ/day) including electrification studies. During the quarter, Senex signed further gas sales agreements, broadening supply of the company's natural gas throughout the east coast. Click here for a video presentation of the highlights of this quarterly report.

- **Continued growth in production:** Quarterly production up 6% to 5.0 PJ driven by commissioning at Roma North Stage 1b expansion and nameplate production of 32 TJ/day achieved at Atlas. Sales revenue up 2% to $33.0 million at an average realised gas price of $7.4/GJ.
- **Roma North Stage 1b commissioned:** The Roma North processing facility expansion to 9 PJ/year (24 TJ/day) was commissioned during the quarter with a peak production gas rate of ~22 TJ/day achieved in September.
- **Roma North Stage 2:** FEED activities are complete for the expansion of Roma North to 18 PJ/year (48 TJ/day) incorporating infrastructure electrification, with FID expected in the coming months.
- **Atlas Stage 2 FID approved:** The 50% expansion in nameplate capacity to 18 PJ/year (48 TJ/day) was approved, with commissioning expected in Q1 FY23.
- **Additional customer contracts signed:** Gas sales agreements signed with Adbri, Opal, 29Metals and New Century Resources during the quarter.
- **Reserves:** Surat Basin reserve increases as at 30 June 2021 from prior year – 1P reserves up 24% to 261 PJ; 2P reserves up 4% to 767 PJ.
- **Decarbonisation Action Plan:** Defined our ambition, targets and actions in the short, medium and long term to reduce greenhouse gas emissions across the full value chain, supporting the transition to a cleaner energy future.
- **Final FY21 ordinary dividend paid during the quarter**

Comments from Managing Director and CEO Ian Davies

"Senex has delivered a strong quarter of operational and financial performance as we advance towards our production growth target of 60 PJe by year-end FY25.

"Production increased 6 per cent for the quarter and in doing so recording our nineteenth consecutive quarter of Surat Basin production growth.

"And we continue to execute our disciplined expansion strategy at both Roma North and Atlas, with a large natural gas reserves position and utilising our proven hub-and-spoke infrastructure operating model, to deliver affordable and reliable volumes of natural gas to our customers and into a tightening east coast gas market.

"Following the end of the quarter, we were proud to release our Decarbonisation Action Plan that details our ambition, targets and actions to reduce greenhouse gas emissions across our operational footprint to net zero by 2040.

"Natural gas is integral to meeting demand for affordable and reliable energy and we are focused on being the natural gas supplier of choice through the transition.

"The strong quarter and robust growth reflect Senex's commitment to providing sustainable natural gas that helps Australian industry as it transitions to a low-carbon future," Mr Davies said.

Key performance metrics	September Q1 FY21	June Q4 FY21	September Q1 FY22	Qtr on Qtr Change	FY22 YTD
Total production	3.3 PJ (0.6 *mmboe*)	4.7 PJ *(0.8 mmboe)*	5.0 PJ (0.9 *mmboe)*	6%	5.0 PJ *(0.9 mmboe)*
Total sales volumes[1]	3.3 PJ *(0.6 mmboe)*	4.7 PJ *(0.8 mmboe)*	4.8 PJ *(0.8 mmboe)*	2%	4.8 PJ *(0.8 mmboe)*
Average realised gas price ($/GJ)[2]	5.9	6.9	7.4	7%	7.4
Total sales revenue ($ million) [3]	19.6	32.4	35.4	9%	35.4
Net cash / (debt) ($ million)	(54.6)	26.0	5.1	(80%)	5.1

[1] Includes third-party purchases of 0.2 PJ in Q1 FY22, 0.6 PJ in Q4 FY21 and 0.1 PJ in Q1 FY21
[2] Average realised gas price excludes the impact of oil price-linked hedges
[3] Total sales revenue excludes the impact of oil price-linked hedges

Released 19 October 2021

For personal use only

Financial

Sales volumes and revenue

Total sales volumes of 4.8 PJ were 2 per cent higher than the previous quarter reflecting:

- Increased sales from production due to increased production rates and gas processing facility maintenance completed in the previous quarter
- Additional processing facility capacity coming online at Roma North during the quarter (August 2021) as part of the expansion to 9 PJ/year (24 TJ/day), resulting in a sales volume rate of ~20 TJ/day by the end of quarter
- Reduced third-party gas purchases

Sales revenue of $35.4 million was 9 per cent higher than the prior quarter due to the increased sales volumes highlighted above and a 7 per cent increase in the Australian dollar gas price for the portfolio to $7.4/GJ (Q4 FY21: $6.9/GJ)

Net sales revenue increased 2% to $33.0m due to the above factors partially offset by the impact of oil price-linked hedges.

Sales volumes and revenue from continuing operations	September Q1 FY21	June Q4 FY21	September Q1 FY22	Qtr on Qtr Change	FY22 YTD
Gas sales volumes[4] (PJ)	3.3	4.1	4.6	10%	4.6
Third-party gas purchase volumes (PJ)	0.1	0.6	0.2	(60%)	0.2
Total sales volumes (PJ)	**3.3**	**4.7**	**4.8**	**2%**	**4.8**
Average realised gas price ($/GJ)[5]	5.9	6.9	7.4	7%	7.4
Total sales revenue ($ million) [6]	**19.6**	**32.4**	**35.4**	**9%**	**35.4**
Impact of hedging on revenue ($ million) [7]	2.6	0.1	-2.4	n.m.	-2.4
Net sales revenue – post hedging ($ million)	**22.2**	**32.5**	**33.0**	**2%**	**33.0**

NB. Totals throughout report may not add due to rounding



Senex is focused on being a natural gas supplier of choice through the transition to a lower carbon economy.

[4] Senex own product
[5] Average realised gas price excludes impact of oil price-linked hedges. JCC-linked revenue trails Brent by approximately 5 months
[6] Excludes the impact of oil price-linked hedges
[7] Reflects impact of oil equivalent production hedges. Refer to page 3 for further information

Financial

Liquidity

As at 30 September 2021, Senex had strong liquidity with cash reserves of $80.1 million and a net cash position of $5.1 million. Drawn debt remained at $75.0 million.

Net cash outflow for the quarter was $20.9 million, which included capital expenditure of $15.8 million[8] and dividend payments of $6.7 million.

$ million	September Q1 FY21	June Q4 FY21	September Q1 FY22	Qtr on Qtr Change
Cash reserves	70.4	101.0	80.1	(21%)
Drawn debt	125.0	75.0	75.0	0%
Undrawn debt	0.0	50.0	50.0	0%
Net cash / (debt)	**(54.6)**	**26.0**	**5.1**	**(80%)**

Capital expenditure

Capital expenditure of $12.3 million was 18 per cent higher for the quarter (Q4 FY21: $10.4 million) reflecting our recommenced drilling program and expansion projects (refer Development Update section).

$ million	September Q1 FY21	June Q4 FY21	September Q1 FY22	Qtr on Qtr Change	FY22 YTD
Exploration and appraisal	0.0	0.9	0.6	(33%)	0.6
Development, plant and equipment	6.5	9.4	11.7	24%	11.7
Capital expenditure	**6.5**	**10.4**	**12.3**	**18%**	**12.3**

Hedging

491 kbbl (thousand barrels of oil) equivalent production is hedged at US$55/bbl for 21 months commencing 1 October 2021.

Oil swaps	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23
Volume (kbbl)	127.4	102.2	102.2	53.4	53.4	26.3	26.3
Weighted average swap price (US$/bbl)	57	56	55	54	54	53	53

[8] Differs from the $12.3 million in capital expenditure reported in the “Capital Expenditure” table, as that figure is calculated on an incurred basis, rather than a cash outflow basis

For personal use only

For personal use only

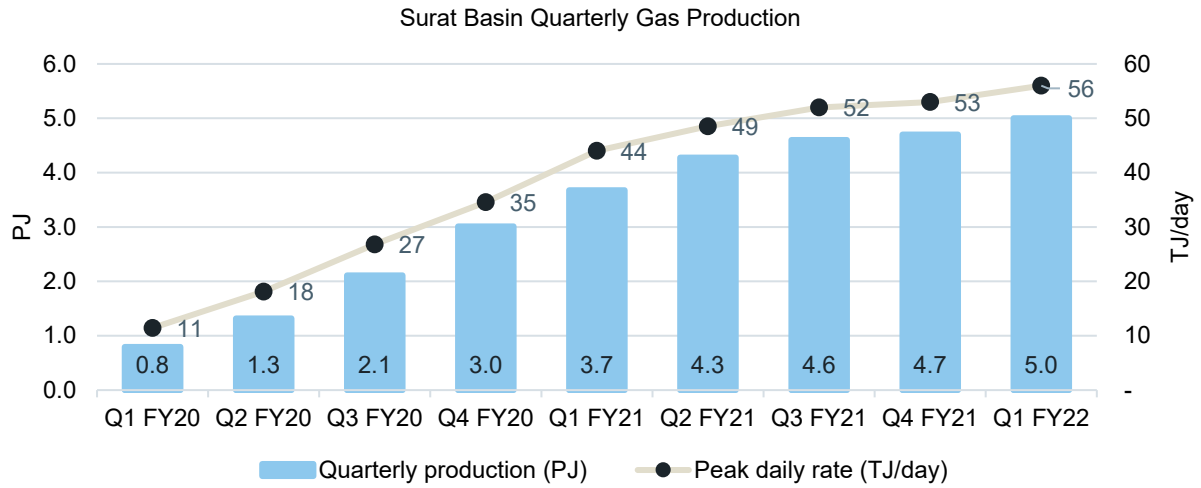
Operations

Production

In the Surat Basin, daily production reached a peak of 56 TJ/day during the quarter. Gas production of 5.0 PJ was 6 per cent higher than the prior quarter with continued growth at both Roma North and Atlas.

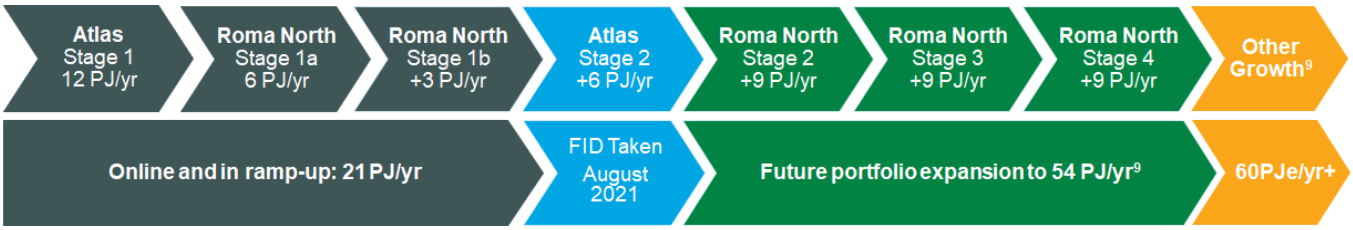
Production from continuing operations	September Q1 FY21	June Q4 FY21	September Q1 FY22	Qtr on Qtr Change	FY22 YTD
Total production (PJ)	**3.7**	**4.7**	**5.0**	**6%**	**5.0**

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 26 per cent since Q1 FY20.



Development update

Senex has a stated target to grow annual production to more than 60 PJe by year-end FY25. The growth is to be achieved primarily through development of Senex's extensive natural gas reserves position in the Surat Basin and its proven hub-and-spoke infrastructure operating model. Senex holds 767 PJ of 2P reserves and 1,016 PJ of 3P reserves across its Surat Basin natural gas acreage.



Drilling Program Commences

Experienced oil and gas services provider Easternwell commenced a 30-well natural gas drilling program across Senex's Atlas and Roma North developments with completion planned for early CY22. The drilling program supports Senex's rapid growth in the Surat Basin.

Roma North Stage 1b expansion to 9 PJ/year (24 TJ/day) – Online (August 2021)

On 13 October 2020, Senex announced a Final Investment Decision (FID) for a 50 per cent expansion of natural gas production at Roma North to 9 PJ/year (24 TJ/day). The facility expansion was completed and online in August 2021 with production increasing to ~22 TJ/day as at the end of the quarter, with commissioning anticipated in Q1 FY23

[9] Future investment decisions not yet taken and subject to future appraisal and final internal approvals

For personal use only

Roma North Stage 2 expansion to 18 PJ/year (48 TJ/day)

Senex has completed FEED activities for the expansion of the Roma North acreage to 18 PJ/year (48 TJ/day), which will involve the construction of a new 9 PJ/year gas compression facility to the west of the existing facility. The FEED activities included the electrification of compression infrastructure to reduce greenhouse gas (GHG) emissions from the project and increase operational efficiency. The project remains on target for FID in the coming months.

Atlas Stage 2 expansion to 18 PJ/year (48 TJ/day)

Senex announced in August 2021 that FID had been taken for the $40 million expansion of natural gas production at Atlas to 18 PJ/year (48 TJ/day). The expansion is a low-cost, low carbon, high-return and long-life investment to support increased domestic natural gas supply to Australian manufacturers and other domestic users. Senex is finalising arrangements with Jemena to construct and fund the Atlas processing facility expansion under an extension of existing tolling arrangements, with commissioning expected in Q1 FY23.

Commercial and Corporate

Decarbonisation Action Plan

Following the end of the quarter, the Company released our inaugural Decarbonisation Action Plan, detailing our ambition to reduce GHG emissions across our operational footprint to net zero by 2040, with transparent and bold near-term emissions intensity reduction targets. Senex supports the objective of limiting the global temperature rise to well below two degrees Celsius and has defined its ambition, targets and actions over the short, medium and long term to reduce GHG emissions across the full value chain.

Senex has adopted the following targets and ambition to reduce Scope 1, Scope 2 and Scope 3 Processing[10] GHG emissions that are within its direct influence:

30% FY25 TARGET	75% FY30 TARGET	NET ZERO 2040 AMBITION
30% reduction in GHG emissions intensity vs FY21 baseline	75% reduction in GHG emissions intensity vs FY21 baseline	Net zero operational GHG emissions using mitigation hierarchy

New gas sales agreements

As further enhancement of its position as a key gas supplier to domestic businesses, during the quarter Senex finalised a number of important gas supply agreements, supporting industrial and minerals customers in a range of locations on the east coast of Australia.

Adbri Limited

Senex announced in July 2021 a long-term domestic gas sales agreement with Adbri Limited (Adbri) to supply up to 11 PJ of natural gas to support Adbri's South Australian manufacturing operations to 2030. Senex will supply natural gas to Adbri at the Moomba Gas Hub at a fixed price.

Opal

Senex announced in September 2021 a gas sales agreement with Australian packaging and paper manufacturer Opal for up to six years and up to 12 PJ of natural gas. Under the initial four-year agreement starting 1 January 2023, Senex will provide around 8 PJ of natural gas at a fixed price. Opal and Senex have also agreed terms for a contract extension of up to two years and up to a further 4 PJ of sales, providing Opal with some flexibility in the medium term as it continues to explore long term energy solutions.

New Century Resources

Senex announced in September 2021 a gas sales agreement with Australian resources company New Century Resources Limited for the sale of around 7 PJ of natural gas at a fixed price over a three-year term commencing 1 January 2022. Senex will further supply around 1 PJ of additional natural gas at the customer's election by mid-2022 in support of material increases in production levels associated with the potential development of existing in-situ deposits at the Century Mine.

29Metals Limited

Senex announced in September 2021 a gas sales agreement to supply the Capricorn Copper mine, owned by Australian resources company 29Metals Limited, with around 2.5 PJ of natural gas at a fixed price over three years commencing 1 January 2022. Terms have also been agreed that can extend gas supply a further two years which would increase sales to around 4 PJ.

[10] Scope 3 GHG emissions resulting from the processing and compression of Senex's natural gas in third-party-owned gas processing facilities upstream of the gas sales point. Refer to Senex's Decarbonisation Action Plan for further information

Annual Reserves Statement

The company released its estimates of reserves as at 30 June 2021 (refer ASX release 9 August 2021), reporting a 24 per cent increase in Surat Basin 1P gas reserves to 261 PJ and a 290 per cent reserves replacement ratio (RRR) on 2P reserves of 767 PJ (up 4 per cent). The uplift in reserves incorporates the award of ATP 2059, now part of the Atlas acreage. Highlights include:

- Surat Basin 1P (proved) gas reserves up 51 PJ (24 per cent) to 261 PJ
- Surat Basin 2P (proved and probable) gas reserves up 28 PJ (4 per cent) to 767 PJ
- Surat Basin 3P (proved, probable and possible) gas reserves up 21 PJ (2 per cent) to 1,016 PJ
- 1P reserves replacement ratio of 440 per cent; 2P reserves replacement ratio of 290 per cent

Highlights of this quarterly report, and all forthcoming quarterly reports, will be presented in video format. Click here for the video presentation of the September 2021 Quarterly Report.

For personal use only

Glossary

$	Australian dollars
ASX	Australian Securities Exchange operated by ASX Ltd
ATP	Authority to Prospect - granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)
bbl	Barrels - the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons
Bcf	Billion cubic feet
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
C&S	Cased and suspended
FEED	Front end engineering design
FID	Final Investment Decision
FY	Financial year
GHG	Greenhouse gas
GJ	Gigajoule
GSA	Gas sales agreement
JCC	Japan Customs-cleared Crude oil price, the average price of customs cleared crude oil imports into Japan
kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
mmbbl	Million barrels of oil
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet of gas per day
mscfd	Thousand standard cubic feet of gas per day
n.m.	Not meaningful
P&A	Plugged and abandoned
pcp	Prior corresponding period
PJ	Petajoule
PL	Petroleum Lease granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)
Q, Qtr	Quarter
Senex	Senex Energy Ltd
TJ	Terajoule
YTD	Year to date

For personal use only

Further Information

For personal use only

About Senex

Senex is an established, rapidly growing and low-carbon Australian natural gas producer. Our long-life Surat Basin assets contribute around 20 petajoules of natural gas per year into the east coast gas market to support our customers. Senex is focused on sustainably delivering balance sheet strength, resilient cashflows, growing dividends to support Australia's energy needs as it transitions to a lower carbon future.

Authorised by:

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

Investor and media inquiries:

Simon Ellinor
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