



**SENEX ENERGY LIMITED
AND ITS CONTROLLED ENTITIES**

ABN 50 008 942 827

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
TABLE OF CONTENTS

Content	Page No.
Corporate Information	3
Directors' Report.....	4
Corporate Governance Statement	30
Consolidated Statement of Financial Position	36
Consolidated Statement of Comprehensive Income.....	37
Consolidated Cash Flow Statement	38
Consolidated Statement of Changes in Equity	39
Notes to the Financial Statements	41
Directors' Declaration.....	118
Independent Audit Report	119

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE INFORMATION**

AUSTRALIAN BUSINESS NUMBER:	50 008 942 827
DIRECTORS:	Denis F Patten (Chairman) Ian R Davies (Managing Director and Chief Executive Officer) Robert J Pett (Non-executive Director) Benedict M McKeown (Non-executive Director) Timothy BI Crommelin (Non-executive Director)
COMPANY SECRETARY:	Francis L Connolly
REGISTERED OFFICE:	Level 11, 144 Edward Street Brisbane, Queensland, 4000
PRINCIPAL PLACE OF BUSINESS:	Level 11, 144 Edward Street Brisbane, Queensland, 4000
TELEPHONE:	+61 7 3837 9900
FACSIMILE:	+61 7 3837 9999
EMAIL:	info@senexenergy.com.au
WEBSITE:	www.senexenergy.com.au
SHARE REGISTER:	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross, Western Australia 6153 Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233
SECURITIES EXCHANGE:	Australian Securities Exchange (ASX) Code: SXY
SOLICITORS:	Corrs Chamber Westgarth Waterfront Place 1 Eagle Street Brisbane, Queensland 4000 McCullough Robertson Level 11, Central Plaza Two 65 Eagle Street Brisbane, Queensland 4000
BANKERS:	ANZ Banking Level 16 324 Queen Street Brisbane, Queensland 4000
AUDITORS:	Ernst & Young 1 Eagle Street Brisbane, Queensland 4000

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

Your directors submit their annual report for the year ended 30 June 2011.

The annual report covers Senex Energy Limited (formerly known as Victoria Petroleum N.L.) ("the Company" or "the parent entity") and its controlled entities / subsidiaries (collectively known as "the Group").

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Group were oil and gas exploration and production. The Group's presentation currency is Australian dollars (\$). There have been no significant changes in the nature of these activities during the financial year.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

DENIS F PATTEN

Chairman, Independent Non-executive Director
Member – SPE

Mr Patten has extensive experience in oil and gas exploration, development and production and was a founding director of Queensland Gas Company Limited, retiring from the Board in 2007. Mr Patten's experience in the energy and resources industries spans more than 40 years and includes the development of major resources in Australia and internationally. He has held senior executive positions with ASEA Australia, CMPS&F, PT CMP Indonesia and a number of major Australian onshore oil and gas drilling companies.

During the past three years, Mr Patten has also served as a director of the following other listed companies:

- Queensland Gas Company Limited (resigned 2 March 2007)
- Roma Petroleum N.L. (appointed 8 October 2008, company delisted in 2009)

IAN R DAVIES

Managing Director and Chief Executive Officer
BBus (Acct), CA, Cert SII (UK)

Mr Davies joined Senex as Managing Director in mid-2010. He brings to the role a proven track record in delivering rapid business growth and a deep knowledge of the commercial imperatives underpinning successful companies. Mr Davies joined Senex from QGC – a BG Group business, where he was a key member of the senior management team. He had been Chief Financial Officer of Queensland Gas Company Limited (QGC) since 2007. Previously, Mr Davies was an investment banker in Melbourne with Austock Corporate Finance and in London with Barclays Capital. Mr Davies commenced his career in the Energy and Mining Division of PricewaterhouseCoopers in Brisbane.

Mr Davies is not a director or alternate director of any other listed companies.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

DIRECTORS (CONTINUED)

TIMOTHY BI CROMMELIN

Independent Non-executive Director

BCom, ASIA, FAICD

Mr Crommelin joined the Senex Board in October 2010, bringing over 40 years' experience in stockbroking and broad knowledge of corporate finance, risk management and acquisitions. He is Executive Chairman of RBS Morgans and previously served as Deputy Chairman of CS Energy Limited and Queensland Gas Company Limited. His other directorships include AP Eagers Limited, Australian Cancer Research Foundation and Abney Hotels Limited. Mr Crommelin is Chairman of the Investment Advisory Committee to the ANU Superannuation Funds, a Member of The University of Queensland's Governing Senate and Brisbane Grammar School's Board of Trustees. During the past three years, Mr Crommelin has also served as a director of the following other listed companies:

- AP Eagers Limited (appointed February 2011)*
- Queensland Gas Company Limited (appointed October 2006, company delisted in 2009)
- CS Energy Limited (from July 1997 to September 2008)

* denotes current directorship

ROBERT J PETT

Independent Non-executive Director

BA (Hons) MA (Econ)

Mr Pett is a minerals economist with a wide range of experience in the mining and petroleum sector, and in the management of companies involved in mineral and petroleum exploration and production. Over nearly 30 years in exploration and mining, Mr Pett has overseen more than ten mining projects worldwide, including gold and nickel mines in Australia and gold mines in East and West Africa. He is the Chairman of Ausgold Limited and a Director of A-Cap Resources Limited.

During the past three years, Mr Pett has also served as a director of the following other listed companies:

- A-Cap Resources Ltd (appointed April 2010)*
- Ausgold Ltd (appointed December 2009)*
- Brazilian Metals Group Limited (appointed November 2010)*
- Regalpoint Resources Limited (appointed February 2011)*

* denotes current directorship

BENEDICT M McKEOWN

Non-executive Director

BEng (Mining Engineering), MBA

Mr McKeown is a Chartered Engineer with more than 20 years of experience in the petroleum and mining sectors, including technical and commercial roles with BP and Total. He is a member of the Energy Institute (UK) and the Institute of Materials, Mining and Metallurgy. During the past 10 years, Mr McKeown has been involved in private equity investments primarily in the energy and mining sectors. He is currently a partner with The Sentient Group, an independent private equity investment firm specialising in the global resources industry.

Mr McKeown has not served as a director or alternate director of any other listed companies during the past three years.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

DIRECTORS (CONTINUED)

YANINA A BARILA

Alternate Director

BAcc, MFin

Ms Barila was appointed as an Alternate for Ben McKeown in March 2011. She is an investment analyst with The Sentient Group and brings international experience in the review and evaluation of mining and energy projects. Ms Barila's areas of expertise include financial modelling and equity research. Before joining Sentient in 2009, she was based in Buenos Aires and previously worked with Irevna, a subsidiary of Standard and Poors, Thomson-Reuters, and Ernst & Young. Ms Barila is also an alternate director of Silver City Minerals (ASX: SCI).

During the past three years, Ms Barila also served as an alternate director of the following other listed companies:

- Silver City Minerals Limited (appointed July 2011)*

* denotes current directorship

JOHN T KOPCHEFF

Executive Director

BSc (Hons) (Geology and Geophysics)

Member – S.P.E., A.A.P.G., P.E.S.A., A.I.M.M.

Mr Kopcheff is a geologist and geophysicist, and holds a Bachelor of Science (Honours) from the University of Adelaide (1970). Mr Kopcheff has over 39 years of petroleum experience in Australia, South East Asia, USA, South America and the North Sea, both in field geological and geophysical operations and management. Mr Kopcheff was the founding Managing Director of Victoria Petroleum N.L.

Mr Kopcheff retired from the Board as Executive Director on 22 September 2010.

During the past three years, Mr Kopcheff has also served as a non-executive director of the following other listed companies:

- Great Panther Resources Limited (appointed August 2001)*
- Greenerth Energy Limited (appointed July 2006)*

* denotes current directorship

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of the Company were as follows:

Class of security	Ordinary shares,	
	fully paid	Unlisted options
DF Patten	640,000	1,400,000
IR Davies	634,000	4,000,000
TBI Crommelin	2,489,362	-
BM McKeown	-	1,000,000
RJ Pett	541,500	1,000,000
YA Barila	-	-

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

COMPANY SECRETARY

FRANK L CONNOLLY

BA, LLB (Hons), Grad Dip Applied Finance & Investment, MAICD

Mr Connolly joined Senex in early 2011 from the Australian Securities and Investments Commission (ASIC) where he was a Senior Manager in the Emerging, Mining and Resources team. Over a career spanning 30 years, Mr Connolly has held a number of senior executive roles and brings extensive knowledge in the areas of company law, corporate governance, investment banking and corporate finance. Previous roles include Chief Financial Officer and Head of Corporate Finance for Viento Group, Director of Corporate Finance at Ord Minnett and Partner of national law firm Corrs Chambers Westgarth.

DENIS I RAKICH

F.C.P.A

Mr Rakich retired as Company Secretary on 14 February 2011. Mr Rakich is an Accountant and Company Secretary with extensive corporate experience within the petroleum services, petroleum and mineral production and exploration industries.

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year and no dividends have been paid or declared to the Company by any controlled entity during the year or to the date of this report. The balance of the franking account at the end of the period was \$6,476,989 (2010: nil).

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Operating results for the year

Financial performance

	2011 \$	Consolidated 2010 \$	Change
Continuing operations			
Revenue	14,847,592	13,188,194 ▲	13%
Cost of sales	(7,593,018)	(5,429,245) ▲	40%
Gross profit / (loss)	7,254,574	7,758,949 ▼	(7%)
Profit / (Loss) from continuing operations after tax	(3,303,712)	2,463,290 ▼	(\$5,767,002)
Net profit / (loss) for the period attributable to owners of the parent entity	(3,303,712)	2,589,292 ▼	(\$5,893,004)

The Group's revenue for the year was \$14,847,592, an increase of 13% from the last financial year of \$13,188,194. Flood conditions in the Cooper Basin continued to impact the Group's revenue during the period, however this was offset by the Group's acquisition of Stuart Petroleum Limited ("Stuart") on 10 March 2011. Stuart contributed revenue of \$7,665,680 and profit of \$1,508,234 to the Group's result for the period.

The Group's net loss for the year was \$3,303,712 as compared to a reported net profit of \$2,589,292 from the last financial year. This year's result reflects investment in strengthening the resources of the Company in advance of a substantial exploration and development program planned for the 2012 financial year.

The result for the year also includes the effects of significant corporate activity during the period, including non-recurring costs associated with the acquisition of Stuart, relocation of office premises to Brisbane, rebranding to Senex Energy, advisory costs in relation to capital raisings and investing activities, as well as several other corporate projects. In relation to these activities, the following amounts have been separately disclosed on the face of the Statement of Comprehensive Income:

- Transaction costs of \$1,777,188; and
- Relocation and rebranding costs of \$519,044.

The Group reviewed the carrying value of its oil and gas properties for impairment at 30 June 2011. The value of the oil and gas properties was reviewed on a field by field basis, and no impairment expense has been recognised (2010: reversal of impairment of \$99,535).

Oil and gas exploration expenditures of \$1,637,235 (2010: \$2,392,512) were expensed during the year. These costs have been written off in accordance with the Group's accounting policy in relation to oil and gas exploration costs.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Operating results for the year (Continued)

Financial position

	2011	Consolidated 2010		
	\$	\$		Change
Total Current Assets	50,077,623	40,172,708	▲	25%
Total Non-current Assets	122,419,091	33,799,626	▲	262%
Total Assets	172,496,714	73,972,334	▲	133%
Total Current Liabilities	8,856,557	3,268,644	▲	171%
Total Non-current Liabilities	6,112,444	2,120,368	▲	188%
Total Liabilities	14,969,001	5,389,012	▲	178%
NET ASSETS	157,527,713	68,583,322	▲	130%
EQUITY				
Contributed equity	241,401,754	151,266,106	▲	60%
Reserves	3,766,236	1,653,781	▲	128%
Accumulated losses	(87,640,277)	(84,336,565)	▲	4%
TOTAL EQUITY	157,527,713	68,583,322	▲	130%

The Group finished the year with \$42,278,291 (2010: \$36,791,150) in cash on hand.

The Group's net assets at year end were \$157,527,713 (2010: \$68,583,322). The increase in net assets was principally a result of the acquisition of Stuart Petroleum Limited. The acquisition of Stuart is reflected in the Group's financial statements for the year on a provisional basis pending final valuation of the assets and liabilities of Stuart.

The Group also undertook a capital raising during the period, raising \$26,000,270 before costs to fund the proposed exploration and development program. An additional \$43,750 was raised through the exercise of unlisted options.

Oil and gas properties were valued at \$82,506,495 (2010: \$27,601,120). The increase in the value of oil and gas properties reflects the assets acquired through Stuart.

During the financial year, the Group acquired an additional 87,027,269 (2010: 90,000,000) Impress Energy Ltd ("Impress") shares. The Group disposed of these shares in February 2011 realising a gain on sale of \$2,582,535.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group overview

The Group has three areas of strategic focus, being the exploration and production of oil prospects in the Cooper and Eromanga Basins, the appraisal and development of coal seam gas assets in the Surat Basin in Queensland and the exploration of unconventional gas prospects in the Cooper and Eromanga Basins.

Production & Development Activity

Production Summary

The total net production for the year was 92,765 (2010: 142,579) barrels ("bbls") of oil.

The Group's oil assets in the western flank of the Cooper Basin remained severely affected by the one in 40 year flood event in the current year. While the Growler and Snatcher fields have remained inaccessible, the Group has focused on producing from fields to the south of the affected areas, including the Worrior and Acrasia fields acquired as part of the acquisition of Stuart.

Despite the continuation of challenging weather conditions, the Company temporarily re-established access to the Growler oil field in March 2011 following the construction of an alternative access road. This road allowed for the temporary reinstatement of production from Growler prior to the 2011 Queensland floodwaters reaching the Cooper Basin. The Company is currently restoring this road to ensure production is reinstated as soon as floodwaters recede. The Group currently expects to recommence production from the Growler oil field in late September 2011.

During the 2012 financial year, the Group expects to focus on optimising and growing production from existing fields and building infrastructure to accommodate the substantial development program planned for the western flank of the Cooper Basin. This will include the construction of pipelines from both the Growler and Snatcher oil fields to provide oil production transportation security and reduce costs. Further detail on the proposed pipeline projects is included in the discussion on after balance date events.

Acquisition of Stuart Petroleum Limited

The acquisition of Stuart in March 2011 significantly increased the Group's portfolio of oil assets currently on production.

Stuart was an independent oil producer with established fields on production across the South Australian Cooper Basin. The addition of these permits to the Group's portfolio of assets provides the Group with steady production and cash flow, and the opportunity to optimise operations and investments across a broader range of fields and prospects.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group overview (Continued)

Exploration Activity & Outlook

Exploration for oil and gas remains a core strategic focus for the Group across both its conventional and unconventional oil and gas businesses.

Cooper Basin, South Australia / Queensland

Conventional oil exploration

Oil exploration activity for the year in the Group's western flank permits was restricted by the ongoing access constraints discussed above. While access to drill sites for exploration prospects in these areas has been restricted, the Group has focused on interpreting and analysing existing data on the fields, including the construction of detailed reservoir models to better inform future planning and decision making processes.

With the acquisition of Stuart, the Group acquired South Australian permit PEL 516, drilling Vintage Crop-1 in May 2011 as both an oil exploration well and an unconventional gas exploration well. The well resulted in a new oil field discovery, flowing at over 300 barrels of oil per day on test. The Group is currently preparing to put the well on extended production testing.

Significant exploration success was also realised in ATP 752P, with the successful drilling of the exploration wells Cuisiner 2, 3 and 4, and Barta North 1. All wells were oil discoveries and have been cased and suspended for production testing. The Group is currently undertaking an assessment of reserves in the permit.

Unconventional gas exploration

Vintage Crop-1 was also used to core and test the Roseneath and Murteree shales and Toolachee coals as potential unconventional gas targets. Preliminary results indicated continuous gas shows and the presence of liquids rich gas. Following the success of Vintage Crop-1, the Company is planning to drill three dedicated unconventional gas wells in the coming year to further test the shale gas, coal seam gas and tight gas sand potential of PEL 516.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Exploration Activity & Outlook (Continued)

Surat Basin Coal Seam Gas, Queensland

ATP 574P and PL 171

During the year, the Group agreed an aggressive appraisal and development programme with Joint Venture partner QGC across PL 171 and ATP 574P. This program was subsequently delayed by the floods that affected Queensland during the early part of 2011. Once operations resumed, QGC as Operator of these permits successfully drilled two appraisal wells (Pinelands-11 and Peebs-14).

Drill Stem Tests were performed, with both wells intersecting substantial thicknesses of net coal. Both wells have been completed for production testing.

ATP 593P and ATP 771 – Don Juan

The Company assumed Operatorship of the Don Juan permits from Bow Energy Limited in November 2010. The Joint Venture plans to drill two core holes in ATP 593P during financial year 2012. Following the results of these wells, the Company will propose a comprehensive appraisal program aimed at further increasing reserves and proving gas deliverability.

Ordinary fully paid shares issued during the year

	Parent Entity			
	2011		2010	
	Number of shares	\$	Number of shares	\$
Balance at the beginning of the year	518,078,680	151,212,731	368,300,198	109,964,692
Partly paid shares cancelled and converted into ordinary shares	-	53,375	-	-
Shares issued during the year	240,201,867	90,690,338	149,778,482	42,399,021
Transaction costs on shares issued	-	(554,690)	-	(1,150,982)
Balance at the end of the year	758,280,547	241,401,754	518,078,680	151,212,731

On 26 November 2010, the Company issued 70,271,000 ordinary fully paid shares at 37 cents each, to raise \$26,000,270 before costs. An additional \$43,750 was raised through the exercise of options.

In addition, the Company completed the acquisition of Stuart Petroleum Limited on a scrip-for-scrip basis, resulting in the issue of 168,322,765 ordinary fully paid shares.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Ordinary fully paid shares issued during the year (Continued)

The Company's total issued capital as at 30 June 2011 is:

	Parent Entity	
	2011	2010
	\$	\$
758,280,547 ordinary fully paid shares (2010: 518,078,680)	241,401,854	151,212,731
Ordinary partly paid shares, paid to 10 cents (2010: 270,000)	-	27,000
Ordinary partly paid shares, paid to 1 cent (2010: 1,915,000)	-	19,150
Ordinary partly paid shares, paid to 0.1 cent (2010: 7,225,000)	-	7,225
Total issued capital	241,401,854	151,266,106

Key Management Personnel

During the period, the Group announced the appointment of the following key management personnel:

- Mr IR Davies, Managing Director and Chief Executive Officer
- Mr MR Herrington, General Manager Development and Technical Services
- Dr SG Scott, General Manager Exploration
- Ms JA Whitcombe, Chief Financial Officer
- Mr FL Connolly, Corporate Secretary and General Counsel
- Mr ID MacDougall, General Manager Production and Facilities

Mr JT Kopcheff retired as Executive Director on 22 September 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group during the year not detailed elsewhere in this Directors' Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Company has made several announcements to the ASX subsequent to the balance date. These are summarised below.

Capital Raising

On 22 August 2011, the Company announced a 1 for 5 non-renounceable entitlement issue at \$0.35 per share to raise approximately \$53.3 million before costs. The proceeds of the issue will fund projects including:

- Participation in the construction of oil flowlines from Growler to Moomba (see below);
- Acceleration of the Group's unconventional gas exploration programme; and
- Acceleration of appraisal and development in Senex's western flank permits.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

SIGNIFICANT EVENTS AFTER THE BALANCE DATE (CONTINUED)

Infrastructure Projects

Subsequent to year end, the Group has announced agreements for the construction of two significant infrastructure projects around the Group's western flank oil projects.

Growler to Moomba oil flowline

On 19 August, Senex announced that it had reached agreement with Beach Energy Limited on the principal terms for a project to jointly construct and operate an oil export flowline from the Growler oil field to the Moomba processing facility.

The project will comprise the construction of two flowlines:

- A six inch, 70 km liquids flowline from the Growler oil field to the Lycium oil field (Senex share: 60%); and
- An eight inch, 74 km liquids flowline from Lycium to the liquids plant at Moomba (Senex share: 40%).

The project remains subject to negotiation of formal documentation with Beach Energy Limited surrounding the proposed venture, and negotiation of tie-in agreements to the Moomba facility.

Charo to Tirrawarra oil trunkline

On 24 August, Senex announced that the PEL 111 joint venture had agreed to contribute \$4.1 million (\$2.5 million Senex share) to the South Australian Cooper Basin joint venture's Charo to Tirrawarra pipeline project.

The contribution from the PEL 111 joint venture allows for an upgrade of the trunkline from a 4 inch line to a 6 inch line to add capacity to carry crude from the Snatcher oil field. The capital contribution will be treated as a prepayment of transportation tariff at an agreed unit rate.

To connect Snatcher oil field crude, Senex will build and operate a flowline from Snatcher oil field to the Charo to Tirrawarra trunkline.

It is expected that all construction and commissioning work in respect of the Snatcher flowline and tie-in, and the Charo to Tirrawarra trunkline will be completed by March 2012.

Farm-in to PELA 514

On 19 August 2011 the Group announced it had reached agreement with Planet Gas Limited to farm-in to PELA 514 in the northern Cooper Basin in South Australia.

Under the terms of the agreement, Senex has the right to earn a 50% interest in the northern area of the permit, and a 70% interest in the southern area. The farm-in obligations consist of funding 100% of the cost of drilling three exploration wells. Senex will assume Operatorship of the permit in its entirety.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE DATE (CONTINUED)

Farm-out of PEL 516

On 18 August 2011, the Group announced it had reached agreement with Ambassador Exploration Pty Limited regarding the farm-out of:

- 60% interest in PEL 516 Mudlalee Block;
- 60% interest in PEL 516 Rowley Block; and
- 50% interest in PEL 113 Zulu Block.

Under the terms of the agreement, the Group will retain the rights to unconventional hydrocarbon production from the Zulu Block, and to any petroleum recovered from the Mudlalee and Rowley Blocks from beneath the Poolowanna horizon Cooper Basin hydrocarbon zones. The Group will also retain Operatorship of these licenses.

Other

Since the end of the financial year, the directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Company or the Group, the results of the operations of the Company or the Group, or the state of affairs of the Company or the Group in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the next financial year, the Group will continue to focus on its key projects: Cooper Basin oil projects in South Australia and Queensland, exploration for unconventional gas resources in the Cooper Basin, and Queensland Coal Seam Gas projects.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group has a policy of complying on its environmental performance obligations. No significant environmental breaches have been notified by any Government agency during the year ended 30 June 2011.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

SHARE OPTIONS

Unissued shares

At 30 June 2011, the Company had the following options and performance rights on issue:

Class of security	Number	Exercise Price	Expiry Date
Unlisted options	833,340	35.6 cents	26 July 2011
Unlisted options	1,875,003	35.6 cents	16 November 2011
Unlisted options	8,600,000	25 cents	31 January 2012
Unlisted options	2,000,000	25.5 cents	2 February 2014
Unlisted options	2,810,000	37 cents	30 June 2014
Unlisted options	3,000,000	27 cents	31 August 2014
Unlisted options	1,200,000	25.5 cents	9 September 2015
Unlisted options	800,000	25.5 cents	19 July 2016
Unlisted options	1,000,000	25.5 cents	19 July 2017
Unlisted options	1,000,000	25.5 cents	19 July 2018
Performance rights	1,800,000	-	30 June 2013

Options issued from 1 July 2010 to the date of this report

On 6 July 2010, the Company issued 2,210,000 unlisted options to the employees of the Company. The unlisted options are exercisable from 1 July 2011, with an exercise price of 37 cents each and an expiry date of 30 June 2014.

On 5 August 2010, the Company issued 2,000,000 unlisted options to two key management personnel of the Company, being:

- Mr MR Herrington – General Manager Development and Technical Services; and
- Dr SG Scott – General Manager Exploration.

The unlisted options issued to Mr Herrington and Dr Scott have various vesting dates, an exercise price of 25.5 cents each and an expiry date of 2 February 2014.

On 9 September 2010, shareholder approval was obtained for the issuance of 4,000,000 unlisted options to Mr IR Davies (25.5 cents each, various vesting dates, and expiry dates between 9 September 2015 and 19 July 2018) and 3,000,000 unlisted options to Mr JT Kopcheff (27 cents each, various vesting dates and an expiry date of 31 August 2014).

On 9 November 2010, the Company issued 600,000 unlisted options to Mr Keith Martens. These options are exercisable from 1 July 2011, have an expiry date of 30 June 2014, and an exercise price of 37 cents.

On 12 April 2011, the Company issued 2,708,343 unlisted options to employees of Stuart Petroleum Limited in connection with the acquisition. The options were issued in consideration for the cancellation of options held by the employees over Stuart Petroleum Limited shares. These options were issued in two parcels, being:

- 833,340 unlisted options with an exercise price of 35.6 cents and expiring on 26 July 2011; and
- 1,875,003 unlisted options with an exercise price of 35.6 cents and expiring on 16 November 2011.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

SHARE OPTIONS (CONTINUED)

Options issued from 1 July 2010 to the date of this report (Continued)

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Performance rights issued from 1 July 2010 to the date of this report

On 1 December 2010, the Company granted 1,800,000 performance rights to five senior employees. These rights vest over a 3 year period subject to certain performance hurdles.

Performance rights holders do not have any right, by virtue of the right, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options or performance rights

Shares issued as a result of the exercise of options or performance rights to the date of this report include:

- 75,000 shares issued on 19 October 2010;
- 100,000 shares issued on 29 June 2011;
- 625,005 shares issued on 14 July 2011;
- 208,335 shares issued on 19 July 2011; and
- 566,668 shares issued on 11 August 2011 as a result of the vesting of performance rights.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the current year, the Company incurred a premium of \$27,953 (2010: \$26,085) to insure directors and officers of the Group.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group.

DIRECTORS' MEETINGS

From 1 July 2010 to the date of this report, nine meetings of directors were held. The number of meetings attended by each director and the number of meetings each director was eligible to attend were as follows:

Director	Number of meetings attended	Number of eligible meetings
DF Patten	9	9
IR Davies	9	9
TBI Crommelin	8	8
RJ Pett	6	9
BM McKeown	9	9
J T Kopcheff	1	1
YA Barila	2	2

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

AUDITOR INDEPENDENCE

The independence declaration received from the auditor of Senex Energy Limited is set out on page 29 and forms part of this Directors' Report for the year ended 30 June 2011.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young (Australia). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young (Australia) received or are due to receive the following amounts for the provision of services for the year ended 30 June 2011:

	Consolidated 2011 \$	Consolidated 2010 \$
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
- tax compliance	12,800	54,000
- royalty audit	52,360	10,300
- other services	289,900	-
	355,060	64,300

Other services of \$289,900 relate principally to assistance with the project management of the integration of Stuart Petroleum Limited into the Group.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group.

For the purposes of this report, the term "executive" encompasses the Company Secretary and executives of the Company and the Group.

Individual key management personnel disclosures

(i) Directors

Name	Position
DF Patten	Chairman, Independent Non-Executive Director
IR Davies	Managing Director and Chief Executive Officer (appointed 19 July 2010)
TBI Crommelin	Independent Non-Executive Director (appointed 13 October 2010)
RJ Pett	Independent Non-Executive Director
BM McKeown	Non-Executive Director
YA Barila	Alternate Director (appointed 4 March 2011)
JT Kopcheff ¹	Executive Director (retired on 22 September 2010)

(ii) Executives

Name	Position
MR Herrington	General Manager Development and Technical Services (appointed on 26 July 2010)
SG Scott	General Manager Exploration (appointed on 26 July 2010)
JA Whitcombe	Chief Financial Officer (appointed on 16 November 2010)
FL Connolly	Company Secretary (appointed on 14 February 2011)
ID MacDougall	General Manager Production and Facilities (appointed on 25 March 2011)
DI Rakich	Company Secretary (retired on 14 February 2011)

¹ Mr JT Kopcheff retired from the Board as Executive Director on 22 September 2010.

Remuneration committee

Due to the size and nature of the Company's operations, the directors do not believe the establishment of a remuneration committee is warranted. The Board of Directors is responsible for determining and reviewing compensation arrangements for directors and senior executives. Contracts with the Managing Director and any other executives are determined by the independent, non-executive directors. The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To be successful and maximise shareholder wealth, the Company must attract, motivate and retain highly skilled directors and executives.

Remuneration packages applicable to the executive directors, senior executives and non-executive directors are established with due regard to the ability to attract and retain qualified and experienced directors and executives.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors and executives remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between directors as agreed. The latest determination was at a General Meeting held on 26 November 2010 when shareholders approved an aggregate remuneration of \$500,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board's current practice is to award a higher fee to the Chairman, with the balance split evenly between other non-executive directors. The Board does not currently differentiate remuneration on the basis of participation in any Board sub-committees.

Non-executive directors are encouraged by the Board to hold shares in the company (purchased by directors on market). It is considered good governance for directors to have a stake in the company in which they serve as a Board member.

The remuneration of non-executive directors for the years ending 30 June 2011 and 30 June 2010 is detailed in Table 1 below.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company to:

- reward executives for company performance against targets set by the board;
- align the interests of executives with those of shareholders;
- link reward with strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

This is a remuneration framework and the Board had not set targets for the 2011 financial year.

Remuneration incentives

The Company does not currently have a policy of linking director and executive remuneration (including equity based remuneration) to either long term or short term performance conditions. The Board feels that the expiry date and/or exercise price of the options currently on issue to the directors and executives is sufficient to align the goals of the directors and executives with those of the shareholders to maximise shareholder wealth, and as such, has not currently set any performance conditions for the directors or the executives of the Company.

Notwithstanding the above, in December 2010 the Company adopted a Performance Rights Plan for certain employees, including two members of the executive team, which directly links equity based incentives to performance conditions. Rights earned under the Plan are subject to three categories of performance conditions, including retention, company performance (share price performance), and individual performance. The Rights are awarded in the year of grant, and then vest in equal tranches over three years, subject to the executive remaining an employee at each annual vesting date.

Performance rights and options are issued to executives on a case by case basis at the Board's discretion, and are assessed annually.

Performance rights are subject to certain performance conditions, including:

- Company performance condition, relating to share price performance over the year;
- Retention performance condition, relating to an employee's continuing employment with the Group at the end of the period; and
- Individual performance condition, which varies by employee.

There is no formal policy in place regarding the award of options or performance rights to executives either at commencement of employment, or throughout their engagement with the Company. Remuneration incentives are instead considered annually and aligned with prevailing market conditions to ensure attraction and retention of appropriately skilled executives.

The Board will continue to assess its policy and practices with regards to remuneration incentives for executive employees to ensure that it is appropriate for the Company in future years. The Company does not have a policy in place relating to the Directors and executives limiting their exposure to risk in relation to the Company's equity instruments held by the directors and executives.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Group performance

The Group's performance is reflected in the movement in the Company's basic earnings / (loss) per share over time. The Company has reported its basic loss per share for the year of \$0.54 (2010: basic earnings per share at \$1.09). The five year history of earnings per share and share price is presented in the table below.

	Basis EPS	Share price
2011	(0.54)	0.36
2010	1.09	0.24
2009	(2.48)	0.39
2008	(1.53)	0.28
2007	(3.73)	0.17

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)
Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the years ended 30 June 2011 and 30 June 2010

Directors	Year	Short-term		Post Employment	Share-based Payment ²	Total	Total Performance Related
		Salary & Directors Fees	Non-monetary Benefits *	Superannuation	Options & Rights		
		\$	\$	\$	\$	\$	%
DF Patten	2011	82,500	2,808	-	-	85,308	-
	2010	75,000	4,084	6,750	-	85,834	-
IR Davies	2011	435,085	2,662	-	397,868	835,615	-
	2010	-	-	-	-	-	-
TBI Crommelin	2011	41,250	2,093	-	-	43,343	-
	2010	-	-	-	-	-	-
RJ Pett	2011	53,750	2,808	-	-	56,558	-
	2010	50,000	4,084	4,500	-	58,584	-
BM McKeown	2011	53,750	2,808	-	-	56,558	-
	2010	50,000	4,084	-	-	54,084	-
YA Barila	2011	-	908	-	-	908	-
	2010	-	-	-	-	-	-
JT Kopcheff ¹	2011	50,703	702	8,250	66,802	126,457	-
	2010	341,423	4,084	33,000	-	378,507	-
NC Fearis	2011	-	-	-	-	-	-
	2010	-	1,581	-	-	1,581	-
Sub-Total Directors	2011	717,038	14,789	8,250	464,670	1,204,747	-
	2010	516,423	17,917	44,250	-	578,590	-

¹ JT Kopcheff retired from the Board as Executive Director on 22 September 2010. JT Kopcheff's remuneration for the period from 23 September 2010 to 30 June 2011 has been included under 'Executives' section. JT Kopcheff's total remuneration for the year is the combined total of those included in 'Directors' and 'Executives' sections.

² Although a value is ascribed and included in the total Key Management Personnel compensation, it should be noted that the directors and executives have not received this amount in cash.

* Amounts disclosed in Non-monetary benefits include insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts. The insurance premiums are allocated based on a pro-rata portion of the year for which each individual was employed.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel (Continued)

Table 1: Key Management Personnel remuneration for the years ended 30 June 2011 and 30 June 2010 (Continued)

Executives	Year	Short-term		Post Employment	Share-based Payment ²	Total	Total Performance Related
		Salary & Directors Fees	Non-monetary Benefits *	Superannuation	Options & Rights		
		\$	\$	\$	\$	\$	%
JT Kopcheff ¹	2011	256,269	2,106	24,750	200,406	483,531	-
	2010	-	-	-	-	-	-
SG Scott	2011	243,320	2,608	15,199	77,802	338,929	-
	2010	-	-	-	-	-	-
MR Herrington	2011	230,295	2,608	15,199	77,802	325,904	-
	2010	-	-	-	-	-	-
JA Whitcombe	2011	142,879	2,177	11,399	34,008	190,463	18%
	2010	-	-	-	-	-	-
FL Connolly	2011	81,264	1,208	6,956	22,672	112,100	20%
	2010	-	-	-	-	-	-
DI Rakich	2011	83,417	1,762	-	44,000	129,179	-
	2010	162,507	4,084	16,251	-	182,842	-
ID MacDougall	2011	65,366	692	-	-	66,058	-
	2010	-	-	-	-	-	-
CM Lane	2011	-	-	-	-	-	-
	2010	231,651	4,084	22,728	-	258,463	-
Sub-Total Executives	2011	1,102,810	13,161	73,503	456,690	1,646,164	-
	2010	394,158	8,168	38,979	-	441,305	-
Total - Directors and Executives	2011	1,819,848	27,950	81,753	921,360	2,850,911	-
	2010	910,581	26,085	83,229	-	1,019,895	-

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment contracts

IR Davies – Managing Director and Chief Executive Officer

Mr Davies' contract allows for remuneration of \$480,000 commencing 19 July 2010. Under the terms of the contract, the Company may terminate the agreement with six months' notice. Alternatively, the Company may terminate the agreement immediately if Mr Davies is guilty of serious misconduct. Mr Davies does not have a fixed term of employment with the Company.

Mr Davies' termination provision is as follows:

	Notice period	Payment in lieu of notice
Employer-initiated termination	6 months	6 months
Termination for serious misconduct	None	None
Employee-initiated termination	3 months	3 months

On 9 September 2010, shareholder approval was obtained for the issuance to Mr Davies of 4,000,000 unlisted options at an exercise price of 25.5 cents each. The unlisted options provide for various vesting and expiry dates.

The purpose of the issue of unlisted options to Mr Davies as Managing Director and Chief Executive Officer is to provide Mr Davies with additional incentive to develop the Group and create value for shareholders. The unlisted options will form part of Mr Davies remuneration package.

General Managers

The Company has also entered into the following employment contracts with the following executives:

- Mr MR Herrington – General Manager Development and Technical Services;
- Dr SG Scott – General Manager Exploration;
- Ms JA Whitcombe – Chief Financial Officer;
- Mr FL Connolly – Corporate Secretary and General Counsel;
- Mr ID MacDougall – General Manager Production and Facilities.

For Mr Herrington, Mr MacDougall and Dr Scott, under the terms of their contracts, the Company may terminate the agreement with three months' notice. Alternatively, the Company may terminate the agreement immediately if the employee is guilty of serious misconduct. There is no fixed term of employment with the Company.

The termination provisions for these contracts are as follows:

	Notice period	Payment in lieu of notice
Employer-initiated termination	3 months	3 months
Termination for serious misconduct	None	None
Employee-initiated termination	3 months	3 months

The Company also issued 1,000,000 unlisted options to Mr Herrington and Dr Scott respectively on 5 August 2010. The unlisted options issued to Mr Herrington and Dr Scott have various vesting dates, an exercise price of 25.5 cents each and an expiry date of 2 February 2014.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment contracts (Continued)

General Managers (Continued)

For Mr Connolly and Ms Whitcombe, under the terms of their contracts, the Company may terminate the agreement with one months' notice. Alternatively, the Company may terminate the agreement immediately if the employee is guilty of serious misconduct. There is no fixed term of employment with the Company.

The termination provisions for these contracts are as follows:

	Notice period	Payment in lieu of notice
Employer-initiated termination	1 month	1 month
Termination for serious misconduct	None	None
Employee-initiated termination	1 month	1 month

During 2011, the Company has granted Ms Whitcombe and Mr Connolly performance rights of 300,000 and 200,000 respectively. These rights vest in equal instalments annually over a period of 3 years, subject to the satisfaction of certain performance hurdles during the 2011 financial year, and retention for the relevant annual period.

Partly paid shares

The Company did not issue partly paid shares to Key Management Personnel in the years ended 30 June 2011 and 30 June 2010.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options

During the year ended 30 June 2011, the following options were granted to Key Management Personnel:

Table 2: Unlisted options granted as part of remuneration

		Option and performance rights granted during the year		% of remuneration for the year	Value per option or right at grant date (cents)
	Grant date	Number	Value (\$)		
Directors					
DF Patten		-	-	-	-
IR Davies	9 Sep 2010	4,000,000	618,000	48%	0.15
RJ Pett		-	-	-	-
BM McKeown		-	-	-	-
TBI Crommelin		-	-	-	-
YA Barila		-	-	-	-
JT Kopcheff	9 Sep 2010	3,000,000	360,000	44%	0.12
Executives					
SG Scott	5 Aug 2010	1,000,000	130,000	23%	0.13
MR Herrington	5 Aug 2010	1,000,000	130,000	24%	0.13
JA Whitcombe	1 Dec 2010	300,000	115,500	18%	0.39
FL Connolly	1 Dec 2010	200,000	77,000	20%	0.39
ID MacDougall		-	-	-	-
DI Rakich	6 Jul 2010	400,000	44,000	34%	0.11
Total		9,900,000	1,474,500		

1,200,000 options granted to Mr Davies vested on 9 September 2010, and had a value of \$168,000. No other options granted to Key Management Personnel as part of remuneration vested during the period.

The unlisted options issued to Mr Davies and Mr Kopcheff were granted on 9 September 2010 and have been valued at 14-17 cents and 12 cents each respectively using the Black Scholes pricing model which takes into account the following variables:

	IR Davies	JT Kopcheff
Share price at grant date	0.27	0.27
Exercise price	0.255	0.27
Time to expiry	5.08 - 7.86 yrs	3.98 yrs
Risk free rate	5.75%	5.75%
Share price volatility	50%	50%
Dividend yield	0%	0%

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options (Continued)

The unlisted options issued to Dr Scott and Mr Herrington were granted on 5 August 2010 and have been valued at 13 cents each using the Black Scholes pricing model which takes into account the following variables:

	SG Scott	MR Herrington
Share price at grant date	0.29	0.29
Exercise price	0.255	0.255
Time to expiry	3.5 yrs	3.5 yrs
Risk free rate	5.75%	5.75%
Share price volatility	50%	50%
Dividend yield	0%	0%

There are no performance conditions attached to these unlisted options.

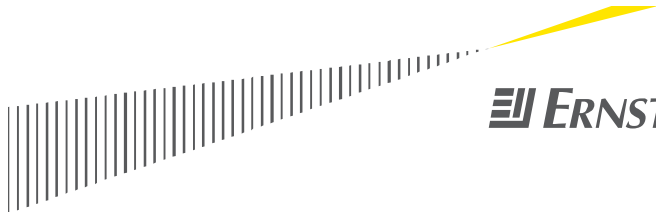
The Group does not currently have a policy in place relating to the executives limiting their exposure to risk in relation to the Company's equity instruments.

Signed in accordance with a resolution of the directors.



IR Davies
Managing Director

Brisbane, Queensland
22 September 2011



Auditor's Independence Declaration to the Directors of Senex Energy Limited

In relation to our audit of the financial report of Senex Energy Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Andrew Carrick
Partner
22 September 2011

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Senex Energy Limited (“the Company” or “the parent entity”) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (“the Council”). The Company’s practices are largely consistent with the Council’s guidelines (2nd edition (2007)), however the Board considers that the implementation of some recommendations are not appropriate given the nature and scale of the Company’s activities and size of the Board.

The following Corporate Governance Statement should be read in conjunction with the Directors’ Report on pages 4 to 28.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD RESPONSIBILITIES

To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of the directors and for the operation of the Board.

Whilst not formally documented, the Board recognises and acknowledges that it acts on behalf of and is accountable to the shareholders. The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Group is delegated by the Board to the Managing Director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and regularly reviews and assesses the performance of the Managing Director and the executive team.

The Board is responsible for ensuring that management’s objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- implementation of operating plans and budgets by management and Board monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes; and
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company’s expense.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board shall comprise of at least four directors and should maintain a majority of non-executive independent directors;
- the chairperson must be a non-executive independent director;
- the Board should comprise of directors with an appropriate range of qualifications and experience; and
- the Board shall meet at least bi-monthly and following meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

Name	Position
DF Patten	Chairman, Independent Non-Executive Director
IR Davies	Managing Director and Chief Executive Officer (appointed on 19 July 2010)
TBI Crommelin	Independent Non-Executive Director (appointed on 13 October 2010)
RJ Pett	Independent Non-Executive Director
BM McKeown	Non-Executive Director
YA Barila	Alternate Director (appointed 4 March 2011)

The Directors will continue to review the composition of the Board as the Company grows, and appoint independent directors with the requisite skills as appropriate. Details in relation to the Directors skills, experience and expertise relevant to the position of director are detailed in this Directors' Report.

INDEPENDENCE

An independent director, in the view of the Company, is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

In determining the independent status of a director, the Board considers whether the director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed, in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last 3 years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company or another group member other than as a director.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

NOMINATION COMMITTEE

The Group does not have a formally appointed nomination committee, as the directors believe the size of the Group's operations do not warrant the establishment of such a committee.

The Board is responsible for devising criteria for Board membership, reviewing the need for various skills and experience on the Board, identifying specific individuals for nomination as directors and overseeing Board and executive succession planning.

PERFORMANCE REVIEW AND EVALUATION

It is the policy of the Board to ensure that the directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively. The performance of all directors and executives is reviewed annually by the Chairman. Although the Company is not of a size to warrant the development of formal performance review processes, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to directors on an individual basis regarding their role as a director.

Directors whose performance is unsatisfactory may be asked to retire. The Board has not formally documented the results of performance evaluations to date.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

CODE OF CONDUCT

Due to the size and nature of the operations of the Group, it does not have a formally documented code of conduct for its directors and executives. Despite this, the Board maintains high standards of ethical responsible decision making, recognising legitimate interests of all stakeholders.

SECURITIES DEALINGS AND DISCLOSURES

The Company has a securities trading policy that regulates directors, executives and employees ("Personnel") dealing in its securities. The Board restricts Personnel from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security price. The Personnel are required to consult the Company Secretary prior to dealing in securities in the Company or other Companies in which the Company has a relationship.

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the *Corporations Act 2001* prohibits the purchase or sale of securities whilst a person is in possession of Inside Information.

In addition to the overriding prohibition on dealing when a person is in possession of Inside Information, the Personnel and their associated parties are prohibited from dealing in the Company's securities at all times except for:

- the period of 14 days commencing two business days after lodgement with the ASX of the Company's annual, half yearly and quarterly reports;
- the period of 14 days commencing two business days after lodgement by the Company with ASX of a significant ASX release; and
- such other times as the Board of the Company permits.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

**PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING
(CONTINUED)**

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

CONFLICTS OF INTEREST

To ensure that directors are at all times acting in the interests of the Company, directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interest of the director and the interests of any other parties in carrying out the activities of the Company.

If a director cannot, or is unwilling to remove a conflict of interest, then the director must, as per the *Corporations Act 2001*, absent himself from the room when Board discussion and / or voting occurs on matters about which the conflict relates (save with the approval of the remaining directors and subject to the *Corporations Act 2001*.)

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

AUDIT COMMITTEE

The Group appointed an audit committee during the period. It is the responsibility of this committee to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

ASX LISTING RULE COMPLIANCE

The Board has designated the Company Secretary as the person responsible for ensuring the Company is in compliance with the ASX Listing Rules.

CONTINUOUS DISCLOSURE TO ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities;

except in circumstances where it is appropriate for the Company not to disclose information in accordance with Listing Rule 3.1A.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

COMMUNICATIONS

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- The Annual Report, which is distributed to shareholders if they have elected to receive a printed version and otherwise available for viewing and downloading from the Company's website;
- The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- The Quarterly Reports and Half-Yearly Directors' and Financial Reports which are posted on to the Company's website; and
- Other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which are posted on to the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.senexenergy.com.au or the ASX website: www.asx.com.au under ASX code "SXY." The Company also maintains an email list for the distribution of the Company's announcements via email in a timelier manner.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

RISK ASSESSMENT AND MANAGEMENT

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control system. The Board requires the directors and executives to design and implement the risk management and internal control system to manage the Company, and to report to the Board.

The Group's policies are designed to ensure strategic, operational, legal, reputation and financial risk are identified, assessed effectively and efficiently managed and monitored to enable achievement of the Group's business objective.

The Board has determined that the Managing Director and the Chief Financial Officer are the appropriate persons to make the chief executive and chief financial officer equivalent declarations respectively, in respect of the year ended 30 June 2011, on the risk management and internal compliance and control systems recommended by the Council. Given the size of the Group's operations, the Board considers that adequate risk assessment and management can be ascertained through robust discussion and querying of management at regular board meetings.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK (CONTINUED)

CORPORATE REPORTING

The Chief Executive Officer and Chief Financial Officer have made the following assertions to the Board:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

REMUNERATION COMMITTEE

Due to the nature and size of the Group's operations, the directors do not believe the establishment of a remuneration committee is warranted.

The Board is responsible for determining and reviewing compensation arrangements for the directors. In determining the appropriate remuneration arrangements for directors, the Board considers the following guidelines:

- Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits and superannuation contributions;
- Non-executive directors should not receive options or bonus payments; and
- Non-executive directors should not be provided with retirement benefits other than superannuation.

The Board currently considers the grant of the options reasonable given the Company's size and stage of development and the necessity to attract and retain the highest calibre of professionals to the role whilst conserving the Company's cash reserves. Further detail in relation to the Company's remuneration policies can be found in the Remuneration Report contained within the Directors' Report.

The Board does not currently have a policy of implementing a ban on hedging economic risk of options and performance rights.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

		Consolidated	
	Note	2011	2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	11	42,278,291	16,791,150
Term deposits	12	-	20,000,000
Prepayments	13	280,985	1,130,000
Trade and other receivables	14	7,485,718	1,895,528
Work in Progress		32,629	-
Held-for-trading financial assets	15	-	356,030
Total Current Assets		50,077,623	40,172,708
Non-current Assets			
Trade and other receivables	16	787,441	99,750
Available-for-sale financial assets	17	-	5,096,667
Property, plant and equipment	18	1,364,503	17,246
Exploration assets	21	37,760,652	984,843
Oil and gas properties	20	82,506,495	27,601,120
Goodwill	22	-	-
Total Non-current Assets		122,419,091	33,799,626
TOTAL ASSETS		172,496,714	73,972,334
LIABILITIES			
Current Liabilities			
Trade and other payables	23	8,442,396	3,060,193
Provisions	24	414,161	208,451
Total Current Liabilities		8,856,557	3,268,644
Non-current Liabilities			
Provisions	25	6,112,444	2,120,368
Total Non-current Liabilities		6,112,444	2,120,368
TOTAL LIABILITIES		14,969,001	5,389,012
NET ASSETS		157,527,713	68,583,322
EQUITY			
Contributed equity	26	241,401,754	151,266,106
Reserves	27	3,766,236	1,653,781
Accumulated losses	28	(87,640,277)	(84,336,565)
TOTAL EQUITY		157,527,713	68,583,322

The consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2011	2010
		\$	\$
Continuing operations			
Revenue	6(a)	14,847,592	13,188,194
Cost of sales	6(c)	(7,593,018)	(5,429,245)
Gross profit / (loss)		7,254,574	7,758,949
Other income	6(b)	3,511,960	160,017
Oil and gas exploration expenses		(1,637,235)	(2,392,512)
Reversal of impairment of oil and gas properties	7(b)	-	99,535
Impairment of goodwill	22	(12,212,856)	-
Transaction costs	7(c)	(1,777,188)	-
Relocation and rebranding	7(d)	(519,044)	-
General and administrative expenses	7(e)	(9,733,757)	(3,061,084)
Finance expense		(196,119)	-
Profit / (Loss) from continuing operations before tax		(15,309,665)	2,564,905
Income tax benefit / (expense)	8	12,005,953	(101,615)
Profit / (Loss) from continuing operations after tax		(3,303,712)	2,463,290
Discontinued operations			
Gain / (Loss) from discontinued operations after tax		-	126,002
Net profit / (loss) for the period attributable to owners of the parent entity		(3,303,712)	2,589,292
Other comprehensive income			
Foreign currency translation movements		-	(269,662)
Movements in fair value of available-for-sale financial assets		448,089	(685,191)
Other comprehensive income / (loss) for the period, net of tax		448,089	(954,853)
Total comprehensive income / (loss) for the period attributable to owners of parent entity		(2,855,623)	1,634,439
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity (cents per share):			
Basic earnings / (loss) per share	10	(0.54)	1.03
Diluted earnings / (loss) per share	10	(0.54)	1.02
Earnings per share attributable to the ordinary equity holders of the parent entity (cents per share):			
Basic earnings / (loss) per share	10	(0.54)	1.09
Diluted earnings / (loss) per share	10	(0.54)	1.08

The consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
		2011	2010
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		6,577,898	11,871,074
Payments to suppliers and employees		(18,499,981)	(7,491,034)
Payments for exploration expenditure		(1,637,264)	(1,906,362)
Interest received		3,017,240	709,962
Interest paid		(230,196)	-
Fees received for technical services		1,900,783	1,456,109
Income tax paid		(253,322)	-
Other receipts		113,436	17,320
Net cash flows from operating activities	29	(9,011,406)	4,657,069
Cash flows from investing activities			
Payment for oil and gas properties		(7,078,703)	(16,723,894)
Proceeds from disposal of oil and gas properties		494,723	-
Purchase of property, plant and equipment		(944,738)	(19,679)
Proceeds from disposal of available-for-sale financial assets		16,495,587	56,150
Purchase of available-for-sale financial assets		(7,067,540)	(5,397,242)
Payment for exploration assets		(4,629,453)	(984,843)
Proceeds from disposal of controlled entities		-	248,533
Term deposit payments		19,221,559	(20,000,000)
Acquisition of subsidiary		789,654	-
Net cash flows from investing activities		17,281,089	(42,820,975)
Cash flows from financing activities			
Proceeds from borrowings		400,000	-
Repayment of borrowings		(8,400,000)	-
Proceeds from share issues		26,044,020	37,914,021
Payments of transaction costs of issue of shares		(792,162)	(1,150,982)
Net cash flows from financing activities		17,251,858	36,763,039
Net (decrease) / increase in cash and cash equivalents		25,521,541	(1,400,867)
Net foreign exchange differences		(34,401)	(149,327)
Cash and cash equivalents at the beginning of the year		16,791,150	18,341,344
Cash and cash equivalents at the end of the year	11	42,278,290	16,791,150

The consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

The following table presents the consolidated Statement of Changes in Equity for the year ended 30 June 2011:

	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Consolidated Share based payments reserve \$	Other reserve \$	Net unrealised gain / (loss) reserve \$	Total \$
Balance at 1 July 2010	151,266,106	(84,336,565)	-	2,101,870	-	(448,089)	68,583,322
Profit / (Loss) for the year	-	(3,303,712)	-	-	-	-	(3,303,712)
Other comprehensive income	-	-	-	-	-	448,089	448,089
Total comprehensive income	-	(3,303,712)	-	-	-	448,089	(2,855,623)
Transactions with owners, recorded directly in equity:							
Shares issued	90,690,338	-	-	-	-	-	90,690,338
Transaction costs on share issue	(554,690)	-	-	-	-	-	(554,690)
Share based payments	-	-	-	1,847,857	-	-	1,847,857
Acquisition of non-controlling interest	-	-	-	-	(183,491)	-	(183,491)
Balance at 30 June 2011	241,401,754	(87,640,277)	-	3,949,727	(183,491)	-	157,527,713

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

The following table presents the consolidated Statement of Changes in Equity for the year ended 30 June 2010:

	Contributed equity \$	Accumulated losses \$	Consolidated Foreign currency translation reserve \$	Share based payments reserve \$	Net unrealised gain / (loss) reserve \$	Total \$
Balance at 1 July 2009	110,018,067	(86,925,857)	269,662	2,101,870	237,102	25,700,844
Profit / (Loss) for the year	-	2,589,292	-	-	-	2,589,292
Other comprehensive income	-	-	(269,662)	-	(685,191)	(954,853)
Total comprehensive income	-	2,589,292	(269,662)	-	(685,191)	1,634,439
Transactions with owners, recorded directly in equity:						
Issue of share capital	42,399,021	-	-	-	-	42,399,021
Share issue costs, net of tax	(1,150,982)	-	-	-	-	(1,150,982)
Balance at 30 June 2010	151,266,106	(84,336,565)	-	2,101,870	(448,089)	68,583,322

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1:
CORPORATE INFORMATION

The financial report of Senex Energy Limited (formerly known as Victoria Petroleum N.L.) ("the Company" or "the parent entity") and its controlled entities / subsidiaries (collectively known as "the Group") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 21 September 2011.

Senex Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX code: SXY).

The principal activities during the year of entities within the Group were oil and gas exploration and production.

NOTE 2:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investments held for trading and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars (\$).

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

From 1 July 2011 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Application date of standard	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 July 2010

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Application date of standard	Application date for Group
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 July 2010

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2011:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	► These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. ► <u>This Standard shall be applied when AASB 9 is applied.</u>	1 January 2013	1 July 2013

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 July 2011

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	1 July 2011
AASB 2010-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	1 July 2013

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. <i>Disclosures</i> require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 July 2013

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate <i>SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	1 January 2012	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	1 July 2013
****AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 27 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and SIC Interpretation-12 <i>Consolidation – Special Purpose Entities</i>. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
****	Joint Arrangements	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and Interpretation-13 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i> . AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013
****	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
****	Fair Value Measurement	AASB 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013
IAS 1	Financial Statement Presentation	These amendments improve how we present components of other comprehensive income. Impact on entity Financial Report. These amendments will affect only the presentation of the other comprehensive income.	1 July 2012	1 July 2012

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(e) Basis of consolidation

The consolidated financial statements comprise of the financial statements of Senex Energy Limited and its controlled entities / subsidiaries (as outlined in note 31) as at 30 June each year (collectively known as “the Group”).

The controlled entities are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transactions

(f) Operating segments – refer note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

(g) Foreign currency translation – refer note 27

Functional and presentation currency

Both the functional and presentation currency of Senex Energy Limited and its controlled entities is Australian dollars (\$).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(h) Cash and cash equivalents – refer note 11

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Term deposits – refer note 12

Term deposits are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group intends to hold to maturity. They are stated at nominal value. These deposits have original maturity of three months or more.

(j) Trade and other receivables – refer note 14

Trade receivables, which generally have 30-60 day terms, are recognised and carried at the original invoice amount less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor are considered objective evidence of impairment.

(k) Investments and other financial assets – refer notes 15, 16 and 17

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through the profit or loss – refer note 15

Financial assets classified as held-for-trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held-for-trading are recognised in profit or loss and the related assets are classified as current assets in the Statement of Financial Position.

Loans and receivables – refer note 16

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(k) Investments and other financial assets – refer notes 15, 16 and 17 (continued)

Available-for-sale securities – refer note 17

Available-for-sale investments are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Where available-for-sale securities are held in escrow, the fair value is discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

(l) Earnings per share – refer note 10

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(m) Interest in jointly controlled operations – refer note 30

The Group has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than the establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interest in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(n) Property, plant and equipment – refer note 18

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(n) Property, plant and equipment – refer note 18 (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Office equipment, furniture and fittings – over 2 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Oil and gas properties – refer note 20

Oil and gas properties are carried at cost and include capitalised project expenditure, development expenditure and costs associated with lease and well equipment.

The Group uses the units of production methods to amortise costs carried forward in relation to its oil and gas properties. For this approach the calculations are based on Proved and Probable (2P) reserves as determined by the Company's reserves determination.

Impairment on the carrying value of oil and gas properties is based on Proved and Probable (2P) reserves and is assessed on a well by well basis.

(p) Leases – refer note 33

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on straight line basis over the lease term. Operating lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(q) Impairment of non-financial assets (excluding goodwill) – refer note 20

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the Statement of Comprehensive Income as an expense.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(r) Trade and other payables – refer note 23

Trade payables and other payables are carried at amortised cost. Due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Provisions and employee benefits – refer notes 24 and 25

Provisions are recognised when the Group has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(s) Provisions and employee benefits – refer notes 24 and 25 (continued)

current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

Rehabilitation costs – refer note 25

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is amortised over the useful life of the related asset.

Costs incurred which relate to an existing condition caused by past operations, and which do not have a future economic benefit, are expensed. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Employee leave benefits

Wages, salaries, annual leave and sick leave – refer note 24

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave – refer note 25

The liability for long service is recognised and measured as the fair value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

(t) Share-based payment transactions – refer note 27

Equity settled transactions

The Group provides benefits to employees (including Key Management Personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the current share price in relation to fully paid shares and with the use of a binomial option pricing model in relation to partly paid shares or rights to acquire shares.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or services conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(t) Share-based payment transactions – refer note 27 (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (a) the grant date fair value of the award, (b) the extent to which the vesting period has expired and (c) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options and performance rights is reflected as additional share dilution in the computation of earnings per share - refer note 10.

(u) Contributed equity – refer note 26

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Revenue recognition – refer note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of oil and gas

Revenue is recognised when the significant risks and rewards of ownership of the product have passed to the buyer and the amount of revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the product to the customer.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Technical service fees

Revenue is recognised in the period in which it is earned.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(w) Oil and gas exploration costs – refer notes 21 and 30

Exploration expenditure is expensed as incurred, except when such costs are expected to be recouped through the successful development and exploitation, or sale, of an area of interest. Exploration assets acquired from a third party are capitalised, provided that the rights to tenure of the area of interest is current and either (a) the carrying value is expected to be recouped through the successful development and exploitation or sale of an area of interest or (b) exploitation and/or evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing. If capitalised exploration assets do not meet either of these tests, they are expensed to the profit or loss.

(x) Income tax and other taxes – refer note 8

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(x) Income tax and other taxes – refer note 8 (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Senex Energy Limited and its controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

As a consequence, individual entities within the consolidated group will recognise current and deferred tax amounts relating to their own transactions, events and balances. Any recognised balances relating to income tax payable or receivable, or to tax losses incurred by the individual entity will then be transferred to the head entity of the consolidated group, Senex Energy Limited, by way of a contribution to or distribution of equity as appropriate. However, as there is no income tax payable in the current year, and it is not proposed to recognise balances in respect of losses in the current year in the individual entities, no such transfers will occur.

The entities also intend to enter into a Tax Sharing Agreement, but details of this agreement are still yet to be finalised. The absence of a Tax Sharing Agreement is not expected to have a material impact on the consolidated assets and liabilities and results.

Other taxes - GST

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Consolidated Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(y) Non-current assets and disposal groups held for sale and discontinued operations (continued)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income and the assets and liabilities are presented separately on the face of the Statement of Financial Position.

(z) Business combinations - refer note 34

Business combinations are accounted for by applying the acquisition method of accounting, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured on the basis of fair value at the date of acquisition.

Where the fair value of consideration paid for a business combination exceeds the fair value of the Group's share of the identifiable net assets acquired, the difference is treated as purchased goodwill. Where the fair value of the group's share of the identifiable net assets acquired exceeds the cost of acquisition, the difference is immediately recognised in the Statement of Comprehensive Income as an expense.

Goodwill is not amortised, however its carrying amount is assessed annually against its recoverable amount. To the extent the carrying amount of goodwill exceeds the recoverable value of the assets, the goodwill is impaired and the impairment loss is charged to the profit or loss so as to reduce the carrying amount in the Statement of Financial Position to its recoverable amount.

On the subsequent disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the profit or loss on disposal or termination.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

(aa) Derivative financial instruments

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gain or loss arising from changes in the fair value of derivatives are taken directly to profit or loss. The Company does not use hedge accounting.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3:
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and cash equivalents, term deposits, available for sale and held for trading assets, receivables and payables.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange, commodity prices and others.

The Board reviews and agrees policies for managing each of these risks. Due to the size and nature of the Company's operations, and as the Company does not use derivative instruments or debt, the directors do not believe the establishment of a risk management committee is warranted.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3:
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents.

The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions and alternative products.

At balance date, the Group had the following exposure to Australian variable interest rate risk:

	Consolidated	
	2011	2010
	\$	\$
Financial assets		
Cash and cash equivalents	42,278,291	16,791,150

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit / (loss) would have been affected as follows:

	Consolidated	
	Higher / (Lower)	
	2011	2010
	\$	\$
Judgements of reasonably possible movements		
Post tax gain / (loss)		
+1.0% (100 basis points)	422,783	167,912
-1.0% (100 basis points)	(422,783)	(167,912)

These movements would not have any impact on other reserves other than accumulated losses.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3:
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. The Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale.

At balance date, the Group had the following exposure to US Dollar ("USD") foreign currency risk from its continuing operations:

	Consolidated	
	2011	2010
	\$	\$
Financial assets		
Cash and cash equivalents	786,903	13
Trade and other receivables	5,195,124	-
Net exposure	5,982,027	13

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. The 5% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

At 30 June 2011, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit / (loss) and equity would have been affected as follows:

	Consolidated	
	Higher / (Lower)	
	2011	2010
	\$	\$
Judgements of reasonably possible movements		
Post tax gain / (loss)		
AUD / USD +5%	(299,101)	(1)
AUD / USD -5%	299,101	1

These movements would not have any impact on other reserves other than accumulated losses.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3:
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Equity securities price risk

The Group's exposure to equity securities price risk relates primarily to the investments held-for-trading and available-for-sale investments.

Equity securities price risk arises from investments in equity securities. The equity investments held are publicly traded on the Australian Securities Exchange.

At 30 June 2011, the Group had the following exposure to equity securities price risk:

	Note	Consolidated	
		2011	2010
		\$	\$
Financial assets			
Held-for-trading financial assets	15	-	356,030
Available-for-sale financial assets	17	-	5,096,667
Net exposure		-	5,452,697

The following sensitivity is based on the equity securities price risk exposures in existence at the balance sheet date. The 10% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical prices over a one year period.

At 30 June 2011, had the equity securities price moved, as illustrated in the table below, with all other variables held constant, post tax profit / (loss) and equity would have been affected as follows:

	Consolidated	
	Higher / (Lower)	
	2011	2010
	\$	\$
Judgements of reasonably possible movements		
Post tax gain / (loss)		
Price +10%	-	35,603
Price -10%	-	(35,603)
Net unrealised gain / (loss) reserve		
Price +10%	-	356,767
Price -10%	-	(356,767)

Commodity price risk

The Group's exposure to commodity price risk relates to the market price of oil and natural gas. Currently, the Group's exposure to this risk is not hedged. The Board will continue to monitor this risk and seek to mitigate it, if considered necessary.

At balance date, the Group does not have any financial assets or liabilities with an exposure to commodity price risk as there is no subsequent adjustment of the selling price after initial recognition of the revenue.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3:
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Credit Risk

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Credit risk arises from the financial assets of the Group, which comprise of cash and cash equivalents, term deposits, trade and other receivables, investments held for trading and available-for-sale investments.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group only trades with recognised, creditworthy third parties, and as such, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Receivable balances are monitored on an on-going basis, with the result that the Group's exposure to bad debts is not significant.

Cash balances in excess of current requirements are held in bank accounts earning higher interest rates. These funds are not restricted, and can be accessed at any time. When the initial maturity is more than three months, these funds are classified as term deposits on the statement of financial position.

Cash balances are predominantly held with Australian financial institutions, which are considered to be low concentration of credit risk.

Liquidity Risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost-effective manner.

It is the Group's policy to continually review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The remaining contractual maturities of the Group's financial liabilities are:

	Note	Consolidated	
		2011 \$	2010 \$
Financial liabilities			
6 months or less	22	8,442,396	3,060,193
Over 6 months		-	-
		8,442,396	3,060,193

The Group funds its activities through capital raisings and operating cash flows in order to limit its liquidity risk.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3:
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Fair Value

As at 1 July 2009, the Group has adopted the amendments of AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – the fair value is calculated using quoted market prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group does not have any level 2 or level 3 financial instruments as at 30 June 2011 and 30 June 2010.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	Consolidated							
	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Held for trading financial assets (listed investments)	-	-	-	-	356,030	-	-	356,030
Available-for-sale financial assets (listed investments)	-	-	-	-	5,096,667	-	-	5,096,667

The held-for-trading and available-for-sale financial assets are traded in active markets. Their fair value is based on quoted market prices at the end of the reporting period.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 4:
SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management based its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation is set out in Note 2 (w). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the Group's policy, management concludes that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the profit or loss.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using black scholes pricing model.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. For goodwill, expected future cash flow is estimated for the lowest level of cash generating unit to which the goodwill can be attributed.

Reserves estimates

Estimates of recoverable quantities of Proven and Probable (2P) reserves, that are used to review the carrying value of oil and gas properties and amortisation of oil and gas properties, include assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in estimated future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the Statement of Comprehensive Income.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 4:

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Units of production method of depreciation and amortisation

The Company applies the units of production method for amortisation of its oil and gas properties and assets based on hydrocarbons produced. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and future production associated with the assets to be amortised under this method. Factors that must be considered in determining reserves and resources and future production are the Company's history of converting resources to reserves in the relevant time frames, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets. It is impracticable to quantify the effect of these changes in these estimates and assumptions in future periods.

Rehabilitation obligations

The Group estimates the future removal costs of oil and gas wells and production facilities at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal data, future environmental legislation, the extent of reclamation articles required, the engineering methodology for estimating future cost, future removal technologies in determining the removal cost, and a company discount rate to determine the present value of these cash flows. For more detail regarding the policy in respect of the provision for rehabilitation, refer to note 2 (s).

Recovery of deferred tax assets

The Group recognised deferred tax assets when it becomes probable that sufficient taxable income will be derived in future periods against which to offset these assets. At each reporting date, the Group assesses the level of expected future cash flows from the business and the probability associated with realising these cash flows, and makes an assessment of whether the deferred tax assets of the Group should be recognised.

Classification of Investments

The Group has in prior years decided to classify investments in listed securities as either 'held-for-trading' or 'available-for-sale' based on the purpose for which investments are held. Movements in fair value are recognised in profit or loss or directly in equity respectively. The fair value of listed shares has been determined by reference to published price quotations in an active market. Term deposits with an original maturity of three months or more are classified as held to maturity investments.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5:
OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments identified by management are based on the nature of the resources which correspond to the Group's strategy. Discrete financial information of each of these segments is reported to the executive management team on at least a monthly basis.

The reportable segments are based on operating segments determined by the nature of the resources, as these are sources of the Group's major risks and have the most effect on the rates of return.

Types of resources

Gas

The Gas segment refers principally to the Group's interest in the Coal Seam Gas permits in the Surat Basin in Queensland.

Oil

The oil exploration and production segment pertains to the Group's interest in the Cooper / Eromanga Basin in South Australia and Queensland.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those used to prepare the financial statements and in the prior period.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains / losses on disposal of available-for-sale investments
- Fair value gains / losses on held-for-trading derivatives
- Impairment of assets - impairment of assets is not included in the measurement of segment
- Cash and cash equivalents
- Term deposits and interest income
- Corporate expenses.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5:
OPERATING SEGMENTS (CONTINUED)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2011 and 30 June 2010:

	Gas		Consolidated Oil		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Revenue						
Revenue, before tax	-	-	9,839,081	10,512,989	9,839,081	10,512,989
Technical service fees	-	-	2,453,021	1,457,850	2,453,021	1,457,850
Total segment revenue	-	-	12,292,102	11,970,839	12,292,102	11,970,839
<i>Unallocated item:</i>						
Other revenue - interest income					2,555,490	1,217,355
Income					14,847,592	13,188,194

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5:
OPERATING SEGMENTS (CONTINUED)

	Gas		Consolidated Oil		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Results						
Segment profit / (loss)	(346,591)	(1,539,241)	3,408,441	7,005,213	3,061,850	5,465,972
Reconciliation of segment net profit / (loss) after tax to net profit / (loss) from continuing operations before tax						
<i>Unallocated items:</i>						
Interest income					2,555,490	-
Net gain on investment held for trading					3,466,516	-
Impairment of goodwill					(12,212,856)	-
Net gain / (loss) on sale of subsidiaries / investments					-	160,017
Foreign exchange gain / (loss)					(34,401)	(4,734)
Transaction costs					(1,777,188)	-
Relocation and rebranding					(304,183)	-
Corporate expenses					(10,110,337)	(3,056,350)
Other income					45,444	-
Net profit / (loss) from continuing operations before tax per the Statement of Comprehensive Income					(15,309,665)	2,564,905

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5:
OPERATING SEGMENTS (CONTINUED)

Segment assets and segment liabilities at 30 June 2011 and 30 June 2010 are as follows:

	Gas		Consolidated Oil		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Segment assets						
Segment operating assets	2,081,277	667,766	123,526,223	28,740,749	125,607,500	29,408,515
Held for trading financial assets					-	356,030
Available-for-sale financial assets					-	5,096,667
Unallocated assets ¹					46,889,214	39,111,122
Total assets per the Statement of Financial Position					172,496,714	73,972,334
Segment liabilities	694,736	462,130	10,034,376	3,331,414	10,729,112	3,793,544
Unallocated liabilities					4,239,889	1,595,468
Total liabilities per the Statement of Financial Position					14,969,001	5,389,012

¹ The unallocated assets include cash and cash equivalents of \$42,278,291 (2010: \$16,791,150), term deposits of \$0 (2010: \$20,000,000), accrued interest on term deposits of \$127,689 (2010: \$507,393), prepayments of \$280,985, receivables of \$3,293,474 and property, plant and equipment of \$908,776.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5:
OPERATING SEGMENTS (CONTINUED)

Cash flow information for the years ended 30 June 2011 and 30 June 2010 are as follows:

	Gas		Consolidated Oil		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Cash flow information						
Net cash flow from operating activities	(346,591)	(1,539,241)	(8,664,815)	6,196,310	(9,011,406)	4,657,069
Net cash flow from investing activities	(2,487,633)	(568,513)	(9,220,523)	(16,155,381)	(11,708,156)	(16,723,894)
Net cash flow from financing activities	-	-	-	-	-	-
Total segment cash flow	(2,834,224)	(2,107,754)	(17,885,338)	(9,959,071)	(20,719,562)	(12,066,825)
Unallocated cash flow					46,241,103	10,665,958
Total cash flow					25,521,541	(1,400,867)

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 6:
REVENUE

	Consolidated	
	2011	2010
	\$	\$
(a) Revenue		
Oil sales	9,839,081	10,512,989
Interest income	2,555,490	1,217,355
Technical service fees	2,453,021	1,457,850
	14,847,592	13,188,194
(b) Other income		
Net gain on investment held for trading and available for sale	3,466,516	160,017
Other income	45,444	-
	3,511,960	160,017
(c) Cost of sales		
Operating costs	(5,698,784)	(4,360,622)
Amortisation of oil and gas properties	(1,894,234)	(1,068,623)
	(7,593,018)	(5,429,245)

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7:
EXPENSES

		Consolidated	
		2011	2010
	Note	\$	\$
(a) Employee benefits expense			
Salaries		(4,047,469)	(1,077,122)
Directors' fees		(231,250)	(175,000)
Share based payments		(1,593,690)	-
Other employee benefit expenses		(231,401)	(319,913)
		(6,103,810)	(1,572,035)
(b) Depreciation, amortisation and impairment			
<i>Included in cost of sales:</i>			
Amortisation of oil and gas properties	20	(1,894,234)	(1,068,623)
		(1,894,234)	(1,068,623)
<i>Not included in cost of sales:</i>			
Depreciation expense	18	(190,713)	(7,647)
Reversal of impairment / (Impairment) of oil and gas properties	20	-	99,535
Impairment of goodwill	22	(12,212,856)	-
		(12,403,569)	91,888
(c) Transaction costs			
Acquisition costs		(1,136,684)	-
Integration costs		(553,578)	-
Brokerage fees		(86,926)	-
		(1,777,188)	-
(d) Relocation and rebranding			
Termination and relocation costs		(499,044)	-
Rebranding		(20,000)	-
		(519,044)	-

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7:
EXPENSES (CONTINUED)

(e) Other expenses

Employee benefits expense	(6,103,810)	(1,572,035)
Operating lease expense	(540,945)	(368,147)
Consultants	(523,634)	(47,991)
Audit and taxation advice	(371,737)	(181,871)
Share registry fees	(306,801)	(188,792)
Travel and accommodation	(279,466)	(57,924)
Legal fees	(271,962)	-
Depreciation expense	(191,649)	(7,647)
IT support fees	(162,289)	(69,652)
Investor relations	(136,306)	(144,881)
Insurance	(125,946)	(34,426)
Recruitment expenses	(123,979)	-
Communication costs	(65,019)	(39,607)
Printing, postage and stationery	(52,860)	(26,069)
Staff training and amenities	(51,708)	-
Filing and listing fees	(40,771)	(40,623)
Foreign exchange losses	(34,401)	(4,734)
Seminars and conferences	(24,538)	-
Subscriptions	(19,621)	(10,196)
Other	(306,315)	(266,489)
	(9,733,757)	(3,061,084)

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8:
INCOME TAX

Income tax expense

	Consolidated	
	2011	2010
	\$	\$
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax benefit	-	-
Adjustments in respect of current income tax of previous	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	50,946	(783,854)
Tax assets not brought to account	(574,315)	682,239
Tax consolidation benefit - Stuart Petroleum	12,529,322	-
Income tax benefit / (expense) reporting in the Statement of Comprehensive Income	12,005,953	(101,615)

Amounts charged or credited directly to equity

	Consolidated	
	2011	2010
	\$	\$
Unrealised (gain) / loss on available-for-sale investments	(30,746)	101,615
Acquisition costs recorded in equity	237,648	-
Income tax benefit / (expense) reported in equity	206,902	101,615

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8:
INCOME TAX (CONTINUED)

Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

Reconciliation between the tax expense and the product of accounting profit / (loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

	Consolidated	
	2011	2010
	\$	\$
Accounting profit / (loss) before income tax	(15,309,665)	2,690,907
At the Group's statutory income tax rate of 30% (2009: 30%)	4,592,899	(807,272)
Share based payments	(478,107)	-
Entertainment	(7,501)	-
Fines and penalties	(10,556)	-
Goodwill impairment	(3,660,900)	-
Other income not assessable	-	23,418
Tax assets not brought to account	(969,405)	682,239
Tax Consolidation benefit - acquisition of 100% subsidiary	12,539,523	-
Income tax benefit / (expense) reporting in the Statement of Comprehensive Income	12,005,953	(101,615)

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8:
INCOME TAX (CONTINUED)

Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

	Consolidated			
	Statement of Financial Position		Statement of Comprehensive Income	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred tax assets / (liabilities)				
Held-for-trading financial assets	-	637,449	(771,876)	(41,267)
Available-for-sale financial assets	-	165,173	584,902	141,590
Property, plant and equipment, exploration and evaluation and oil and gas properties	(7,852,214)	(1,445,702)	5,924,070	(1,380,589)
Trade and other payables	51,150	24,720	(10,817)	850
Provisions	1,205,995	698,645	5,639,445	120,662
Income tax losses	16,019,822	10,380,376	-	(1,816,416)
Other	681,726	334,797	178,696	227,640
Deferred tax assets not brought to account as realisation is not regarded as probable	(10,106,479)	(10,795,458)	461,533	2,645,915
Net deferred income tax assets recognised	-	-	12,005,953	(101,615)

Tax losses

As at 30 June 2011, the Group had \$53,399,405 (2010: \$34,601,254) of carry-forward tax losses that are available for use in Australia. The Group has deferred tax assets arising from these tax losses of \$16,019,822 (2010: \$10,380,376) that are available indefinitely for offset against future taxable profits of the income tax consolidated group. The deferred tax asset associated with these tax losses has not been recognised as its realisation is not regarded as probable as at 30 June 2011.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8:
INCOME TAX (CONTINUED)

Unrecognised temporary differences

As at 30 June 2010, the Group had additional net deferred tax assets of \$415,082 in respect of other temporary differences. Other than the amounts disclosed above, the benefit of the Group's deferred tax assets is not recognised because it is not considered probable that sufficient taxable income will be derived in future periods against which to offset these assets. In particular, the benefit of these tax losses will only be obtained in future years if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- the Group has complied and continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the losses.

Tax consolidation

Senex Energy Limited and its controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

As a consequence, individual entities within the consolidated group will recognise current and deferred tax amounts relating to their own transactions, events and balances. Any recognised balances relating to income tax payable or receivable, or to tax losses incurred by the individual entity will then be transferred to the head entity of the consolidated group, Senex Energy Limited, by way of a contribution to or distribution of equity as appropriate. However, as there is no income tax payable in the current year, and it is not proposed to recognise balances in respect of losses in the current year in the individual entities, no such transfers will occur.

The entities also intend to enter into a Tax Sharing Agreement, but details of this agreement are still to be finalised. The absence of a Tax Sharing Agreement is not expected to have a material impact on the consolidated assets and liabilities and results.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 9:
AUDITORS' REMUNERATION

The auditor of Senex Energy Limited and its controlled entities is Ernst & Young.

	Consolidated	
	2011	2010
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
An audit or review of the financial report of the Group	198,000	120,768
Other services provided to the Group:		
- tax compliance	12,800	54,000
- royalty audit	52,360	10,300
- other services	289,900	-
	553,060	185,068

Other services of \$289,900 relate principally to assistance with the project management of the integration of Stuart Petroleum Limited into the Group.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10:
EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Earnings used in calculating earnings / (loss) per share

	Consolidated	
	2011	2010
	\$	\$
For basic and diluted earnings per share:		
Net profit / (loss) from continuing operations attributable to ordinary equity holders of the parent entity	(3,303,712)	2,463,290
Gain / (Loss) from discontinued operations	-	126,002
Net profit / (loss) attributable to ordinary equity holders of the parent entity	(3,303,712)	2,589,292

Weighted average number of shares

	Consolidated	
	2011	2010
	\$	\$
Weighted average number of ordinary shares for basic earnings per share	606,370,736	238,606,612
Effect of dilution - share options	-	1,991,605
Effect of dilution - performance rights	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	606,370,736	240,598,217

During the period, a number of share options and performance rights were issued (refer to note 26). All share options and performance rights issued during the period are considered anti-dilutive, and are therefore not included in the calculation of weighted average number of shares. The anti-dilutive nature of these instruments arises from the Group's loss-making position for the year.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10:
EARNINGS PER SHARE (CONTINUED)

Information on the classification of securities

Options

Options outstanding are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

Performance rights

Performance rights granted to employees are also considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

NOTE 11:
CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	\$	\$
Cash at bank and in hand	39,942,712	15,650,978
Cash advanced to jointly controlled operations	2,335,579	1,140,172
	42,278,291	16,791,150

Fair value

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk are disclosed in note 3.

Reconciliation to Consolidated Cash Flow Statement

For the purposes of the consolidated Cash Flow Statement, cash and cash equivalents comprise of the following:

	Consolidated	
	2011	2010
	\$	\$
Continuing operations		
Cash at bank and in hand	39,942,712	15,650,978
Cash advanced to jointly controlled operations	2,335,579	1,140,172
	42,278,291	16,791,150

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 12:
TERM DEPOSITS

	Consolidated	
	2011	2010
	\$	\$
Term Deposits	-	20,000,000

Term deposits are made for varying periods of between 90 days and 180 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTE 13:
CURRENT ASSETS – PREPAYMENTS

	Consolidated	
	2011	2010
	\$	\$
Payment for oil and gas properties ¹	-	1,100,000
Prepayments - other	280,985	30,000
	280,985	1,130,000

¹ On 15 June 2010, the Group executed a conditional sale and purchase agreement with AuDAX Energy Ltd ("ADX") to acquire all of ADX's 49.90% working interest in PEL 182, South Australia. \$1.1m was paid to the solicitors' trust account for the acquisition of PEL182 from ADX. The transactions were finalised subsequent to 30 June 2010.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14:
CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	\$	\$
Trade receivables ¹	6,058,156	-
Sundry receivables ²	1,169,657	1,228,305
Joint venture receivables ³	257,905	667,223
	7,485,718	1,895,528

¹ These receivables relate to monies owing from oil sales, and are receivable 30 days from invoice date.

² These receivables are non-interest bearing, unsecured and expected to be repaid within the next 12 months.

³ These receivables relate to the portion of trade receivables in joint ventures which is attributable to the Group.

All balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due, and there is no history of counterparties defaulting on these receivables.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk are disclosed in note 3.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15:
CURRENT ASSETS – HELD-FOR-TRADING FINANCIAL ASSETS

Financial assets fair value through profit and loss

	Consolidated	
	2011	2010
	\$	\$
Listed shares carried at fair value	-	356,030

Investments held-for-trading consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of listed, held-for-trading investments has been determined directly by reference to published price quotations in an active market. Gains or losses on investments held for trading are recognised in profit or loss. During the period, the Group recognised a net gain of \$719,942 (2010: \$160,017) on sale and re-measurement to fair value of investments held-for-trading.

NOTE 16:
NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	\$	\$
Sundry receivables ¹	787,441	99,750

¹ These receivables are non-interest bearing, unsecured and are not expected to be repaid within the next 12 months.

Fair value and credit risk

Due to the nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk are disclosed in note 3.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17:

NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2011	2010
	\$	\$
Listed shares carried at fair value	-	5,096,667

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of listed, available-for-sale investments has been determined directly by reference to published price quotations in an active market. Gains or losses on available-for-sale investments are recognised in equity. Available-for-sale investments are considered to be impaired when the fair value is significantly below cost for a prolonged period of time.

During the period, the Group recognised a net gain before tax of \$2,746,574 (2010: \$786,806) on re-measurement to fair value of available-for-sale investments in the reserve.

The available-for-sale investments were disposed during the period. No impairment charge was recognised during the current period (2010: \$0).

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 18:

NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

		Consolidated	
	Note	2011	2010
		\$	\$
Office equipment, furniture and fittings			
Balance at the beginning of the year, net of accumulated depreciation		17,246	5,213
Additions		995,621	19,680
Acquisition of subsidiary	34	542,349	-
Depreciation charge for the year	7(b)	(190,713)	(7,647)
Balance at the end of the year, net of accumulated depreciation		1,364,503	17,246
Balance at the beginning of the year			
Cost		29,111	37,172
Accumulated depreciation		(11,865)	(31,959)
Net carrying amount		17,246	5,213
Balance at the end of the year			
Cost		1,567,081	29,111
Accumulated depreciation		(202,578)	(11,865)
Net carrying amount		1,364,503	17,246

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19:
PARENT ENTITY INFORMATION

	Parent Entity	
	2011	2010
	\$	\$
Total Current Assets	52,416,977	36,349,263
Total Non-current Assets	97,259,785	28,285,133
TOTAL ASSETS	149,676,762	64,634,396
Total Current Liabilities	2,486,234	1,994,706
Total Non-current Liabilities	115,126	1,209,212
TOTAL LIABILITIES	2,601,360	3,203,918
NET ASSETS	147,075,402	61,430,478
EQUITY		
Contributed equity	241,655,920	151,266,106
Share based payments reserve	3,695,560	2,101,870
Acquisition reserve	(183,491)	-
Net unrealised gain / (loss) reserve	-	178,442
Accumulated losses	(98,092,587)	(92,115,939)
TOTAL EQUITY	147,075,402	61,430,479
Net profit / (loss) of the parent entity	(5,738,997)	2,959,869
Other comprehensive income of the parent entity	448,089	(50,803)
Total comprehensive income of the parent entity	(5,290,908)	2,909,066

There are no unrecorded contingent assets or liabilities in place for the Company at 30 June 2011 (2010: nil).

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20:
NON-CURRENT ASSETS – OIL AND GAS PROPERTIES

		Consolidated	
		2011	2010
	Note	\$	\$
Oil and gas properties			
Balance at the beginning of the year, net of accumulated amortisation and impairment		27,601,120	7,752,655
Additions		7,323,821	21,293,696
Acquisition of subsidiary	34	49,475,788	-
Amortisation charge for the year	7(b)	(1,894,234)	(1,068,623)
Reversal of impairment / (Impairment) of oil and gas properties	7(b)	-	99,535
Disposals		-	(476,143)
Balance at the end of the year, net of accumulated amortisation and impairment		82,506,495	27,601,120
Balance at the beginning of the year			
Cost		34,169,122	16,381,080
Accumulated amortisation		(3,892,618)	(5,605,064)
Accumulated impairment, net of reversals		(2,675,384)	(3,023,361)
Net carrying amount		27,601,120	7,752,655
Balance at the end of the year			
Cost		90,968,731	34,169,122
Accumulated amortisation		(5,786,852)	(3,892,618)
Accumulated impairment, net of reversals		(2,675,384)	(2,675,384)
Net carrying amount		82,506,495	27,601,120

Impairment of oil and gas properties

At 30 June 2011, the Group reviewed the carrying value of its oil and gas properties for impairment. The value of the oil and gas properties was reviewed on a field by field basis and has resulted in no impairment expense or reversal of impairment expense (2010: reversal of impairment expense of \$99,535). It is the Group's policy to use Proved and Probable (2P) reserves to support the carrying value of its oil and gas properties.

Events and circumstances that led to the recognition or reversal of impairment losses include changes in reserves estimates, budgeted revenue and expenses, estimated oil and gas prices and estimated foreign exchange rates.

The calculation of recoverable amount was based on value-in-use and includes the following assumptions:

	2011	2010
	\$	\$
Oil price (USD per barrel)	USD114.93	USD82.87
AUD / USD foreign exchange rate	\$0.95	\$0.90
Discount rate (% per annum)	12%	20%

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21:
NON-CURRENT ASSETS – EXPLORATION ASSETS

	Consolidated	
	2011	2010
	\$	\$
Exploration assets	37,760,652	984,843

NOTE 22:
GOODWILL

		Consolidated	
		2011	2010
		\$	\$
Oil and gas properties			
Balance at the beginning of the year, net of accumulated amortisation and impairment		-	-
Additions	34	12,212,856	-
Impairment		(12,212,856)	-
Balance at the end of the year, net of impairment		-	-

Goodwill arose on the acquisition of Stuart during the period. This goodwill was written down on the entry of Stuart into the Group's tax consolidation group. Refer to note 34 for further detail of the accounting treatment of the acquisition.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23:
CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
	\$	\$
Other creditors and accruals – unsecured ¹	5,365,449	1,346,648
Joint venture payables ²	3,076,947	1,713,545
	8,442,396	3,060,193

¹ Other creditors and accruals are non-interest bearing, unsecured and will be paid in the next 12 months.

² These payables relate to the portion of trade payables in joint ventures which is attributable to the Group.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk are disclosed in note 3.

NOTE 24:
CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
Annual and long service leave	414,161	208,451

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25:
NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
Rehabilitation	6,081,776	2,080,000
Long service leave	30,668	40,368
	6,112,444	2,120,368

Movement in provisions

Movement in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Consolidated	
	2011	2010
	\$	\$
Rehabilitation		
Balance at the beginning of the year	2,080,000	1,720,852
Acquisition of subsidiary	3,650,000	-
Additional provision recognised during the year	27,273	359,148
Unwinding and discount rate adjustment	324,503	
Balance at the end of the year	6,081,776	2,080,000

Nature and timing of provisions

Rehabilitation

A provision for rehabilitation is recognised for costs such as reclamation, waste site closure and other costs associated with the restoration of an oil or gas site. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the rehabilitation provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such properties in the future. It is expected that rehabilitation costs for producing assets will be incurred at the end of the asset's useful life. For all other wells, all costs are expected to be incurred within 4 years.

Long service leave

Refer to note 2 (s) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26:
CONTRIBUTED EQUITY

	Parent Entity	
	2011	2010
	\$	\$
758,280,547 ordinary fully paid shares (2010: 518,078,680)	241,401,754	151,212,731
Ordinary partly paid shares, paid to 10 cents (2010: 270,000) ¹	-	27,000
Ordinary partly paid shares, paid to 1 cent (2010: 1,915,000) ²	-	19,150
Ordinary partly paid shares, paid to 0.1 cent (2010: 7,225,000) ³	-	7,225
Total issued capital	241,401,754	151,266,106

¹ 270,000 shares partly paid to 10 cents, with \$3.40 per share unpaid were cancelled at the Annual General Meeting in November 2010.

² 1,915,000 shares partly paid to 1 cent, with 59 cents per share unpaid were cancelled at the Annual General Meeting in November 2010.

³ 7,225,000 shares partly paid to 0.1 cent, with 39.9 cents per share unpaid were cancelled at the Annual General Meeting in November 2010.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent entity does not have authorised capital or par value in respect of its issued shares.

Ordinary fully paid shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Partly paid shares have the same rights as fully paid ordinary shares, however they are only entitled to receive dividends to the extent of the paid up amount. Voting rights associated with partly paid shares are pro rated to the extent of the paid up amount.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26:
CONTRIBUTED EQUITY (CONTINUED)

Ordinary shares

Movement in ordinary fully paid shares on issue

	Parent Entity			
	2011		2010	
	Number of shares	\$	Number of shares	\$
Balance at the beginning of the year	518,078,680	151,212,731	368,300,198	109,964,692
Partly paid shares cancelled and converted into ordinary shares	-	53,375	-	-
Shares issued during the year	240,201,867	90,690,338	149,778,482	42,399,021
Transaction costs on shares issued	-	(554,690)	-	(1,150,982)
Balance at the end of the year	758,280,547	241,401,754	518,078,680	151,212,731

During the period, Senex issued 70,271,000 ordinary fully paid shares at 37 cents to raise \$26,000,270 before costs.

Senex also issued 175,000 ordinary fully paid shares at a price of 25 cents each for the exercise of unlisted options, which raised \$43,750 before costs.

Senex Energy Limited and Stuart Petroleum Limited jointly announced Senex's offer on 21 February 2011 to acquire all Stuart shares for consideration of 2.5 Senex shares per Stuart share. Senex achieved 100% ownership of Stuart Petroleum Limited on 19 May 2011. As a result of the offer 168,322,765 ordinary fully paid shares were issued to various investors. The fair value of these shares was \$64,146,142.

Senex issued 1,433,102 ordinary fully paid shares as consideration for the acquisition of a 50% undivided participating interest in PEL88 and a 5% undivided interest in PEL100. The fair value of these shares was \$500,176.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26:
CONTRIBUTED EQUITY (CONTINUED)

Partly paid shares

Movement in ordinary partly paid shares on issue

	Parent Entity			
	2011		2010	
	Number of shares	\$	Number of shares	\$
Balance at the beginning of the year	9,410,000	53,375	9,410,000	53,375
Shares cancelled during the year	(9,410,000)	(53,375)	-	-
Balance at the end of the year	-	-	9,410,000	53,375

The following partly paid shares were cancelled at the Annual General Meeting in November 2010:

- 270,000 ordinary shares were issued at \$3.50, partly paid to 10 cents.
- 1,915,000 ordinary shares were issued at 60 cents, partly paid to 1 cent.
- 7,225,000 ordinary shares were issued at 40 cents, partly paid to 0.1 cent.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26:
CONTRIBUTED EQUITY (CONTINUED)

Options

Movement in share options on issue

	Parent Entity	
	2011	2010
	Number of	Number of
	options	options
Balance at the beginning of the year	8,775,000	71,165,482
Options issued during the year	14,518,343	-
Options exercised during the year	(175,000)	(62,390,482)
Balance at the end of the year	23,118,343	8,775,000

A total of 175,000 unlisted options were exercised by option holders during the year ended 30 June 2011 at a price of 25 cents, which raised \$43,750 before costs.

A total of 14,518,343 options were issued during the year with various exercise prices and expiry dates.

The balance of the options at 30 June 2011 is made up of the following:

- 8,600,000 unlisted options which have an exercise price of 25 cents each and an expiry date of 31 January 2012;
- 2,210,000 unlisted options which have an exercise price of 37 cents each and an expiry date of 30 June 2014;
- 2,000,000 unlisted options which have an exercise price of 25.5 cents each and an expiry date of 2 February 2014;
- 1,200,000 unlisted options which have an exercise price of 25.5 cents each and an expiry date of 9 September 2015;
- 800,000 unlisted options which have an exercise price of 25.5 cents each and an expiry date of 19 July 2016;
- 1,000,000 unlisted options which have an exercise price of 25.5 cents each and an expiry date of 19 July 2017;
- 1,000,000 unlisted options which have an exercise price of 25.5 cents each and an expiry date of 19 July 2018;
- 3,000,000 unlisted options which have an exercise price of 27 cents each and an expiry date of 31 August 2014;
- 600,000 unlisted options which have an exercise price of 37 cents each and an expiry date of 30 June 2014;
- 833,340 unlisted options which have an exercise price of 35.6 cents each and an expiry date of 26 July 2011; and
- 1,875,003 unlisted options which have an exercise price of 35.6 cents each and an expiry date of 16 November 2011.

Option holders do not have any right by virtue of the option to participate in any share issue of the company or any related body corporate.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26:
CONTRIBUTED EQUITY (CONTINUED)

Performance rights

Movement in performance rights on issue

	Parent Entity	
	2011	2010
	Number of	Number of
	rights	rights
Balance at the beginning of the year	-	-
Rights issued during the year	1,800,000	-
Rights vested during the year	-	-
Rights lapsing during the year	-	-
Balance at the end of the year	1,800,000	-

A total of 1,800,000 performance rights were granted to employees during the year. These rights are subject to certain performance conditions, including:

- Company performance condition, relating to share price performance over the year;
- Retention performance conditions, relating to an employee's continuing employment with the Group at the end of the period; and
- Individual performance condition, which varies by employee.

These rights are earned during the year in which they are granted, but vest over a period of three years subject to an individual remaining an employee of the Group.

Performance right holders do not have any right by virtue of the right to participate in any share issue of the company or any related body corporate.

Capital management

When managing capital (being total equity of \$157,527,713 at 30 June 2011), the management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group funds its activities through capital raising, and does not have any debt facilities. The Group is not subject to any externally imposed capital requirements.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 27:
RESERVES

		Consolidated	
		2011	2010
	Note	\$	\$
Foreign currency translation reserve			
Balance at the beginning of the year		-	269,662
Amount transferred to the profit or loss on disposal of foreign investment		-	(269,662)
Translation of foreign subsidiaries		-	-
Balance at the end of the year		-	-
Share based payments reserve			
Balance at the beginning of the year		2,101,870	2,101,870
Options and performance rights issued		1,847,857	-
Balance at the end of the year		3,949,727	2,101,870
Other reserve			
Balance at the beginning of the year		-	-
Non-controlling interest on acquisition		31,694,541	-
Purchase of non-controlling interest		(31,878,032)	-
Balance at the end of the year		(183,491)	-
Net unrealised gain / (loss) reserve			
Balance at the beginning of the year		(448,089)	237,102
Net gain / (loss) recognised on re-measurement to fair value of available-for-sale investments		3,194,661	(786,806)
Transfer of realised gain to other income		(2,746,572)	-
Tax effect on (net gain) / reversal of net gain recognised on re-measurement to fair value of available-for-sale investments	8	-	101,615
Balance at the end of the year		-	(448,089)
Total reserves		3,766,236	1,653,781

Nature and purpose of reserves

Foreign currency translation reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. At 30 June 2011, no foreign subsidiaries were reported in the Group.

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Other reserve

The other reserve is used to record differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 27:
RESERVES (CONTINUED)

Net unrealised gain / (loss) reserve

This reserve is used to record movements in the fair value of available-for-sale financial assets.

NOTE 28:
ACCUMULATED LOSSES

	Consolidated	
	2011	2010
	\$	\$
Balance at the beginning of the year	(84,336,565)	(86,925,857)
Net profit / (loss) attributable to ordinary equity holders of the parent entity	(3,303,712)	2,589,292
Balance at the end of the year	(87,640,277)	(84,336,565)

NOTE 29:
CONSOLIDATED CASH FLOW STATEMENT RECONCILIATION

		Consolidated	
		2011	2010
		\$	\$
Reconciliation of the net (loss) / profit after tax to net cash flows used in operations			
Net loss		(3,303,712)	2,589,292
<i>Adjustments:</i>			
Depreciation, amortisation and impairment		2,084,947	976,735
(Gain) / Loss on foreign exchange translation		34,401	4,734
(Gain) / Loss on sale of oil and gas properties		-	(23,858)
(Gain) / Loss on sale of controlled entities		-	(126,002)
Net (gain) / loss recognised on re-measurement to fair value of held-for-trading investments		(3,466,516)	(160,017)
Net (gain) / loss recognised on hedging instruments		-	-
Impairment of goodwill	22	12,212,856	-
Share options expensed		1,593,690	-
Income tax (benefit) / expense	8	(12,005,953)	101,615
<i>Changes in assets and liabilities:</i>			
Increase / (Decrease) in provisions		114,067	43,060
Increase / (Decrease) in trade and other payables		(3,630,826)	1,288,904
(Increase) / Decrease in trade and other receivables		(2,644,360)	(37,394)
Net cash flows used in operating activities		(9,011,406)	4,657,069

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 30:
INTEREST IN JOINT VENTURE OPERATIONS

The Group has an interest in the following joint venture operations whose principal activities were oil and gas exploration and production (* denotes Operatorship).

EXPLORATION

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
Cooper/Eromanga Basins		
ATP 560P* (McIver)	100.0%	17% - 50%
ATP 560P* (Ueleven)	42.0%	17% - 50%
ATP 736P* - application	80.0%	-
ATP 737P* - application	80.0%	-
ATP 738P* - application	80.0%	-
ATP 752P (Barta)	15.0%	20.0%
ATP 752P (Wompi)	22.8%	20.0%
ATP 794P (Barcoo Junction Prospect Area)	12.0%	12.0%
ATP 794P (Brightspot)	15.0%	15.0%
ATP 794P (Springfield)	12.0%	12.0%
ATP 794P (Regleigh)	12.0%	12.0%
ATP 794P (Barcoo)	35.0%	35.0%
ATP 794P (Moonscape)	60.0%	60.0%
PEL 87*	60.0%	60.0%
PEL 88*	100.0%	50.0%
PEL 90* (Candra)	75.0%	-
PEL 90* (Kiwi)	75.0%	-
PEL 90* (Remainder)	100.0%	-
PEL 93*	70.0%	-
PEL 94	15.0%	15.0%
PEL 100*	55.0%	-
PEL 102*	100.0%	-
PEL 104*	60.0%	60.0%
PEL 110	60.0%	60.0%
PEL 111*	60.0%	60.0%
PEL 113* (Saintly)	66.7%	-
PEL 113* (Dunoon)	66.7%	-
PEL 113* (Murteree)	65.0%	-
PEL 113* (Remainder)	100.0%	-
PEL 115*	33.0%	33.0%
PEL 182*	49.9%	-
PEL 424*	60.0%	60.0%
PEL 516*	100.0%	-

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 30:
INTEREST IN JOINT VENTURE OPERATIONS (CONTINUED)
EXPLORATION

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
Surat Basin		
ATP 471P (Weribone)	20.7%	20.7%
ATP 574P	30.0%	30.0%
ATP 593P*	45.0%	45.0%
ATP 771P*	45.0%	45.0%

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
Offshore Carnarvon Basin		
WA-254-P (Parts 1, 3, 4)	6.2%	6.2%
WA-254-P (Part 2 – Sage block)	9.3%	9.3%

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
Pedirka Basin (Poolowanna Trough)		
PELA 289 – application	100.0%	-
PELA 290 – application	100.0%	-
PELA 331 – application	100.0%	-

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
GEOTHERMAL		
GEL 378*	100.0%	-
GEL 379*	100.0%	-
GEL 380*	100.0%	-
GEL 381*	100.0%	-
GEL 382*	100.0%	-
GEL 383*	100.0%	-
GEL 384*	100.0%	-
GEL 385*	100.0%	-
GEL 386*	100.0%	-
GEL 387*	100.0%	-
GEL 388*	100.0%	-
GEL 389*	100.0%	-

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 30:
INTEREST IN JOINT VENTURE OPERATIONS (CONTINUED)

PRODUCTION

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
Cooper/Eromanga Basins		
Acrasia PPL 203*	75.0%	-
Arwon PPL 217*	100.0%	-
Arwon PPL 218* (East)	100.0%	-
Derrilyn PPL 208	35.0%	-
Toparoa PPL 215	2.33%	-
Growler PRL 15*	60.0%	60.0%
Harpoono PPL 209*	66.67%	-
Dunoon PRL 16*	66.67%	-
Mirage PPL 213*	60.0%	60.0%
Padulla PPL 221*	100.0%	-
Reg Sprigg West PPL 211	18.75%	-
Worrior PPL 207*	70.0%	-
Ventura PPL 214*	60.0%	60.0%
Wilpinnie PPL 237	50.0%	50.0%

	Consolidated Working Interest	
	2011	2010
Permits	Percentage %	Percentage %
Surat Basin		
PL 171	20.0%	20.0%

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 30:
INTEREST IN JOINT VENTURE OPERATIONS (CONTINUED)

The Group's share of the joint venture operation assets and liabilities, including those relating to the discontinued operations of the Group, consist of:

	Consolidated	
	2011	2010
	\$	\$
Current Assets		
Cash and cash equivalents	2,335,579	1,140,172
Trade and other receivables	257,905	667,223
Non-current Assets		
Oil and gas properties	82,506,495	27,601,120
TOTAL ASSETS	85,099,979	29,408,515
Current Liabilities		
Trade and other payables	3,076,947	1,713,545
Non-current Liabilities		
Provision for rehabilitation	6,081,776	2,080,000
TOTAL LIABILITIES	9,158,723	3,793,545
NET ASSETS	75,941,256	25,614,970

The Group's share of the joint venture operations revenue and expenses, including those relating to the discontinued operations of the Group, consists of:

	Consolidated	
	2011	2010
	\$	\$
Revenue		
Oil sales	9,839,081	10,512,989
Technical service fees	2,453,021	1,457,850
Gas sales	-	-
	12,292,102	11,970,839
Expenses		
Cost of sales	(7,593,018)	(5,429,245)
Oil and gas exploration expenses	(1,637,235)	(2,392,512)
	(9,230,253)	(7,821,757)

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 31:
RELATED PARTY DISCLOSURE

Controlled entities / Subsidiaries

The consolidated financial statements include the financial statements of Senex Energy Limited and its controlled entities listed in the following table.

Name	Country of incorporation	Equity Interest Percentage %	
		2011	2010
Parent entity			
Senex Energy Limited	Australia		
Directly controlled by Senex Energy Limited			
Azeeza Pty Ltd	Australia	100%	100%
Victoria Petroleum Offshore Pty Ltd	Australia	100%	100%
Victoria Oil Pty Ltd	Australia	100%	100%
Victoria International Petroleum N.L.	Australia	100%	100%
Remers Pty Ltd	Australia	100%	100%
Permian Oil Pty Ltd	Australia	100%	100%
Victoria Oil Exploration (1977) Pty Ltd	Australia	100%	100%
Stuart Petroleum Ltd	Australia	100%	0%
Directly controlled by Stuart Petroleum Ltd			
Stuart Petroleum (Offshore) Pty Ltd	Australia	100%	0%
Stuart Petroleum Fuels Pty Ltd	Australia	100%	0%
Stuart Renewable Energy Pty Ltd	Australia	100%	0%
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	100%	0%
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	100%	0%
Stuart Petroleum Custodian Pty Ltd	Australia	100%	0%
Directly controlled by Stuart Petroleum Fuels Pty Ltd			
Port Bonython Fuels Pty Ltd	Australia	100%	0%
Directly controlled by Remers Pty Ltd			
Whitewood Nominees Pty Ltd	Australia	100%	100%

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 31:
RELATED PARTY DISCLOSURE (CONTINUED)

Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 32.

NOTE 32:
KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

Compensation of Key Management Personnel

	Consolidated	
	2011	2010
	\$	\$
Short-term	1,847,798	936,666
Post employment	81,753	83,229
Share based payment	921,360	-
	2,850,911	1,019,895

Option holdings of Key Management Personnel (Consolidated)

The numbers of options in the Company held during the financial year by each director and executive of Senex Energy Limited, including their personally related entities, are set out below.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)

Options held in Senex Energy Limited for the year ended 30 June 2011

Number of Options	Balance at beginning of period 1 July 2010	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2011
Directors						
DF Patten	1,500,000	-	(100,000)	-	-	1,400,000
IR Davies	-	4,000,000	-	-	-	4,000,000
RJ Pett	1,000,000	-	-	-	-	1,000,000
BM McKeown	1,000,000	-	-	-	-	1,000,000
TBI Crommelin	-	-	-	-	-	-
YA Barila	-	-	-	-	-	-
JT Kopcheff ¹	3,000,000	3,000,000	-	-	-	6,000,000
Executives						
SG Scott	-	1,000,000	-	-	-	1,000,000
MR Herrington	-	1,000,000	-	-	-	1,000,000
JA Whitcombe	-	-	-	-	-	-
FL Connolly	-	-	-	-	-	-
ID MacDougall	-	-	-	-	-	-
DI Rakich	1,000,000	400,000	-	-	-	1,400,000
Total	7,500,000	9,400,000	(100,000)	-	-	16,800,000

¹ JT Kopcheff retired from the Board as Executive Director on 22 September 2010

Options held in Senex Energy Limited for the year ended 30 June 2010

Number of Options	Balance at beginning of period 1 July 2009	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2010
Directors						
DF Patten	1,500,000	-	-	-	-	1,500,000
JT Kopcheff	3,000,000	-	-	-	-	3,000,000
BM McKeown	1,000,000	-	-	-	-	1,000,000
RJ Pett	1,000,000	-	-	-	-	1,000,000
Executives						
DF Rakich	1,000,000	-	-	-	-	1,000,000
CM Lane	500,000	-	-	-	-	500,000
Total	8,000,000	-	-	-	-	8,000,000

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)

Performance Rights holdings of Key Management Personnel (Consolidated)

Senex initiated a Performance Rights Plan during the year ended 30 June 2011, under which certain executives are granted the right to earn shares in the Company subject to underlying Company and individual performance and retention conditions.

The numbers of shares in the Company held during the financial year by each director and executive of Senex Energy Limited, including their personally related entities, are set out below.

Performance Rights held in Senex Energy Limited for the year ended 30 June 2011

Number of Options	Balance at beginning of period 1 July 2010	Granted as compensation	Vested	Expired	Net Change Other	Balance at end of period 30 June 2011
Directors						
DF Patten	-	-	-	-	-	-
IR Davies	-	-	-	-	-	-
RJ Pett	-	-	-	-	-	-
BM McKeown	-	-	-	-	-	-
TBI Crommelin	-	-	-	-	-	-
YA Barila	-	-	-	-	-	-
JT Kopcheff ¹	-	-	-	-	-	-
	-	-	-	-	-	-
Executives						
SG Scott	-	-	-	-	-	-
MR Herrington	-	-	-	-	-	-
JA Whitcombe	-	300,000	-	-	-	300,000
FL Connolly	-	200,000	-	-	-	200,000
ID MacDougall	-	-	-	-	-	-
DI Rakich	-	-	-	-	-	-
Total	-	500,000	-	-	-	500,000

There were no performance rights on issue at 30 June 2010.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)

Shareholdings of Key Management Personnel (Consolidated)

The numbers of shares in the Company held during the financial year by each director and executive of Senex Energy Limited, including their personally related entities, are set out below.

Ordinary fully paid shares held in Senex Energy Limited for the year ended 30 June 2011

Number of ordinary fully paid shares	Balance at beginning of period 1 July 2010	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2011
Directors						
DF Patten	500,000	-	100,000	-	40,000	640,000
IR Davies ²	-	-	-	-	634,000	634,000
RJ Pett	541,500	-	-	-	-	541,500
BM McKeown	-	-	-	-	-	-
TBI Crommelin ²	-	-	-	-	2,489,362	2,489,362
YA Barila	-	-	-	-	-	-
JT Kopcheff ¹	1,400,000	-	-	-	(1,400,000)	-
Executives						
SG Scott	-	-	-	-	-	-
MR Herrington	-	-	-	-	-	-
JA Whitcombe	-	-	-	-	30,000	30,000
FC Connolly ²	-	-	-	-	250,000	250,000
ID MacDougall	-	-	-	-	-	-
DI Rakich	-	-	-	-	-	-
Total	2,441,500	-	100,000	-	2,043,362	4,584,862

1 JT Kopcheff retired from the Board as Executive Director on 22 September 2010.

2 IR Davies, TBI Commelin and FL Connolly became Key Management Personnel during the year. Their existing shareholdings on joining the company are included in the 'Net Change Other' column.

Ordinary fully paid shares held in Senex Energy Limited for the year ended 30 June 2010

Number of ordinary fully paid shares	Balance at beginning of period 1 July 2009	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2010
Directors						
DF Patten	330,000	-	-	-	170,000	500,000
JT Kopcheff ¹	1,000,000	-	-	-	400,000	1,400,000
BM McKeown	-	-	-	-	-	-
RJ Pett	433,200	-	-	-	108,300	541,500
Executives						
DI Rakich	-	-	-	-	-	-
CM Lane	-	-	-	-	-	-
Total	1,763,200	-	-	-	678,300	2,441,500

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)

Shareholdings of Key Management Personnel (Consolidated) (Continued)

Ordinary partly paid shares (issued at 35 cents, partly paid to 1 cent) held in Senex Energy Limited for the year ended 30 June 2011

On 12 December 2006, a consolidation of the Company's share capital was completed, on the basis of one new share for every 10 existing shares. As a result of the share consolidation, the shares are now partly paid to 10 cents, with \$3.40 per share unpaid.

The below partly paid shares were cancelled at the November 2010 Annual General Meeting.

Number of ordinary partly paid shares	Balance at beginning of period 1 July 2010	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2011
Directors						
DF Patten	-	-	-	-	-	-
IR Davies	-	-	-	-	-	-
RJ Pett	140,000	-	-	-	(140,000)	-
BM McKeown	-	-	-	-	-	-
TBI Crommelin	-	-	-	-	-	-
YA Barila	-	-	-	-	-	-
JT Kopcheff ¹	100,000	-	-	-	(100,000)	-
Executives						
SG Scott	-	-	-	-	-	-
MR Herrington	-	-	-	-	-	-
JA Whitcombe	-	-	-	-	-	-
FL Connolly	-	-	-	-	-	-
ID MacDougall	-	-	-	-	-	-
DI Rakich	-	-	-	-	-	-
Total	240,000	-	-	-	(240,000)	-

¹ JT Kopcheff retired from the Board as Executive Director on 22 September 2010

Ordinary partly paid shares (issued at 35 cents, partly paid to 1 cent) held in Senex Energy Limited for the year ended 30 June 2010

Number of ordinary partly paid shares	Balance at beginning of period 1 July 2009	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2010
Directors						
DF Patten	-	-	-	-	-	-
JT Kopcheff	100,000	-	-	-	-	100,000
BM McKeown	-	-	-	-	-	-
RJ Pett	140,000	-	-	-	-	140,000
Executives						
DI Rakich	-	-	-	-	-	-
CM Lane	-	-	-	-	-	-
Total	240,000	-	-	-	-	240,000

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)

Shareholdings of Key Management Personnel (Consolidated) (Continued)

Ordinary partly paid shares (issued at 6 cents, partly paid to 0.1 cent) held in Senex Energy Limited for the year ended 30 June 2011

On 12 December 2006, a consolidation of the Company's share capital was completed, on the basis of one new share for every 10 existing shares. As a result of the share consolidation, the shares are now partly paid to 1 cent, with 59 cents per share unpaid.

The below partly paid shares were cancelled at the November 2010 Annual General Meeting.

Number of ordinary partly paid shares	Balance at beginning of period 1 July 2010	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2011
Directors	-	-	-	-	-	-
DF Patten	-	-	-	-	-	-
IR Davies	-	-	-	-	-	-
RJ Pett	-	-	-	-	-	-
BM McKeown	-	-	-	-	-	-
TBI Crommelin	-	-	-	-	-	-
YA Barila	-	-	-	-	-	-
JT Kopcheff ¹	1,080,000	-	-	-	(1,080,000)	-
Executives	-	-	-	-	-	-
SG Scott	-	-	-	-	-	-
MR Herrington	-	-	-	-	-	-
JA Whitcombe	-	-	-	-	-	-
FL Connolly	-	-	-	-	-	-
ID MacDougall	-	-	-	-	-	-
DI Rakich	200,000	-	-	-	(200,000)	-
Total	1,280,000	-	-	-	(1,280,000)	-

¹ JT Kopcheff retired from the Board as Executive Director on 22 September 2010.

Ordinary partly paid shares (issued at 6 cents, partly paid to 0.1 cent) held in Senex Energy Limited for the year ended 30 June 2010

Number of ordinary partly paid shares	Balance at beginning of period 1 July 2009	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2010
Directors	-	-	-	-	-	-
DF Patten	-	-	-	-	-	-
JT Kopcheff	1,080,000	-	-	-	-	1,080,000
BM McKeown	-	-	-	-	-	-
RJ Pett	-	-	-	-	-	-
Executives	-	-	-	-	-	-
DI Rakich	200,000	-	-	-	-	200,000
CM Lane	100,000	-	-	-	-	100,000
Total	1,380,000	-	-	-	-	1,380,000

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)

Shareholdings of Key Management Personnel (Consolidated) (Continued)

Ordinary partly paid shares (issued at 4 cents, partly paid to 0.01 cent) held in Senex Energy Limited for the year ended 30 June 2011

On 12 December 2006, a consolidation of the Company's share capital was completed, on the basis of one new share for every 10 existing shares. As a result of the share consolidation, the shares are now partly paid to 0.1 cent, with 39.9 cents per share unpaid.

The below partly paid shares were cancelled at the November 2010 Annual General Meeting.

Number of ordinary partly paid shares	Balance at beginning of period 1 July 2010	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2011
Directors						
DF Patten	-	-	-	-	-	-
IR Davies	-	-	-	-	-	-
RJ Pett	-	-	-	-	-	-
BM McKeown	-	-	-	-	-	-
TBI Crommelin	-	-	-	-	-	-
YA Barila	-	-	-	-	-	-
JT Kopcheff ¹	4,200,000	-	-	-	(4,200,000)	-
Executives						
SG Scott	-	-	-	-	-	-
MR Herrington	-	-	-	-	-	-
JA Whitcombe	-	-	-	-	-	-
FL Connolly	-	-	-	-	-	-
ID MacDougall	-	-	-	-	-	-
DI Rakich	1,175,000	-	-	-	(1,175,000)	-
Total	5,375,000	-	-	-	(5,375,000)	-

¹ JT Kopcheff retired from the Board as Executive Director on 22 September 2010.

Ordinary partly paid shares (issued at 4 cents, partly paid to 0.01 cent) held in Senex Energy Limited for the year ended 30 June 2010

Number of ordinary partly paid shares	Balance at beginning of period 1 July 2009	Granted as compensation	Options exercised	Options expired	Net Change Other	Balance at end of period 30 June 2010
Directors						
DF Patten	-	-	-	-	-	-
JT Kopcheff	4,200,000	-	-	-	-	4,200,000
BM McKeown	-	-	-	-	-	-
RJ Pett	-	-	-	-	-	-
Executives						
DI Rakich	1,175,000	-	-	-	-	1,175,000
CM Lane	450,000	-	-	-	-	450,000
Total	5,825,000	-	-	-	-	5,825,000

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 32:
KEY MANAGEMENT PERSONNEL (CONTINUED)**

Loans to Key Management Personnel

No loans have been granted to key management personnel during the current or prior year.

Other transactions and balances with Key Management Personnel

During 2011, the Group made payments of \$451,511 to RBS Morgans, a company associated with Mr TBI Crommelin. These payments primarily comprised fees payable for professional services relating to the acquisition of Stuart Petroleum and broker handling costs. These services were not provided by Mr Crommelin as a director of Senex Energy Limited.

During the prior year, the Group made payments of \$21,730 to Minter Ellison, a company associated with Mr NC Fearis. These payments comprised fees payable for corporate legal advice. These services were not provided by Mr Fearis as a director of Senex Energy Limited. Mr Fearis resigned as alternate director for Mr JT Kopcheff on 19 November 2009.

There were no other transactions with key management personnel or their related parties during the current or prior year, other than those mentioned above.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 33:
COMMITMENTS

Leasing commitments

Operating lease commitments (Group as lessee)

These commitments represent payment due for lease premises under a non-cancellable operating lease.

The group entered into a lease agreement for head office premises in Brisbane commencing 15 August 2010. The term of the lease is three years six months and 15 days, with a two year lease option. The lease agreement gives rise to commitments totalling \$454,274 over the term of the lease.

The group entered into a lease agreement for additional head office premises in Brisbane commencing 1 March 2011. The term of the lease is three years, with a two year lease option. The lease agreement gives rise to commitments totalling \$324,347 over the term of the lease.

The commitments disclosed below represent payments due for leased premises under non-cancellable operating leases as at balance date. The leases expire on 28 February 2014.

	Consolidated	
	2011	2010
	\$	\$
Minimum lease payments		
- not later than one year	763,118	252,234
- later than one year and not later than five years	659,125	387,580
	1,422,243	639,814

Exploration and development commitments

Due to the nature of the Group's operations in exploration and evaluation of areas of interest, it is not possible to forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests. In order to maintain its interests in present permit areas, the Group must expend by 30 June 2012 approximately \$12,902,000 (2010: \$18,200,000). Commitments beyond one year cannot be determined and are subject to negotiation depending on future exploration results.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 34:
BUSINESS COMBINATIONS

Acquisition of Stuart Petroleum Limited

On 10 March 2011, the Company acquired a 50.5% controlling interest in the outstanding ordinary shares of Stuart. Stuart is an oil and gas production and exploration company operating in the South Australian Cooper and Eromanga Basins. As a result of the acquisition, the Group has become one of the largest independent oil and gas companies operating in the Cooper Basin. This allows the Group to effect cost synergies across operations, and to realise the benefits of a broader suite of exploration prospects.

On 19 May 2011, the Company completed compulsory full acquisition of Stuart.

The table below summarises the consideration paid for Stuart and the provisional fair value of assets acquired and liabilities assumed at 10 March 2011, as well as the fair value of the non-controlling interest at that date.

	\$
Consideration	
Equity instruments	
- 168,322,765 shares in Senex Energy Limited, at fair value	32,268,110
- fair value of options issued	254,167
Consideration transferred	32,522,277
Acquisition-related costs (included in general and administrative expenses in the statement of comprehensive income for the year ended 30 June 2011)	1,130,000

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 34:
BUSINESS COMBINATIONS (CONTINUED)

	Recognised on acquisition \$
Provisionally recognised amounts of identifiable assets acquired and liabilities assumed	
Cash	789,654
Receivables and other assets	3,652,598
Inventory	32,629
Exploration and evaluation assets	28,605,635
Oil and gas properties	49,475,788
Land and buildings	250,000
Other tangible assets	292,349
Financial liabilities	(15,018,926)
Provisions	(3,862,909)
Deferred tax liability	(12,212,856)
Provisional fair value of identifiable net assets	52,003,962
Goodwill	12,212,856
Non-controlling interest on date of acquisition	(31,694,541)
	32,522,277

The fair value of the 168,322,765 ordinary shares issued as part of the consideration paid was determined on the basis of the closing market price of the Company's shares on 10 March 2011.

The fair value of assets acquired and liabilities assumed is provisional pending receipt of final valuations for the oil and gas properties and exploration assets acquired.

The goodwill recognised on acquisition date relates to the taxation benefit accruing to the Group on entry of Stuart into the tax consolidation group. This goodwill was subsequently impaired on 19 May 2011 when compulsory acquisition was completed and Stuart entered the tax consolidation group (refer note 22).

The revenue and profit before tax included in the consolidated statement of comprehensive income since 10 March 2011 contributed by Stuart were \$7.1 million and \$0.9 million respectively. If Stuart had been consolidated since 1 July 2010 the consolidated statement of comprehensive income would have included revenue of \$19.5 million and loss of \$0.8 million.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 35:
CONTINGENCIES

There are no unrecorded contingent assets or liabilities in place for the Group at 30 June 2011 (2010: nil).

The Group is aware of native title claims made in respect of areas in Queensland in which the Group has an interest and recognises that there might be additional claims made in the future. A definitive assessment cannot be made at this time of what impact the current or future claims, if any, may have on the Group.

NOTE 36:
EVENTS AFTER THE BALANCE SHEET DATE

Capital Raising

On 22 August 2011, the Company announced a 1 for 5 non-renounceable entitlement issue at \$0.35 per share to raise approximately \$53.3 million before costs. The proceeds of the issue will fund projects including:

- Participation in the construction of oil flowlines from Growler to Moomba;
- Acceleration of the Group's unconventional gas exploration programme; and
- Acceleration of appraisal and development in Senex's western flank permits.

Infrastructure Projects

Subsequent to year end, the Group has announced agreements reached for the construction of two significant infrastructure projects around the western flank oil projects.

Growler to Moomba oil flowline

On 19 August, Senex announced that it had reached agreement with Beach Energy Limited on the principal terms for a project to jointly construct and operate an oil export flowline from the Growler oil field to the Moomba processing facility.

The project will comprise the construction of two flowlines:

- A six inch, 70 km liquids flowline from the Growler oil field to the Lycium oil field (Senex share: 60%); and
- An eight inch, 74 km liquids flowline from Lycium to the liquids plant at Moomba (Senex share: 40%).

The project remains subject to negotiation of formal documentation with Beach Energy Limited surrounding the proposed venture, and negotiation of tie-in agreements to the Moomba facility.

SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 36:
EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

Infrastructure Projects (Continued)

Charo to Tirrawarra oil trunkline

On 24 August, Senex announced that the PEL 111 joint venture had agreed to contribute \$4.1 million (\$2.5 million Senex share) to the South Australian Cooper Basin joint venture's Charo to Tirrawarra pipeline project.

The contribution from the PEL 111 joint venture allows for an upgrade of the trunkline from a 4 inch line to a 6 inch line with capacity to carry crude from the Snatcher oil field. The capital contribution will be treated as a prepayment of transportation tariff at an agreed unit rate.

To connect Snatcher oil field crude, Senex will build and operate a flowline from Snatcher oil field to the Charo to Tirrawarra trunkline.

It is expected that all construction and commissioning work in respect of the Snatcher flowline and tie-in, and the Charo to Tirrawarra trunkline will be completed by March 2012.

Farm-in to PELA 514

On 19 August 2011 the Group announced it had reached agreement with Planet Gas Limited to farm-in to PELA 514 in the northern Cooper Basin in South Australia.

Under the terms of the agreement, Senex has the right to earn a 50% interest in the northern area of the permit, and a 70% interest in the southern area. The farm-in obligations consist of funding 100% of the cost of drilling three exploration wells. Senex will assume Operatorship of the permit in its entirety.

Farm-out of PEL 516

On 18 August 2011, the Group announced it had reached agreement with Ambassador Exploration Pty Limited regarding the farm-out of:

- 60% interest in PEL 516 Mudlalee Block;
- 60% interest in PEL 516 Rowley Block; and
- 50% interest in PEL 113 Zulu Block.

Under the terms of the agreement, the Group will retain the rights to unconventional hydrocarbon production from the Zulu Block, and to any petroleum recovered from the Mudlalee and Rowley Blocks from beneath the Poolowanna horizon Cooper Basin hydrocarbon zones. The Group will also retain Operatorship of these licenses.

Other

Since the end of the financial year, the directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Company or the Group, the results of the operations of the Company or the Group, or the state of affairs of the Company or the Group in subsequent financial years.

**SENEX ENERGY LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Senex Energy Limited, I state that:

- (1) In the opinion of the directors:
 - (a) the financial statements, notes and additional disclosures included in the Directors' Report designated as audited of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (2) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the Board



IR Davies
Managing Director

Brisbane, Queensland
22 September 2011

Independent auditor's report to the members of Senex Energy Limited

Report on the financial report

We have audited the accompanying financial report of Senex Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Senex Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

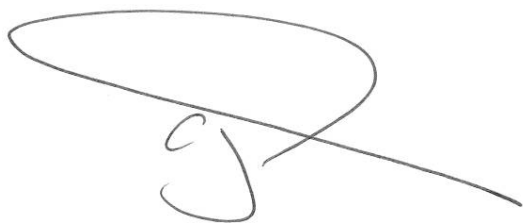
We have audited the Remuneration Report included in pages 19 to 28 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Senex Energy Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in grey ink, appearing to read "Ernst & Young" followed by a stylized flourish.

Ernst & Young

A large, stylized handwritten signature in grey ink, likely belonging to Andrew Carrick.

Andrew Carrick
Partner
Brisbane
22 September 2011