

Energy to
deliver

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Cover: Drilling at Senex's second dedicated unconventional gas exploration well Talaq-1 in South Australia's southern Cooper Basin.

Inside cover: Construction of dedicated oil pipelines to connect Senex's prolific western flank oil fields progressed in 2011/12. Construction of the Lycium to Moomba flowline (pictured) was substantially complete by 30 June 2012.

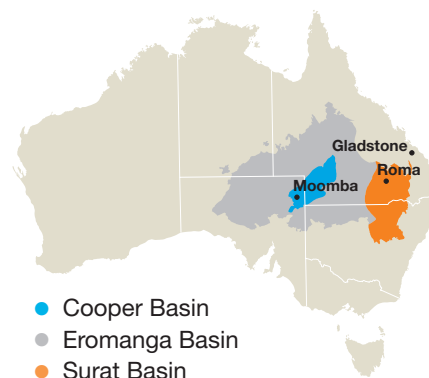


Senex is poised to take advantage of a once in a generation opportunity

Senex is an eastern Australian energy company with a rapid growth agenda for its diversified resource portfolio.

As an experienced exploration and production business, Senex is well positioned to deliver from an impressive portfolio of assets:

- **High margin conventional oil exploration and production in the Cooper Basin**
- **World class unconventional gas resource potential in the South Australian Cooper Basin**
- **Strategically located coal seam gas assets in Queensland's Surat Basin**



During 2011/12 Senex achieved record oil production of more than 600,000 barrels, booked an increase in proved and probable oil reserves to 8.1 million barrels of oil, and upgraded proved and probable coal seam gas reserves in the Surat Basin to more than 138 petajoules, or more than 23 million barrels of oil equivalent.

In addition, Senex committed to pioneering exploration and appraisal of its exciting unconventional gas acreage in the South Australian Cooper Basin.

Senex was admitted to the S&P/ASX 200 index in April 2012, in recognition of its considerable business growth.

Senex has set its course to become a major Australian energy company.

Think **Energy**
Think **Delivery**
Think **Senex**

Highlights

Delivering our strategy

Oil

Grow a profitable and self-funding oil business through aggressive exploration, appraisal and development

Unconventional gas

Unlock a world class unconventional gas resource in the South Australian Cooper Basin

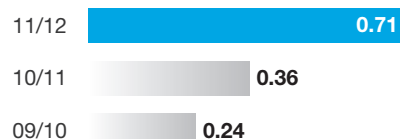
Coal seam gas

Appraise and commercialise a valuable coal seam gas resource in Queensland's Surat Basin

Senex constructed a new 2,000 barrel production facility at Snatcher oil field during 2011/12 to support Senex's oil production capability on the western flank of the South Australian Cooper Basin. Simon Fells is part of Senex's growing operations and facilities team based in South Australia's Cooper Basin.

2011/12 performance

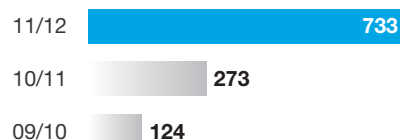
Senex share price at 30 June (A\$)



↑ **97%**

Significantly outperformed the S&P/ASX 200 index

Senex market capitalisation at 30 June (A\$m)

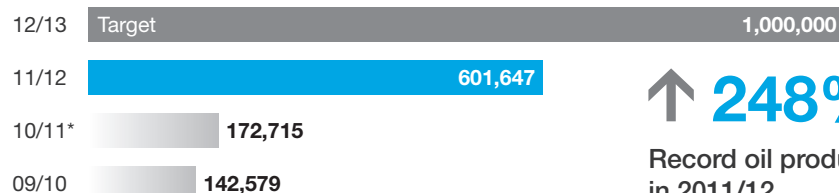


↑ **168%**

More than doubled the size of the business

Senex oil production (net barrels)

The 2012/13 target represents a 66% increase over 2011/12 and a 91% compound annual growth rate in net production since 2009/10

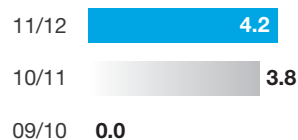


↑ **248%**

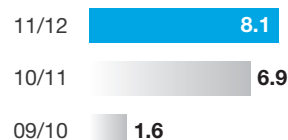
Record oil production in 2011/12

Senex oil reserves (net mmbbls)**

Proved (1P)



Proved and probable (2P)

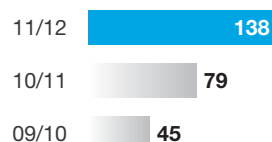


↑ **17%**

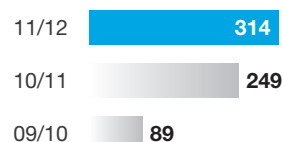
Continuing 2P oil reserves growth

Senex coal seam gas reserves (net petajoules)**

Proved and probable (2P)



Proved, probable and possible (3P)



↑ **75%**

Building a valuable coal seam gas reserves position

* Includes production from Stuart Petroleum Limited for the full 2010/11 financial year.

** Refer competent persons statement on page 143.

From the Chairman

Energy for growth

**Senex is a vibrant business
with a clear plan to continue
its rapid growth trajectory.**



Dear Shareholder,

I am pleased to report that Senex Energy Limited performed strongly during 2011/12, delivering record improvements in oil production and increasing reserves and resources to underpin future growth across its energy portfolio. During the year, the Company focused on its stated development objectives and continued the process of rejuvenation. Today, Senex is a vibrant business with a clear plan to continue its rapid growth trajectory.

Successful strategy

In 2010, Senex announced a bold strategy for accelerated growth across the Company's oil and gas assets. Over the last two years, your Company has successfully implemented that strategy and delivered tangible rewards during 2011/12 for our shareholders:

- Oil production increased by almost 250% on the previous year.
- Oil reserves upgraded, representing a potential US\$200 million in future increased revenues.
- Approval of a 12-well unconventional gas exploration and appraisal campaign over 18 months.
- Coal seam gas reserves and resources increased to over 500 petajoules, or more than 83 million barrels of oil equivalent.

In April 2012, Senex was admitted to the S&P/ASX 200 index. Market capitalisation increased by 168% to \$733 million and your Company's share price increased by 97% in the 12 months to 30 June 2012. It is worth noting that the stock materially outperformed the index – and the majority of its peers – over the same period.

Careful management

The Senex growth strategy is based on a simple objective: Build shareholder wealth by delivering abundant new energy sources for Australia. This simple objective has required the rapid development of a sophisticated business with a complex operational regime and accelerated expansion program across three distinct businesses. I am delighted to report that the Company's record for safe and environmentally responsible operation remained solid during a period of rapid development and increasing complexity.

During the year, the Senex team almost tripled to coordinate the work load and your Company's leadership team evolved to match the challenge. In September 2011, the Board welcomed energy industry specialist Dr Ralph Craven to its ranks. The management team's capability also expanded with several key appointments during the year. I am confident that we have the right people with the right expertise to deliver our strategy.

Well placed for growth

Sustainable growth demands careful cost management and detailed planning. Despite the significant capital expenditure undertaken during 2011/12, Senex is in an enviable financial position and is perfectly placed to fund its growth plans.

At the time of writing, Senex has cash at hand of more than \$165 million and no debt. The Company's high margin oil business contributed more than \$64 million in revenues during 2011/12, a 554% increase on the previous year. In the coming 12 months, Senex is targeting a further production increase to one million barrels of oil, representing a 66% improvement on 2011/12.

In July 2012, the Company completed a \$155 million fully underwritten institutional placement and accelerated 2:13 non-renounceable entitlement offer. We are now in a very strong cash position as a result of the capital raising and the increasing cash flow contribution from the reinstated and expanded oil production achieved over the past year. This means our extensive 2012/13 work programs are fully funded.

Towards a top tier energy company

Senex is on a very deliberate path. The Board and management are focused on creating a valuable Australian company centred on the considerable untapped energy potential of eastern Australia. Fuelled by a thriving oil business in the Cooper Basin and a strategically located coal seam gas business in the Surat Basin, Senex is intent on commercialising the next frontier in Australian energy: unconventional gas.

On behalf of the Board, management and entire Senex team, I would like to thank you – our shareholders – for your ongoing support and loyalty. You can rest assured that the Senex team will continue to work tirelessly to build a viable and profitable energy business.

Sincerely,



Denis F Patten
Chairman

Managing Director's report

Raising the bar



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Senex demonstrated its power to deliver during 2011/12. Record oil production, growing oil and gas reserves, and successful exploration, appraisal and development have positioned the Company for its next growth phase. We are raising the bar.

In a global climate of uncertainty and caution, Senex took the initiative to create opportunities for growth. Intelligent thinking enabled us to restore and expand our lucrative oil business, continue to add value to the Company's strategic coal seam gas assets and discover the potential of a massive new source of energy for Australia in the form of unconventional gas. Success was no accident. It was the result of a targeted growth strategy, backed by a wealth of data, an experienced team and proven expertise in resource development and project delivery.

It was pleasing to see the market acknowledge the Company's success. We welcomed a broad spread of domestic and international institutions and professional investors during the year and we were admitted to the S&P/ASX 200 index.

It is no understatement to say that Senex has achieved a remarkable transformation over the last two years.

Safety is our top priority

The health and safety of our staff, contractors, and all our stakeholders is non-negotiable and receives the highest priority across all our operations. The significant work our team has undertaken to implement continuous improvement strategies in a growth environment was recognised in the achievement of no lost time incidents during the 2011/12 year.

Oil business

Oil is the foundation of our business. In 2011/12, we successfully resumed oil production and appraisal at our most prolific fields and increased oil reserves with targeted exploration, appraisal and development campaigns on the western flank of the South Australian Cooper Basin and the Queensland

Cooper Basin. Always with a weather eye on the future, we also invested in an extensive 3D seismic survey in the north of South Australia's Cooper Basin to identify new oil and gas exploration targets for the short and medium term.

Our work at the Growler oil field on the western flank of the South Australian Cooper Basin exemplifies our approach: low risk exploration and appraisal, accelerated development and a rapid return on investment. Senex achieved a 100% success rate at Growler with three new development wells drilled at the field once access was regained in October 2011. In less than nine months and despite several interruptions due to localised rain, Growler oil field made a significant contribution to total Senex production for 2011/12.

Unconventional gas business

The brightest star on eastern Australia's energy horizon is undoubtedly the Cooper Basin's vast unconventional gas resources. It is very pleasing to report that in 2011/12, Senex seized the opportunity to create a new world class unconventional gas resource in the South Australian Cooper Basin.

On the strength of our successful unconventional gas exploration during 2011/12, Senex has committed to a dedicated 12-well exploration campaign over 18 months. This is a considerable undertaking that represents a sizeable investment for the Company. However, I am convinced that unconventional gas will transform the energy industry in Australia; both for domestic customers and international customers through LNG exports. I am also convinced that Senex is extremely well placed to realise the value of this resource for the benefit of our shareholders and the people of Australia.

Coal seam gas business

Senex has an enviable position in the coal seam gas industry. Our people are among the most experienced and knowledgeable in the business and have been working closely with our joint venture partners to realise the value of our strategic assets. Successful exploration and appraisal during 2011/12 boosted Senex's stock of coal seam gas reserves and resources to more than 500 petajoules or more than 83 million barrels of oil equivalent. Further exploration and appraisal is already underway to continue to boost our gas reserves and the value of these assets.

Outlook

2011/12 has been an exciting year for the Company. Senex is a transformed business with an aggressive program for rapid growth as a valuable energy company. In the coming 12 months, shareholders can expect the entire team at Senex to be focused on delivering that program safely, responsibly and swiftly.

I would like to acknowledge and thank our team for their amazing efforts during the year, and look forward to working with them to unlock the extraordinary value that lies within our portfolio.

Sincerely,



Ian R Davies
Managing Director

Financial overview

Fully funded growth

Exceptional results in 2011/12 provide the platform for the next phase of Senex growth and demonstrate that it has the energy to deliver an extensive work program in 2012/13.

↑ **433%**

Increase in revenue through record oil production growth during the year

↑ **463%**

Gross profit increased to \$31 million

Ensign Rig 48 is pictured here drilling the successful Snatcher-4 oil appraisal well on the western flank of the Cooper Basin.

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Senex delivered excellent financial results in 2011/12, demonstrating the value of its core assets through record oil production, oil and gas reserves growth, and exploration, appraisal and development drilling success.

Revenue increased by 433% to \$70.4 million through record oil production growth during the year. The strong result reflects the highly successful appraisal and development program at the Growler oil field, and Senex's valuable portfolio of oil production assets.

This impressive growth in revenue drove a significantly stronger EBITDA² for 2011/12 of \$19.7 million, an increase of \$23.4 million over 2010/11. This was achieved with significant investment during the year in building organisational capacity to facilitate growth in the business and increased activity levels. Senex's bottom line also returned to profit, with NPAT¹ of \$8.9 million compared with a loss of \$3.5 million for 2010/11.

Market capitalisation grew by 168% to \$733 million compared with \$273 million at 30 June 2011. The share price almost doubled in that time to 71 cents, up from 36 cents a year before.

Substantial investment in oil field facilities was undertaken during the year to accommodate the record growth in production at the Growler and Snatcher oil fields, reflected in a cash expenditure on property, plant and equipment of \$18.2 million. A further \$34.7 million was expended on exploration activities and assets in 2011/12 to:

- deliver reserves growth in Senex's oil and coal seam gas assets;

- identify the next generation of conventional oil and gas targets; and
- commence appraisal of Senex's unconventional gas resource potential.

Outlook

Senex is in a very solid financial position, with its 2012/13 work programs fully funded.

As at 30 June 2012, Senex had \$124 million cash at hand, and no debt. Subsequent to year end, a further \$70 million was received as proceeds from the fully underwritten retail entitlement offer announced in June 2012.

Cash flows generated by the Company's conventional oil business will continue to fund a long term and sustainable energy business, with production of one million net barrels of oil targeted for the 2012/13.

	11/12	10/11	09/10
Revenue	↑ 433%		
(A\$m)	70.4	13.2	13.2
Gross profit	↑ 463%		
(A\$m)	31.0	5.5	7.8
NPAT¹	↑ \$12.4 million		
(A\$m)	8.9	(3.5)	2.6
EBITDA²	↑ \$23.4 million		
(A\$m)	19.7	(3.7)	2.5
Cash reserves³	↑ 193%		
(A\$m)	124.0	42.3	36.8
Oil production⁴	↑ 248%		
(barrels)	601,647	172,715	142,579

↑ **97%**

Share price almost doubled to 71 cents

¹ NPAT – Net profit after tax is equal to 'Profit/(loss) after tax' per the audited consolidated Statement of Comprehensive Income on page 61 of the financial report.

² EBITDA – Earnings before interest, tax, depreciation, amortisation and impairment can be reconciled to the audited financial report as follows:

Profit/(loss) after tax

Add back:

Interest

Tax

Depreciation

Amortisation and impairment

EBITDA

2011/12 \$'000	2010/11 \$'000	2009/10 \$'000
8,860	(3,516)	2,589
(3,336)	(2,556)	(1,217)
1,681	(12,006)	102
639	191	8
11,856	14,209	969
19,700	(3,678)	2,451

³ Cash reserves is equivalent to the sum of 'Cash and cash equivalents' and 'Term deposits' per the audited Consolidated Statement of Financial Position on page 60 of the financial report. Subsequent to year end, \$70 million was received as proceeds from the fully underwritten retail entitlement offer.

⁴ Includes production from Stuart Petroleum Limited for the full 2010/11 financial year.

People and environment

The drilling team from Century Rig 3 is pictured here working on Senex's second dedicated unconventional gas exploration well Talaq-1.



Safety first always

Senex's commitment to the health and safety of our staff, contractors and stakeholders underpins everything we do.

Our dedicated in-house safety and environmental team was significantly expanded during the year to implement health, safety and environment management systems across all Senex operations and activities.

These best practice systems are critical to our operations. We remain focused on continual improvement to ensure we operate safely, responsibly and sustainably.

During 2011/12, Senex achieved no lost time incidents during a period of rapid growth in the size of our team and increased activity levels and complexity in our operations. We are

proud of the significant work we have undertaken to achieve this safety performance, and to continue to help our contractors to improve safety performance and awareness.

We believe our focus on operating sustainably and responsibly lies at the heart of this track record of keeping people, the environment, and the communities within which we operate healthy and safe.

Senex always seeks to minimise the impact on the land we are granted access to while understanding and respecting the requirements of our traditional owners, communities and rural landholders.

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Senex always seeks to minimise the impact on the land we are granted access to while understanding and respecting the requirements of our traditional owners, communities and rural landholders.

To ensure we deliver on our growth strategies, we have assembled a skilled and diverse team in Brisbane, Adelaide and the South Australian Cooper Basin.

We trust our people with a high level of responsibility, which in turn encourages outstanding performance. This means our people are motivated and engaged in a rewarding environment that provides diverse opportunities and a technically challenging work place.

As we roll out our program of work, we continue to devote maximum effort to a framework that allows Senex to grow the value of its assets, and ensure we continue to attract and retain high calibre workers in a very competitive labour market.

Senex Senior Geophysicist Cameron Belcher worked closely with local indigenous representatives including Patrick Ferguson as part of the extensive Cordillo 3D seismic survey in the northern Cooper Basin.

Leadership team

Left to right: Denis Patten, Ian Davies, Ralph Craven, Tim Crommelin, Ben McKeown.



Denis F Patten Chairman

Mr Patten was appointed as Chairman of Senex in March 2008. He 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 Pty Ltd, PT CMP Indonesia and a number of major Australian onshore oil and gas drilling companies. Mr Patten was appointed as a Non-Executive Director of Orca Energy Limited in March 2012. He is Chair of the Senex remuneration and nominations committee.

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 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.

Ralph H Craven Non-Executive Director

BE PhD FIEAust FIPENZ FAICD CPEng

Dr Craven joined the Senex Board in September 2011. He is an energy sector specialist with respected credentials in energy and resources. Before becoming a professional director in 2007, Dr Craven held senior executive positions with energy companies in Australia and New Zealand. He was formerly Chief Executive Officer of Transpower New Zealand Ltd, Executive Director with NRG Asia-Pacific and General Manager Power Marketing and Development with Shell Coal Pty Ltd. Dr Craven is the Chairman of listed company Invion Limited (appointed in December 2011, having been a Director since November 2011), Non-Executive Director of listed company Drill Torque Ltd (appointed July 2011) and Non-Executive Director of Windlab Systems Pty Ltd. His previous roles include Chairman of Ergon Energy Corporation Limited and Chairman of Tully Sugar Limited. Dr Craven was also Deputy Chairman of coal seam gas company Arrow Energy Limited (now jointly owned by Royal Dutch Shell and PetroChina) from April 2009 to August 2010. Dr Craven is Chair of the Senex audit committee and a member of the remuneration and nominations committee.

Timothy BI Crommelin 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 Limited and a Non-Executive Director of listed company AP Eagers Limited (appointed February 2011) and previously served as Deputy Chairman of CS Energy Limited and Queensland Gas Company Limited.

His other directorships include 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 former member of Brisbane Grammar School's Board of Trustees. Mr Crommelin is a member of the Senex audit committee and the remuneration and nominations committee.

Benedict M McKeown Non-Executive Director

Beng (Mining Engineering), MBA

Mr McKeown joined the Senex Board in December 2008. He 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 also 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 is a member of the Senex remuneration and nominations committee.

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Left to right: Yanina Barila, Frank Connolly, Steve Scott, Julie Whitcombe, Tim Wyatt.

**Yanina A Barila****Alternate Non-Executive 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 Poor's, Thomas-Reuters, and Ernst & Young. Ms Barila is also an alternate director of Silver City Minerals Limited (appointed August 2011). Ms Barila is an alternate member of both the Senex audit committee and the remuneration and nominations committee.

Francis L Connolly**Secretary and Legal Counsel***BA, LLB (Hons), Grad Dip Applied Finance & Investment*

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 for Ord Minnett and Partner of national law firm Corrs Chambers Westgarth.

Steven G Scott**General Manager Exploration***BSc (Hons), PhD*

Dr Scott joined Senex in mid-2010, bringing more than 30 years of geoscience experience in Queensland's resources industry and particular expertise in coal seam gas exploration and appraisal, having completed his doctorate on the subject. Dr Scott has been involved in the development of coal seam gas resources since 1987 and held several senior executive and advisory roles for public and private sector resources businesses, including Queensland Gas Company Limited and later QGC – a BG Group business. He spent 12 years working on numerous coal exploration projects in the Bowen Basin and 11 years overseeing petroleum and coal seam gas exploration and development within Queensland for the Department of Mines and Energy.

Julie A Whitcombe**Chief Financial Officer***BME (First Class Hons), MBA, CA (Distinction)*

Mrs Whitcombe joined Senex in late 2010. Her dual qualifications in Mining Engineering and Accounting give her unique insights into the operational requirements of a resource development company. Mrs Whitcombe has a wealth of experience in finance and corporate advisory in the resources sector, having spent seven years with PricewaterhouseCoopers (pwc) in its Transactions team in Brisbane and in Aberdeen, Scotland. During her time with pwc,

Mrs Whitcombe worked across a wide range of high profile transactions in the oil, gas and coal industries, for clients including QGC, Santos and Rio Tinto. Prior to joining pwc, she worked as a management consultant for AT Kearney. From October 2012, Mrs Whitcombe will transition to the newly created role of General Manager Planning and Reporting.

Timothy J Wyatt**General Manager Production and Facilities***BE (Hons)*

Mr Wyatt joined the Senex team in October 2011. Mr Wyatt has extensive experience in the international upstream oil and gas sector. In recent years, he has held key roles in the development of oil and gas projects in Australia and West Africa. Mr Wyatt was previously Head of Projects for Addax Petroleum in Gabon, West Africa and Senior Project Manager with Origin Energy, overseeing the development of coal seam gas fields in the Surat Basin.

Portfolio

Building on the momentum

In 2011/12, Senex continued to implement its growth strategy and achieved impressive results across its conventional oil, coal seam gas and unconventional gas businesses

70

permit interests

44

joint ventures

72,891 km²

net acreage

10

operated oil fields

50+

wells planned



Senex has a clear strategy for the exploration, appraisal and development of its energy portfolio

Strategy	2011/12	2012/13	2013/14
Oil			
Grow a profitable and self-funding oil business through aggressive exploration, appraisal and development	- Reinstated flood-affected production assets 17 wells drilled by Senex and joint venture partners - Delivered record production - Achieved substantial reserves upgrade - New oil field discoveries at Spitfire and Mustang	20+ exploration, appraisal and development wells planned to be drilled - Pipelines to derisk production and improve costs - Targeting net production of 1,000,000 barrels - Extensive 3D seismic to identify next generation of oil and gas targets	- Lower risk exploration drilling based on extensive 3D seismic - Rapid development of western flank oil production assets - Optimisation of mature oil fields
Unconventional gas			
Unlock a world class unconventional gas resource in the South Australian Cooper Basin	Southern Cooper Basin		
	- Drilled and cored two exploration wells - Fracture-stimulated and began flow testing at Sasasof-1	10+ well exploration and appraisal program - Limited coring - Focus on gas flow testing - Pilot program to follow a successful appraisal program - Targeting 2C resource booking in 2012/13	
	Northern Cooper Basin		
		Initial two well exploration program	
Coal seam gas			
Appraise and commercialise a valuable coal seam gas resource in Queensland's Surat Basin	6 wells drilled by Senex and joint venture partners - Achieved significant reserves upgrade with more than 500 PJ of reserves and resources net to Senex	17-well campaign to increase 2P reserves - Commence field development planning	Pilot production programs to test deliverability

In 2011/12 Senex completed a large-scale fracture stimulation program at the dedicated unconventional gas exploration well Sasasof-1 (pictured) in the southern Cooper Basin.

Oil

Fuelling future growth

The Senex oil business is implementing an aggressive growth strategy based on rapid development of known resources, and systematic exploration and appraisal of prospective plays



Senex upgraded its oil production facilities on the western flank of the South Australian Cooper Basin during 2011/12, including the Growler oil field (pictured). Construction supervisor Ian Shewring is part of Senex's Cooper Basin operation and facilities team.

Senex's profitable oil business delivered record oil production of 601,647 barrels net for the year ended 30 June 2012, an increase of 248% on the previous year.

The gross production rate from Senex-operated oil fields reached approximately 6,600 barrels of oil per day (bopd) by 30 June 2012 (compared with a normalised peak of 1,500 bopd a year before). This significant growth resulted from successful exploration, appraisal and development drilling in the Cooper Basin during the year as well as the recommencement of production from the prolific Growler and Snatcher oil fields.

Throughout the year, existing Senex-operated oil fields including Worrior, Harpoono, Padulla and Acrasia, as well as and the Santos-operated Cuisinier field, contributed production in line with expectations. In the second half of the year, production increased rapidly as new wells came online, including the successful Vintage Crop-1 well in the southern Cooper Basin.

After year end, the South Australian Government granted petroleum production licences for the Snatcher and Vintage Crop oil fields. This followed the certification of oil reserves at both fields in February 2012.

Conventional oil cash flows will fully fund oil field exploration and development programs in 2012/13, with rapid payback expected on the investment in this business.

Oil reserves growth

The 2011/12 work program resulted in significant increases to proved (1P) and proved and probable (2P) reserves this year. Proved, probable, and possible (3P) reserves decreased marginally as the Company continues to define the resource and as these reserves move into production.

In 2012/13, Senex will target substantial growth in oil reserves to boost production and cash flow in future years.

Senex oil reserves* (net million barrels)

1P	2P	3P
11/12 4.2	11/12 8.1	11/12 14.0
10/11 3.8	10/11 6.9	10/11 16.2
09/10 0.0	09/10 1.6	09/10 4.5

* Refer competent persons statement on page 143.

Oil (cont.)

Successful oil exploration, appraisal and development

In 2012/13, Senex and its joint venture partners drilled 17 oil wells in the Cooper Basin with overwhelming success in the appraisal and development of existing oil fields:

- six successful appraisal and development wells were completed for production at the Senex-operated Growler oil field in the South Australian Cooper Basin;
- two successful appraisal wells were drilled at the Senex-operated Snatcher oil field, north east of the Growler oil field; and
- three successful appraisal wells were drilled at the Santos-operated Cuisinier oil field in the Queensland Cooper Basin.

Senex and its joint venture partners also drilled six oil exploration wells in 2011/12, which resulted in a new oil field discovery at Spitfire, south west of the Growler oil field. In July 2012, oil field discoveries were also made at Mustang-1 on the Cooper Basin's western flank and Cuisinier North-1 in the Queensland Cooper Basin.

Western flank activities

In July 2011, Senex announced plans for an 11-well drilling campaign in its operated permits on the western flank of the South Australian Cooper Basin. This encompassed five appraisal and development wells at Growler oil field in PRL 15 and six exploration wells in adjacent permits (PEL 111 and PEL 104).

The program was subsequently expanded to 14 wells, with three appraisal wells added to the program on the strength of successful appraisal at the Growler oil field.

By year end, Senex had drilled 12 of the planned 14 wells. All eight appraisal and development wells were drilled in the year and proved to be successful. Four of the six western flank exploration wells were drilled in 2011/12, with the two remaining exploration wells drilled by the end of August 2012.

Growler oil field (Senex 60% and operator)

Senex regained access to the Growler oil field in September 2011 and recommenced production soon after. In line with its rapid growth strategy, the Company resumed drilling at the

field immediately, with three successful appraisal wells and three successful development wells drilled at the field by 30 June 2012.

Senex also began a significant infrastructure development program at the Growler oil field in 2011/12, including the construction of a new 6,000 barrel production facility. The improvements were designed to facilitate rapid field development and allow new wells to contribute production as quickly as possible, tying into the Growler to Lycium flowline.

In the coming year, Senex will continue to invest in the upgrade of existing facilities and install additional field infrastructure to support production growth.

Snatcher oil field (Senex 60% and operator)

Senex resumed production from the Snatcher oil field in May 2012 and commenced a rapid development program to increase production from the field.

As the flood waters began to subside, Senex employed innovative engineering solutions to reclaim two isolated



In May 2012, Senex resumed oil production at Snatcher oil field on the South Australian Cooper Basin's western flank after a one-in-forty year flood halted operations at the field for more than two years.

Snatcher wells. Earthen causeways and steel cofferdams were constructed at the Snatcher-1 and Snatcher-2 wells so that alternative surface pumping units could be installed and the wells could be connected to a new production facility. By May 2012, Senex had completed the Snatcher-3 appraisal well, which had been drilled in 2010 prior to flooding, and commenced production at Snatcher-1 and Snatcher 2.

Drilling activities resumed at the Snatcher oil field in May 2012, with two appraisal wells drilled by 30 June 2012. The Snatcher-4 well is scheduled to be placed on production in the first half of 2012/13.

Successful appraisal at the Snatcher oil field has continued into 2012/13. In August 2012, the Snatcher-6 and Snatcher-7 development wells were cased and suspended as future oil producers.

Western flank exploration - PEL 111 and PEL 104 (Senex 60% and operator)

Senex drilled four exploration wells during the year in PEL 104, with the Spitfire-1 exploration well resulting

in a new oil discovery. Although the well was considered non-commercial, Senex plans to drill an appraisal well in 2012/13 to bring this field into commercial production.

In July and August 2012, Senex drilled the two remaining exploration wells in its 2011/12 western flank drilling program in PEL 111, with the Mustang-1 exploration well cased and suspended as a future oil producer after intersecting an interpreted net oil pay of four metres, and producing almost 2,500 barrels of oil per day on test.

Queensland Cooper Basin

Cuisinier oil field ATP 752P (Barta) (Senex 15%)

In the Queensland Cooper Basin, three successful appraisal wells were drilled at the Santos-operated Cuisinier oil field as part of the 2011/12 program. A successful exploration well, Cuisinier North-1, was drilled subsequent to year end. All four wells are expected to contribute to production in 2012/13.

Flood-proof routes to market

Senex committed to develop oil pipeline infrastructure during the year to de-risk

the Company's most productive oil assets on the western flank of the South Australian Cooper Basin. These pipelines will deliver a substantial reduction in transport costs and essential transport security to provide protection from weather and flood impacts as production continues to increase.

Growler to Moomba flowlines

Construction on the Growler to Lycium flowline and end of line facilities (Senex 60%) was completed in August 2012 with an initial capacity of 8,000 bopd. The Lycium to Moomba section (Senex 40%) is expected to be completed and tied in to the Santos-operated facility in October 2012 with an initial capacity of 15,000 bopd. Beach Energy Limited is the operator of both flowlines.

Snatcher to Tirrawarra flowline

Work commenced on the Senex-operated Snatcher to Charo flowline during the year. This flowline will transfer production to the Santos-operated Charo facility where it will be on-pumped to Moomba via the new Santos-constructed Charo-Tirrawarra flowline. The Snatcher to Tirrawarra flowline is expected to be operational by the end of 2012.



17

oil wells drilled

100%

success with appraisal and development at Snatcher and Growler oil fields

10

oil fields online

Oil (cont.)

2012/13 focus

Senex will build on the momentum of 2011/12 by targeting:

Net production of one million barrels from existing and new wells

Maturation of existing western flank oil fields, focusing on appraisal and development drilling, investment in additional facilities, and enhanced oil recovery

Optimising production from mature non-western flank oil fields

Rapid connection of new oil field discoveries

The work program to achieve this will encompass:

A 20+ well drilling campaign including exploration and appraisal targets

Extensive 3D seismic programs across greenfield acreage

Development of facilities and in-field support for producing fields

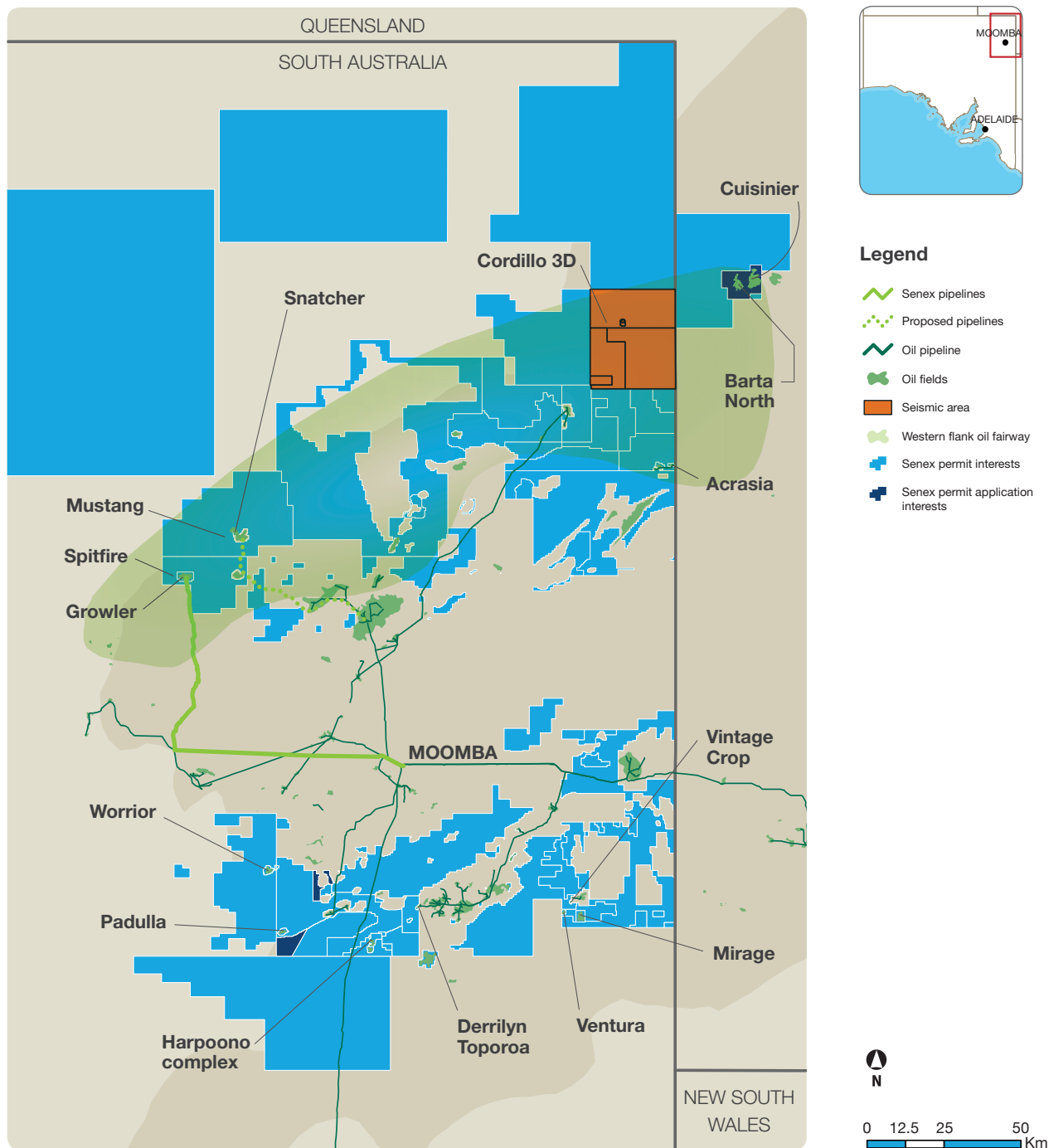
Cordillo 3D seismic program

In May 2012, Senex began an extensive 3D seismic survey to identify conventional oil and gas prospects across 790 km² of the northern Cooper Basin. The survey will cover three South Australian permits: PEL 88 (Senex 100%), PEL 90M (Senex 100%) and the Northern Area of PEL 514 (Senex 50%). These permits are considered to form part of a northern extension of the Cooper Basin's western flank and to be prospective for oil plays similar to those at the proven Growler and Snatcher oil fields.



Australian firm Terrex Seismic was awarded a contract to undertake an extensive 3D seismic survey across the northern Cooper Basin.

Senex oil fields and exploration activities in the Cooper Basin



Unconventional gas

Global gas supply potential

Gas demand is growing at an unprecedented rate both on the world stage and domestically, and unconventional gas is set to play a critical role in Australia's answer to this extraordinary supply situation. With its high-potential unconventional gas resource position in the Cooper Basin, Senex is ideally placed to capitalise on this unique opportunity.

Senex has 1.2 million acres of prospective unconventional gas acreage in the Cooper Basin. In the shales and coals of the Allunga Trough and the Mettika Embayment alone, independent experts MHA Petroleum Consultants (MHA) have estimated more than 100 trillion cubic feet of gas-in-place within PEL 516 (Senex 100%).

In July 2011, Senex announced a dedicated three-well unconventional gas exploration program in PEL 516. This followed favourable testing at the Vintage Crop-1 oil exploration well in 2010/11, which recorded

continuous gas readings from the Roseneath and Murteree shales and the Toolachee and Patchawarra Formation coals. Analysis of core samples also confirmed the presence of liquids rich gas.

In 2011/12, the Company commenced exploration of its unconventional gas resource with three dedicated unconventional gas wells drilled in the southern Cooper Basin by 30 June 2012 (two of which were operated by Senex). Two further unconventional gas exploration wells were drilled early in 2012/13.

Senex's first dedicated unconventional gas exploration well was fracture stimulated in May 2012, with liquids rich gas flowing to surface. Fracture stimulation and flow testing of the other drilled wells will be undertaken in 2012/13.

On the strength of favourable exploration results from 2011/12, Senex has committed to a much larger unconventional gas exploration program to test gas deliverability in its Cooper Basin permits. Over 18 months, Senex plans to drill 12 wells across its acreage in the north and south of the South Australian Cooper Basin.

1.2 million

acres

100 trillion

cubic feet of gas-in-place

12

unconventional gas
wells planned

Drilling commenced on Senex's
second dedicated unconventional gas
exploration well, Talaq-1, in 2011/12.

Unconventional gas (cont.)

Exploration program brings excellent results

Senex's dedicated unconventional gas exploration program in 2011/12 delivered very encouraging results and underpinned the Company's commitment to a 12-well exploration program in July 2012.

Senex and its joint venture partners drilled three unconventional gas exploration wells in the southern Cooper Basin during 2011/12. The Company also completed a large scale fracture stimulation program and commenced gas flow testing at its first dedicated unconventional gas well in the year.

In addition, Senex farmed in to strategically located acreage in the north of the South Australian Cooper Basin that is considered to be highly prospective for unconventional gas.

Over 18 months, Senex has committed to drill 12 unconventional gas wells in the Cooper Basin: 10 in the south and two in the north. In addition, Senex is well advanced with drilling on two wells from the 2011/12 program.

Southern Cooper Basin

On the strength of favourable results from the Vintage Crop-1 exploration well drilled in 2010/11, Senex announced plans to drill three dedicated unconventional gas wells in the 2,500 square kilometre permit PEL 516 (Senex 100%). The program was subsequently expanded to include a fourth well in the neighbouring PEL 115 (Senex 55% and Operator).

By 30 June 2012, two of the four wells had been drilled and cored and one well had been fracture stimulated. Drilling of the third well commenced in mid August 2012 and drilling on the fourth well was scheduled to follow in late 2012.

The 2011/12 program commenced in January 2012 with drilling of the Sasanof-1 exploration well in PEL 516. The well was drilled to a depth of approximately 3,000 metres and targeted the Roseneath-Epsilon-Murteree package of shale and tight gas sands, as well as the tight gas

sands and deep coal seams of the Patchawarra Formation. Following a comprehensive coring program, Sasanof-1 was fracture stimulated in May 2012 and produced at a peak gas flow rate of more than 200,000 cubic feet per day during post-stimulation clean-up activities.

In June 2012, Senex completed the drilling on its second dedicated unconventional gas exploration well, Talaq-1. The well was drilled, cased, and suspended ahead of fracture stimulation. High gas readings during drilling and the presence of fluorescence at Talaq-1 demonstrated the liquids rich nature of the hydrocarbons in PEL 516.

The two remaining wells, Skipton-1 in PEL 516 and Kingston Rule-1 in PEL 115, will be drilled and cored in 2012/13. Following completion of these two wells, Senex plans to undertake fracture stimulation programs at Talaq-1, Skipton-1 and Kingston Rule-1 to test gas deliverability and gas composition across the Permian section of each well.

During 2011/12, Senex also participated in drilling and coring of the Davenport-1/Side Track-1 exploration well in PEL 94 (Senex 15%)

in the southern Cooper Basin. The well intersected 116 metres of net coal including a single seam more than 45 metres thick. The well was cased and suspended for future testing of the gas potential of the deep coals of the Milperra Trough.

Northern Cooper Basin

In August 2011, Senex executed an agreement with Planet Gas Limited to farm-in to PEL 514, a strategically positioned permit in the north of the South Australian Cooper Basin containing prospective unconventional gas as well as conventional oil resources. Under the agreement Senex will farm-in separately to the northern and southern areas of PEL 514 and assume operatorship of the entire permit.

The northern area adjoins Senex permits PEL 100, 110 and 90 and is considered prospective for oil plays similar to those at Growler and Snatcher oil fields. The southern area is highly prospective for unconventional gas.

Senex plans to drill two exploration wells in the northern Cooper Basin as part of the 12 well program announced in July 2012.

2012/13 focus

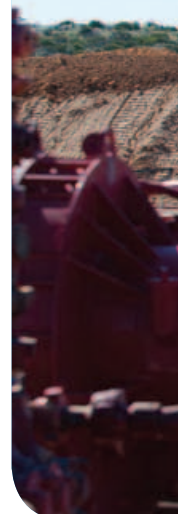
Accelerated appraisal of Senex's unconventional acreage through an 18 month, 12 well campaign covering:

Ten well drilling campaign in PEL 516 and PEL 115 in the southern Cooper Basin following on from success at Sasanof-1 and Talaq-1

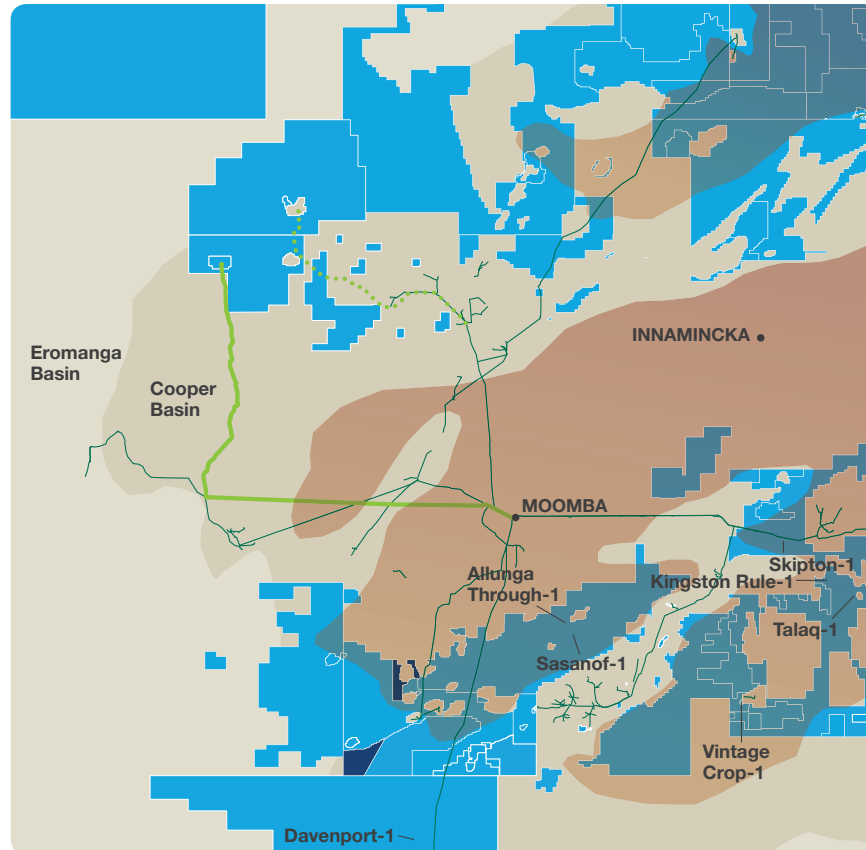
Two wells to be drilled, cored and fracture stimulated in early exploration campaign of northern Cooper Basin permits

A focus on resource definition and deliverability, whilst improving speed and cost of well delivery

Investment in securing rigs, equipment and skilled people



Senex unconventional gas exploration activities in the Cooper Basin



Legend

- Senex pipelines
- Proposed pipelines
- Oil pipeline
- Senex permit interests
- Senex permit application interests
- Unconventional gas fairway



0 5 25 25 25 Km



In May 2012, Senex began a large scale fracture stimulation program at the Sasanof-1 unconventional gas exploration well to test gas deliverability and gas composition.

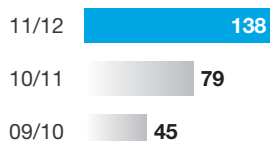
Coal seam gas

Prime resource position

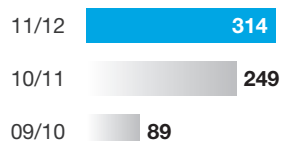
Senex holds valuable coal seam gas permits within the rapidly developing LNG feedstock corridor in Queensland's Surat Basin.

Senex coal seam gas reserves (net petajoules)*

Proved and probable (2P)



Proved, probable and possible (3P)



↑ **75%**

Increase in net 2P coal seam gas reserves

In 2011/12, Senex achieved a material increase in coal seam gas reserves following an independent review of exploration and appraisal activities in its four strategically located interests in the Surat Basin.

Independent experts MHA ascribed more than 500 petajoules (PJ) of reserves and resources (more than 83 million barrels of oil equivalent) to Senex as a result of the review.

Net 2P reserves increased by 75% to 138 PJ, with net 3P reserves increasing by 26% to 314 PJ. MHA also estimated a net 2C contingent resource of 205 PJ.

During 2011/12, Senex and its joint venture partners drilled six coal seam gas wells in the Surat Basin to further 2P reserves growth. The involved drilling activities across Senex's eastern and western permits.

Western Surat Basin

North west of Roma and close to gas infrastructure, Senex holds interests in two permits in joint venture with Arrow Energy: ATP 771P and ATP 593P (Senex 45% and Operator).

Two core wells were drilled in ATP 593P during 2011/12, Kato-1 and Kato-2, with results from both wells

indicating excellent permeability and good coal and carbonaceous shale thickness. Gas flowed to the surface while testing at Kato-2.

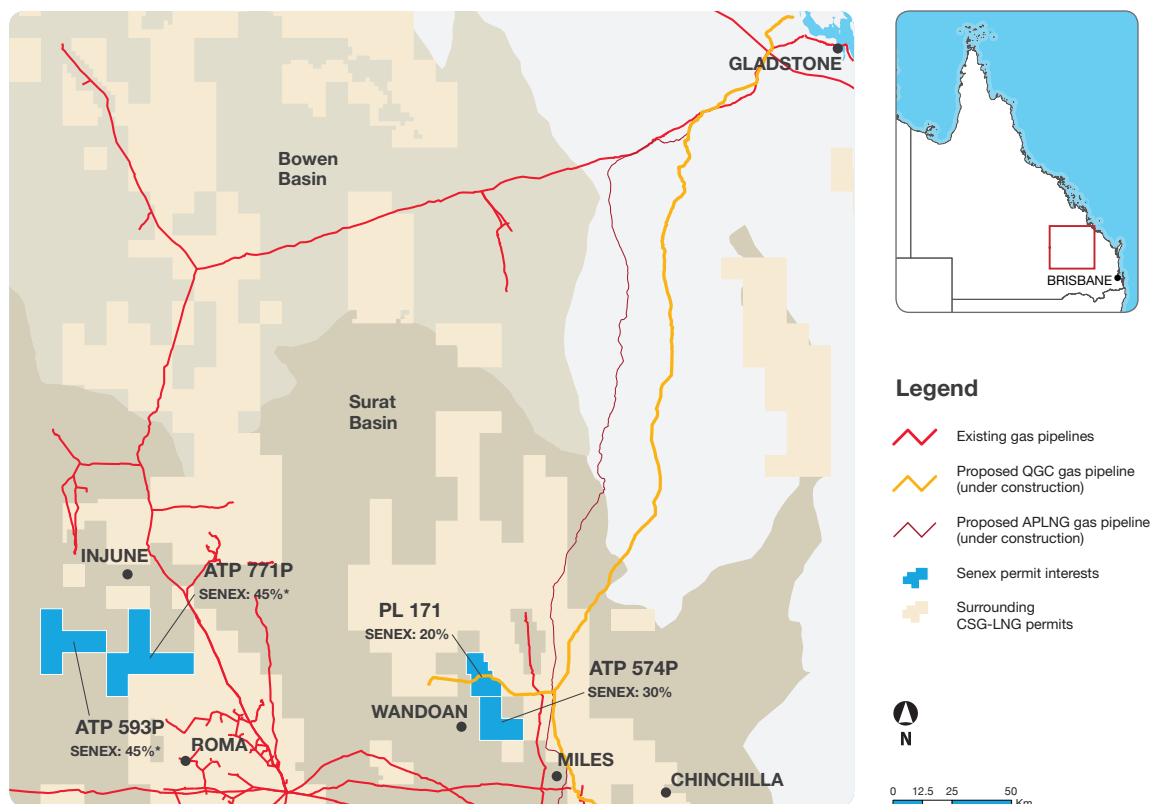
Subsequent to year end, drilling and testing results for the Indy-1 and 2 exploration wells in ATP 771P indicated good coal and carbonaceous shale thickness with good permeability.

Eastern Surat Basin

North west of Miles among permits that are currently being developed to supply LNG projects, Senex holds interests in two permits in joint venture with QGC - A BG Group business: ATP 574P

* Refer competent persons statement on page 143.

Senex coal seam gas interests in the Surat Basin



(Senex 30%) and PL 171 (Senex 20%). QGC is the Operator in both permits.

During 2011/12, the joint venture commenced an 11-well coal seam gas appraisal program across both permits that continues subsequent to year end.

The program, comprising 10 appraisal wells and one exploration core well, aims to materially increase 2P reserves and to provide geographic distribution of subsurface information of the Walloon Subgroup, enabling greater accuracy in modelling and reservoir simulations predictions.

In PL 171, three successful appraisal wells were cased and suspended: Alex-7, Carla-4 and

Carla-7. Net coal thicknesses averaged close to 30 metres for the three wells drilled and gas flowed to surface while drilling Alex-7, demonstrating the highly prospective nature of the permit.

The results from the Lawton-9M core well in PL 171 were extremely encouraging, with the thickness of net coal and carbonaceous shale exceeding expectations.

The joint venture plans to drill the remaining wells in the program in 2012/13.

2012/13 focus

Focused field appraisal and production testing

Material increase in 2P reserves coverage through a 17-well campaign across both eastern and western permits including core and pilot wells

Field development planning to commence, targeting pilot production in 2013/14

Tenement interests

As at 30 June 2012, Senex's portfolio of exploration, development and production assets comprised of the following tenement interests.

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint Venturers ¹ (*Operator)
Exploration			
Cooper/Eromanga Basins			
ATP 560P (Ueleven)	49	42	Icon*, Private Interests
ATP 736P* – application	4,827	80	Arrow Energy
ATP 737P* – application	624	80	Arrow Energy
ATP 738P* – application	1,082	80	Arrow Energy
ATP 752P (Barta)	1,457	15	Santos*, Arrow Energy, Bengal
ATP 752P (Wompi)	873	22.75	Santos*, Arrow Energy, Bengal
ATP 794P (Barcoo Junction Prospect Area)	81	12	Arrow Energy*
ATP 794P (Brightspot)	199	15	Arrow Energy, Icon*
ATP 794P (Springfield)	1,548	24	Arrow Energy, Icon*
ATP 794P (Regleigh)	1,240	24	Arrow Energy, Icon*
ATP 794P (Barcoo)	4,921	35	Arrow Energy*
ATP 794P* (Remainder)	1984	60	Arrow Energy
PEL 87*	2,854	60	Beach
PEL 88*	3,304	100	
PEL 90* (Candra)	168	75	Beach
PEL 90* (Kiwi)	145	75	Cooper
PEL 90* (Remainder)	576	100	
PEL 93*	622	70	Cooper
PEL 94	1,802	15	Beach*, Strike
PEL 100*	297	55	Acer, Cooper
PEL 102*	162	100	
PEL 104*	519	60	Beach
PEL 110*	728	60	Cooper, Orca
PEL 111*	783	60	Beach
PEL 113* (Saintly)	2	100	
PEL 113* (Dunoon)	45	100	
PEL 113* (Murteree)	53	65	Bengal
PEL 113* (Zulu) ²	464	100	
PEL 115*	266	33	Orca, Lion
PEL 182*	1,745	49.9	Acer, AOC, Strategic
PEL 424*	6,138	60	Beach
PELA 514* (Northern)	829	50	Planet Gas
PELA 514* (Southern)	1,087	70	Planet Gas
PEL 516* (Mudlalee) ³	0.6	100	
PEL 516* (Rowley) ³	2	100	
PEL 516* (Remainder)	2,556	100	
PEL 516* (Shocking) ³	2	100	
PELA 516* – application	65	100	
Surat Basin			
ATP 471P (Weribone)	12	20.65	AGL, Origin*
ATP 574P (Shallows)	231	30	BG Group*, CNOOC, Tokyo Gas
ATP 574P (Deepes)	231	30	BG Group*, CNOOC, Tokyo Gas
ATP 593P* (Don Juan CSG)	385	45	Arrow Energy
ATP 593P* (Deepes)	385	24	Arrow Energy
ATP 771P* (Don Juan CSG)	541	45	Arrow Energy
ATP 771P* (Deepes)	541	100	
Pedirka Basin (Poolowanna Trough)			
PELA 288* – application	9,867	100	
PELA 289* – application	7,061	100	
PELA 290* – application	6,376	100	
PELA 331* – application	9,690	100	

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint Venturers ¹ (*Operator)
Production			
Cooper/Eromanga Basins			
Acrasia PPL 203*	2	75	Beach
Warrior PPL 207*	6	70	Cooper
Derrilyn* PPL 206	1.4	35	Santos*
Derrilyn PPL 208	0.3	35	Santos*
Harpoon PPL 209*	10	100	
Reg Sprigg West PPL 211	0.1	18.75	Santos*, Beach, Delhi, Origin
Mirage PPL 213*	10	60	Beach
Ventura PPL 214*	2	60	Beach
Toparoa PPL 215	0.9	2.33	Santos*, Bengal
Arwon PPL 217*	0.8	100	
Arwon (East) PPL 218*	0.6	100	
Padulla PPL 221*	5	100	
Growler PRL 15*	13	60	Beach
Dunoon PRL 16*	3	100	
Vintage Crop PPL – Application*	0.5	100	
Snatcher PPL – Application*	2.74	60	Beach
Cuisinier PLA 303 – Application	100	15	Santos*, Arrow Energy, Bengal
Offshore Carnarvon Basin			
WA-47-R (Sage)	81	9.31	Apache*, FAR, Sun, Pan Pacific
Bowen Basin			
PL 231*	174	40	Dome, Triangle
Surat Basin			
PL 171	176	20	BG Group*, CNOOC, Tokyo Gas
PLA 392 – application	22	30	BG Group*, CNOOC, Tokyo Gas
PLA 393 – application	43	30	BG Group*, CNOOC, Tokyo Gas
PCA 76 – application	161	30	BG Group*
Geothermal			
GEL 378*	468	100	
GEL 379*	483	100	
GEL 380*	467	100	
GEL 381*	146	100	
GEL 382*	488	100	
GEL 383*	496	100	
GEL 384*	484	100	
GEL 385*	488	100	
GEL 386*	492	100	
GEL 387*	496	100	
GEL 388*	496	100	
GEL 389*	493	100	
GELA 393*	496	100	
GELA 394*	496	100	
GELA 395*	496	100	
GELA 396*	496	100	
GELA 397*	495	100	
GELA 398*	495	100	
GELA 399*	495	100	
GELA 400*	495	100	
GELA 401*	494	100	
GELA 402*	494	100	
GELA 403*	494	100	
GELA 404*	494	100	
GELA 405*	383	100	
GELA 406*	383	100	
Total gross	92,109		
Total net Senex	72,891		

¹ The ultimate parent company has been named as the joint venture partner

² Ambassador Energy Limited has the right to farm in to an interest of up to 50%

³ Ambassador Energy Limited has the right to farm in to an interest of up to 60%

⁴ Santos PPL 206 forms part of Derrilyn Unitisation Agreement with PPLs 208 & 215

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Directors' report

Your Directors submit their annual report for the year ended 30 June 2012.

The annual report covers Senex Energy Limited ("the Company", "the parent entity" or "Senex") 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 Directors who served at any time during or since the end of the financial year until the date of this report are:

Denis F Patten

Ian R Davies

Timothy BI Crommelin

Ralph H Craven

Benedict M McKeown

Yanina A Barila

Robert J Pett

Dr Craven was appointed as a Director on 28 September 2011.

Mr Pett retired as a Director on 26 September 2011.

Details of the Directors' qualifications and experience are set out on pages 12 to 13 of this annual report.

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
Denis F Patten	1,924,616	-
Ian R Davies	1,853,953	6,000,000
Timothy BI Crommelin	3,546,812	-
Ralph H Craven	140,000	-
Benedict M McKeown*	-	-
Yanina A Barila*	-	-

* Mr McKeown and Ms Barila are executives of the Sentient Group which held relevant interests in 188,212,276 fully paid shares (16.51% of issued shares) at the date of this report.

SECRETARY

Mr Francis L Connolly is the Group Secretary. Details of his qualifications and experience are set out on page 13 of this annual report.

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 \$6,100,000 (2011: \$6,477,000).

Financial statements

Directors' report

OPERATING AND FINANCIAL REVIEW

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

The Group's total revenue for the year was \$70,411,000 (2011: \$13,198,000). The Group's net profit for the year was \$8,860,000 (2011: Net loss \$3,516,000).

A detailed operating and financial review is included in the review of operations on pages 1 to 29 of this annual report.

Ordinary fully paid shares issued during the year

	2012		2011	
	Number of shares	\$'000	Number of shares	\$'000
Balance at the beginning of the year	758,280,547	241,402	518,078,680	151,214
Partly paid shares cancelled and converted into ordinary shares	-	-	-	53
Shares issued during the year	273,813,644	135,886	240,201,867	90,690
Transaction costs on shares issued	-	(3,037)	-	(555)
Balance at the end of the year	1,032,094,191	374,251	758,280,547	241,402

On 26 September 2011, the Company issued 152,936,858 ordinary fully paid shares at 35 cents each, to raise \$53,528,000 before costs.

On 29 June 2012, the Company issued 105,946,775 ordinary fully paid shares at 74 cents each, to raise \$78,401,000 before costs.

An additional \$3,957,000 was raised through the exercise of options against which 14,103,343 shares were issued during the financial year.

826,668 ordinary fully paid shares were issued during the period as a result of the vesting of performance rights.

The Company's total issued capital as at 30 June 2012 is:

	Parent entity	
	2012 \$'000	2011 \$'000
1,032,094,191 ordinary fully paid shares (2011: 758,280,547)	374,251	241,402
Total issued capital	374,251	241,402

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.

Directors' report

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Equity raising

On 19 June 2012, the Company announced a \$155 million fully underwritten equity raising through an institutional placement of approximately \$50 million before costs and a 2 for 13 accelerated non-renounceable entitlement offer to raise approximately \$105 million before costs at an offer price of 74 cents per share.

The institutional component of the equity raising and the accelerated institutional component of the 2 for 13 non-renounceable entitlement were completed prior to the year end. As a result, 105,946,775 ordinary fully paid shares were issued at 74 cents each on 29 June 2012, to raise \$78,401,000 before costs.

The retail entitlement offer closed on 16 July 2012 and resulted in the issue of 104,111,540 ordinary fully paid shares at 74 cents on 19 July 2012, to raise \$77,043,000 before costs.

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 and gas projects in South Australia and Queensland, exploration for unconventional gas resources in the Cooper Basin, and Queensland coal seam gas projects.

Further information on the likely developments and expected results are included in the review of operations on pages 1 to 29 of this annual report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to environmental regulation under Commonwealth and state environmental regulation. These regulations cover the entity's exploration, development and production activities. Compliance with the applicable environmental regulatory requirements is defined within the framework of the environmental management system. Compliance performance is monitored on a regular basis via the conduct of environmental audits by regulatory authorities, independent consultants and by the Company. No significant environmental breaches or infringements have been notified by any government agency during the year ended 30 June 2012.

As a minimum the Group seeks to comply with environmental regulation and meet all compliance requirements across its operations.

Financial statements

Directors' report

SHARE OPTIONS

Unissued shares

At the date of this report, the Company had the following options and performance rights on issue:

Class of security	Number	Exercise price	Expiry date
Unlisted options	2,000,000	25.5 cents	2 February 2014
Unlisted options	1,940,000	37.0 cents	30 June 2014
Unlisted options	667,000	40.0 cents	1 July 2014
Unlisted options	667,000	40.0 cents	1 July 2015
Unlisted options	1,200,000	25.5 cents	9 September 2015
Unlisted options	666,000	40.0 cents	1 July 2016
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	110,000	-	31 December 2012
Performance rights	1,543,606	-	30 June 2013
Performance rights	976,940	-	30 June 2014

Options issued from 1 July 2011 to the date of this report

On 23 November 2011, shareholder approval was obtained for the issuance of 2,000,000 unlisted options in the Company to Mr Davies (40.0 cents each, various vesting dates, and expiry dates between 1 July 2014 and 1 July 2016). On exercise, each option is convertible into one ordinary share.

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 2011 to the date of this report

On 1 July 2011, the Company granted 100,000 performance rights to an employee. These rights vest over a 2 year period subject to certain performance hurdles.

On 23 November 2011, the Company granted 260,000 performance rights to an employee. These rights vested immediately.

On 23 December 2011, the Company granted 4,532,600 performance rights to employees. These rights vest over a 3 year period subject to certain performance hurdles.

On 24 February 2012, the Company granted 100,000 performance rights to a senior employee. These rights vest within 1 year subject to certain performance hurdles.

On 20 April 2012, the Company granted 10,000 performance rights to an employee. These rights vest within 1 year subject to certain performance hurdles.

On 27 July 2012, the Company granted 785,500 performance rights to employees. These rights vested immediately.

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.

Directors' report

SHARE OPTIONS (continued)

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

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

Date issued	Number of shares	Price per share (\$)
14 July 2011	625,005	0.356
19 July 2011	208,335	0.356
27 July 2011	625,000	0.356
29 July 2011	416,668	0.356
28 September 2011	1,000,000	0.250
30 September 2011	500,000	0.250
18 October 2011	250,000	0.250
25 October 2011	75,000	0.250
8 November 2011	1,000,000	0.250
8 November 2011	833,335	0.356
15 November 2011	75,000	0.250
1 December 2011	1,000,000	0.250
14 December 2011	75,000	0.250
21 December 2011	2,000,000	0.250
22 December 2011	500,000	0.250
5 January 2012	75,000	0.250
11 January 2012	75,000	0.250
19 January 2012	1,900,000	0.250
20 January 2012	120,000	0.370
14 February 2012	400,000	0.370
24 February 2012	50,000	0.370
4 May 2012	300,000	0.370
9 May 2012	2,000,000	0.270
6 September 2012	1,000,000	0.270
10 August 2011	566,668	-
5 January 2012	260,000	-
27 July 2012	2,529,106	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the current year, the Company incurred a premium of \$34,121 (2011: \$27,953) 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. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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Directors' report

DIRECTORS' MEETINGS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2012, and the number of meetings attended by each Director were:

	Board meetings		Meetings of committees			
	A	B	Audit		Remuneration	
			A	B	A	B
Denis F Patten	9	9	**	**	1	1
Ian R Davies	9	9	**	**	**	**
Timothy BI Crommelin	7	9	3	3	1	1
Robert J Pett	2	2	-	1	1	1
Benedict M McKeown	5	9	-	2	1	1
Ralph H Craven	6	7	2	2	1	1
Yanina A Barila	7	9	3	*	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Attended as alternate

** = Not a member of the relevant committee

AUDITOR INDEPENDENCE

The independence declaration received from the auditor of Senex Energy Limited is set out on page 53 and forms part of this directors' report for the year ended 30 June 2012.

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*. All non-audit services are reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor. 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 2012:

	Consolidated	
	2012 \$	2011 \$
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
An audit or review of the financial report of the Group ¹	347,390	250,360
Other services provided to the Group:		
- tax compliance	-	12,800
- other services	-	289,900
	347,390	553,060

¹ \$129,330 of audit fees expensed in 2012 related to the 2011 financial year.

In the prior year, other services of \$289,900 related principally to assistance with the project management of the integration of Stuart Petroleum Limited into the Group.

Directors' report

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

Individual key management personnel disclosures

(i) Directors

Name	Position
Denis F Patten	Chairman, Independent Non-Executive Director
Ian R Davies	Managing Director and Chief Executive Officer
Timothy BI Crommelin	Non-Executive Director
Ralph H Craven	Independent Non-Executive Director (appointed 28 September 2011)
Robert J Pett	Independent Non-Executive Director (retired 26 September 2011)
Benedict M McKeown	Non-Executive Director
Yanina A Barila	Alternate Director

(ii) Executives

Name	Position
Steven G Scott	General Manager Exploration
Julie A Whitcombe	Chief Financial Officer
Francis L Connolly	Secretary and Legal Counsel
Timothy J Wyatt	General Manager Production and Facilities (commenced 24 October 2011)
Michael R Herrington	General Manager Development and Technical Services (ceased 31 October 2011)
Iain D MacDougall	General Manager Production and Facilities (ceased 7 October 2011)

Remuneration committee

This year the board established a remuneration and nominations committee for the nomination and selection of the directors and the remuneration of all employees and directors. Senex also formalised a charter for the committee which can be found on the Senex website. The remuneration and nominations committee considers the performance of the Managing Director and all members of the executive management team when awarding performance-related remuneration through short-term and long-term incentives for the year completed and when assessing fixed remuneration for future periods. The remuneration and nominations committee 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.

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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 consultant

Godfrey Remuneration Group Pty Ltd (GRG), a remuneration consultant, made a remuneration recommendation in relation to the key management personnel for the consolidated entity for the financial year. The consultant did not provide any other kind of advice to the Company for the financial year and was paid \$28,423 for these services.

The Company made the following arrangements to ensure that the making of the remuneration recommendation would be free from undue influence by the member or members of the key management personnel to whom recommendation relates:

- The Board approved GRG as an external remuneration consultant under paragraph 206K(2)(a) of the *Corporations Act 2001* to provide remuneration recommendations in relation to key management personnel of the Company
- The terms of GRG's appointment included:
 - that the Board or remuneration committee will from time to time commission specific projects related to key management personnel remuneration;
 - that GRG may only provide key management personnel remuneration recommendations to Non-Executive Directors of the Company;
 - that interactions with employees of the Company should be limited to those necessary to conduct work approved by the Board and should be under the guidance of a Non-Executive Director of the Company; and
 - that if GRG is approached by a Company executive or executives to perform work that will not give rise to key management personnel remuneration recommendations then GRG should ensure that the Board is aware of and accepts that it is reasonable for GRG to undertake that work and will not affect GRG's independence.

The Board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom recommendation relates, because of the above arrangements.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executives remuneration is separate and distinct.

Directors' report

REMUNERATION REPORT (AUDITED) (continued)

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 maximum aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the maximum amount determined is then divided between Directors as agreed. The latest determination was at the annual general meeting held on 26 November 2010 when shareholders approved aggregate maximum remuneration of \$500,000 per annum. The Directors will ask shareholders at the annual general meeting to be held on 21 November 2012 to approve an increase in the maximum aggregate remuneration of Non-Executive Directors.

The amount of the maximum aggregate remuneration approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board's current practice is to apportion a higher fee to the Chairman, with a base fee of about half that amount for each other Non-Executive Director. Each Non-Executive Director receives an additional fee for each Board sub-committee in which they participate, with a higher fee for the chair of each sub-committee and a fee of about half that amount for each other Non-Executive Director participating in the sub-committee.

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 2012 and 30 June 2011 is detailed in Table 1 on pages 44 to 47.

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.

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Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration incentives and performance conditions

Chief Executive

Under the Chief Executive's employment contract the Company agreed to provide remuneration consisting of:

- a base salary, superannuation contributions and other benefits not at risk of \$550,000 for each year of the contract;
- short-term incentive (STI) remuneration for each year of the contract consisting of an annual cash bonus for each year of the contract; and
- long-term incentive (LTI) remuneration for each year of the contract consisting of an annual grant of options to be granted at 1 July of that year on such terms and conditions as the Board considers appropriate for each year of the contract.

STI

The Board sets key performance indicators (KPIs) for each year of the contract for the purpose of assessing the Chief Executive's entitlement to an STI bonus for that year. The contract sets out the components of the STI bonus applicable to the Chief Executive's KPIs for the year ending 30 June 2012. The Board has the discretion to change the component of an STI bonus applicable to any KPI from year to year.

The maximum bonus payable to the Chief Executive for the year ending 30 June 2012 was, at the Chief Executive's choice, \$300,000 or the number of Senex shares that was equal in value to \$300,000 when valued at the 20 day VWAP up to, and including, 30 June 2011.

LTI

The Chief Executive received under the contract an LTI for the year ending 30 June 2012 in the form of a grant of 2,000,000 options at 1 July 2011. The Board may, in its absolute discretion, offer an LTI for each subsequent year of the contract, to be granted at 1 July of that year on such terms and conditions as the Board considers appropriate.

Performance measures

STI

The KPIs for the Chief Executive's STI bonus in the year ending 2012 were:

- safety, measured as a total recordable injury frequency rate (TRIFR) below a certain number for the year ending 30 June 2012;
- production of more than a certain number of barrels of oil for the year ending 30 June 2012 net to Senex; and
- net increase in 2P reserves greater than a certain number of barrels of oil in the year ending 30 June 2012 net to Senex.

The Board has an overriding discretion to award an STI bonus for a financial year where a performance condition is not satisfied. This discretion is absolute, and the Chief Executive has no contractual entitlement to an STI bonus if a performance condition is not satisfied.

Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration incentives and performance conditions (continued)

Chief Executive (continued)

Why these measures were chosen

Safety was chosen as a KPI because safety is paramount in all Senex operations, is key to the Company's licence to operate, and a poor safety experience is potentially value destructive.

Production of oil was chosen because it generates sustaining cashflow for the Company and provides a ready demonstration of the value of the Company's business to investment markets.

Net increase in 2P reserves was chosen because it is the key metric of value created by the Company's investment in exploration and appraisal activities.

How the Company determined whether the condition was satisfied

STI

Safety was measured by the TRIFR achieved by the Company in all of its operations in the year ending 30 June 2012, and was calculated in accordance with the APPEA incident reporting guidelines, as total recordable injuries per million man-hours worked in the year in Senex operations.

Production was measured by the number of barrels of oil net to Senex that were produced in the year ending 30 June 2012.

The net increase in 2P reserves was measured by the net increase in the Company's share of barrels of oil certified as 2P reserves at 30 June 2012, compared to the Company's share of barrels of oil certified as 2P reserves at 30 June 2011.

The Board determined in its discretion to award to the Chief Executive 70% of the maximum STI bonus for the year.

Why the Company chose this method to determine whether the condition was satisfied

Each of the methods described above for determining whether the performance condition was satisfied is a conventional, objective, industry-standard method of determining and measuring performance in that area of performance.

Financial statements

Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration incentives and performance conditions (continued)

Other executive members of key management personnel

Under the employment contract for each other executive member of key management personnel, the Company provides a base salary, superannuation contributions and other benefits not at risk, and they are reviewable as at 1 July each year for the following financial year.

The Company also granted to each executive member of key management personnel contingent performance rights for the year ending 30 June 2012 (2012 performance rights) under the Senex employee performance rights plan.

The 2012 performance rights granted to executive members of key management personnel were subject to satisfaction of performance conditions and vesting conditions.

If the performance condition applicable to a performance right is satisfied, and the performance right vests, the holder is entitled to receive, without payment, on the vesting date for that performance right, one fully paid ordinary share in the Company for each vested performance right.

Performance measures

The Board set the same performance conditions for the 2012 performance rights granted to each executive member of key management personnel:

- a total shareholder return (TSR) condition applying to the TSR component of rights, which was 30% of rights granted to each participant;
- a TRIFR condition applying to the safety component of rights, which was 10% of Rights granted to each participant;
- an oil production condition applying to the oil production component of rights, which was 45% of Rights granted to each participant; and
- a net increase in 2P reserves condition applying to the increase in reserves component of rights, which was 15% of rights granted to each participant.

The test for the TSR condition was the increase in the value of a shareholder's investment in Senex during the year ending 30 June 2012.

The test for the TRIFR condition was the same as the TRIFR test for the Chief Executive's STI bonus and performance under that test was measured in the same way, as described above.

The test for the oil production condition was the same as the oil production test for the Chief Executive's STI bonus and performance under that test was measured in the same way, as described above.

The test for the net increase in 2P reserves condition was the same as the net increase in 2P reserves test for the Chief Executive's STI bonus and performance under that test was measured in the same way, as described above.

The test for each performance condition was set at the stretch level, which meant that the stretch target of performance for a particular component had to be achieved in order for 100% of the rights in that component to vest. As a result of the Board's determination of the extent to which each performance test was achieved, 30% of the 2012 performance rights granted to each executive member of key management personnel lapsed in July 2012.

Each component of rights consisted of three tranches, and each tranche was subject to a vesting condition. So, even if, and to the extent that, the participant satisfied the performance condition for any component of their rights in the year ending 30 June 2012, each tranche of those rights will only vest if and when they are an employee of the Group on the vesting date for that tranche. The vesting dates for the contingent performance rights granted to executive members of key management personnel for the year ending 30 June 2012 were 1 July 2012, 1 July 2013 and 1 July 2014.

All unvested rights will immediately vest in the event of change of control of the Company.

Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration incentives and performance conditions (continued)

Other executive members of key management personnel (continued)

Why these measures were chosen

TSR was chosen as a measure because it is a primary measure of corporate performance and it aligns the interests of executive members of key management personnel with the interests of shareholders.

Safety, production of oil and net increase in 2P reserves were chosen as measures for the same reasons they were chosen as measures for the Chief Executive's STI as set out above.

How the Company determined whether the condition was satisfied

Performance for the TSR condition for the 2012 performance rights was measured by the increase in the value of a shareholder's investment in Senex during the year ending 30 June 2012 principally by comparing the 20 day VWAP of Senex shares traded in the last 20 trading days on ASX up to the end of June 2012 with the 20 day VWAP of Senex shares traded in the last 20 trading days on ASX up to the end of June 2011.

Safety, production of oil and net increase in 2P reserves for the 2012 performance rights were measured in the same way they were measured for the Chief Executive's STI as set out above.

The Board has an overriding discretion to determine that a percentage of performance rights for a financial year may vest where a performance condition is not satisfied. This discretion is similar to the Board's overriding discretion to award an STI bonus to the Chief Executive where a performance condition is not satisfied, as set out above. The discretion is absolute, and the executives have no contractual entitlement to the vesting of performance rights if a performance condition is not satisfied.

The Board determined in its discretion that 70% of the performance rights for the year may vest.

Why the Company chose this method to determine whether the condition was satisfied

Each of the methods described above for determining whether the performance condition was satisfied is a conventional, objective, industry-standard method of determining and measuring performance in that area of performance.

This year the Board approved a remuneration policy which provides for fixed and performance based remuneration which includes a component of equity remuneration. Remuneration incentives are 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.

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 earnings per share for the year of 0.96 cents (2011: basic loss per share of 0.55 cents). The five year history of earnings per share and share price is presented in the table below:

	Basic EPS (cents)	Share price (\$)
2012	0.96	0.71
2011	(0.55)	0.36
2010	1.14	0.24
2009	(2.59)	0.39
2008	(1.60)	0.28

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Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of key management personnel

Table 1: Key management personnel remuneration for the years ended 30 June 2012 and 30 June 2011

Directors	Year	Short-term		Post employment	Termination
		Salary & Directors fees	Non-monetary benefits*	Superannuation	
		\$	\$	\$	\$
Denis F Patten	2012	130,015	3,295	6,301	-
	2011	82,500	2,808	-	-
Ian R Davies ⁵	2012	504,586	13,158	15,775	-
	2011	435,085	2,662	-	-
Timothy BI Crommelin	2012	66,674	3,295	3,300	-
	2011	41,250	2,093	-	-
Ralph H Craven ⁴	2012	53,341	2,485	3,450	-
	2011	-	-	-	-
Benedict M McKeown ³	2012	-	3,295	-	-
	2011	-	2,808	-	-
Yanina A Barila ³	2012	-	3,295	-	-
	2011	-	908	-	-
Robert J Pett ⁴	2012	13,696	792	-	-
	2011	53,750	2,808	-	-
John T Kopcheff ¹	2012	-	-	-	-
	2011	50,703	702	8,250	-
Sub-total Directors	2012	768,312	29,615	28,826	-
	2011	663,288	14,789	8,250	-

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

² Share-based payments comprise equity-settled share options with the exception of \$420,000 which was a cash-settled share-based payment (refer ⁵ below). These amounts were calculated in accordance with AASB 2 *Share-based Payment*. Share options are valued using the Black-Scholes option pricing model. 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.

³ \$65,000 (2011: \$53,750) was paid to Sentient Asset Management Australia Pty Ltd for the provision of Director's services.

⁴ Mr Pett retired from the Board as Non-Executive Director on 26 September 2011. Dr Craven was appointed as Non-Executive Director on 28 September 2011.

⁵ Mr Davies was awarded 70% of a maximum bonus of \$300,000 (i.e. \$210,000) for the period ended 30 June 2012. The bonus was paid as a cash-settled share-based payment (refer ² above) based on the 20 day VWAP price at 30 June 2011 per the Chief Executive's employment contract.

* Amounts disclosed in non-monetary benefits include car parking, motor vehicle expenses and 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.

Share-based payment ²	Total	% of total remuneration at risk subject to:	
		Performance	Options
\$	\$	%	%
-	139,611	-	-
-	85,308	-	-
832,712	1,366,231	31%	30%
397,868	835,615	-	-
-	73,269	-	-
-	43,343	-	-
-	59,276	-	-
-	-	-	-
-	3,295	-	-
-	2,808	-	-
-	3,295	-	-
-	908	-	-
-	14,488	-	-
-	56,558	-	-
-	-	-	-
66,802	126,457	-	53%
832,712	1,659,465		
464,670	1,150,997		

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Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of key management personnel (continued)

Table 1: Key management personnel remuneration for the years ended 30 June 2012 and 30 June 2011 (continued)

Executives	Year	Short-term		Post employment	Termination
		Salary & Directors fees	Non-monetary benefits*	Superannuation	
		\$	\$	\$	\$
Steven G Scott	2012	284,224	16,277	15,775	-
	2011	243,320	2,608	15,199	-
Julie A Whitcombe	2012	174,046	12,032	14,577	-
	2011	142,879	2,177	11,399	-
Francis L Connolly	2012	219,224	12,032	15,775	-
	2011	81,264	1,208	6,956	-
Timothy J Wyatt ³	2012	194,949	8,243	11,831	-
	2011	-	-	-	-
John T Kopcheff ¹	2012	56,423	855	2,750	137,500
	2011	256,269	2,106	24,750	-
Michael R Herrington ³	2012	94,741	5,418	5,258	111,175
	2011	230,295	2,608	15,199	-
Denis I Rakich ³	2012	-	-	-	-
	2011	83,417	1,762	-	-
Iain D MacDougall ³	2012	112,115	891	4,409	-
	2011	65,366	692	-	-
Sub-total executives	2012	1,135,722	55,748	70,375	248,675
	2011	1,102,810	13,161	73,503	-
Total – Directors and executives	2012	1,904,034	85,363	99,201	248,675
	2011	1,766,098	27,950	81,753	-

¹ Mr Kopcheff retired from the Company on 26 July 2011. Mr Kopcheff retired from the Board as Executive Director on 22 September 2010. Mr Kopcheff's remuneration for the period from 23 September 2010 to 30 June 2011 has been included under 'Executives' section. Mr Kopcheff's total remuneration for the year is the combined total of those included in 'Directors' and 'Executives' sections.

² Share-based payments comprise equity-settled share options and performance rights. These amounts were calculated in accordance with AASB 2 *Share-based Payment*. Share options are valued using the Black-Scholes option pricing model. Performance rights are valued at share price on grant date. 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.

³ Mr Wyatt commenced employment on 24 October 2011. Mr Herrington ceased employment on 31 October 2011. Mr Rakich retired on 14 February 2011. Mr MacDougall ceased employment on 7 October 2011.

* Amounts disclosed in non-monetary benefits include car parking, motor vehicle expenses and 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.

Share-based payment ²	Total	% of total remuneration at risk subject to:	
		Performance	Options
\$	\$	%	%
165,743	482,019	26%	8%
77,802	338,929	-	23%
150,728	351,383	43%	-
34,008	190,463	18%	-
127,930	374,961	34%	-
22,672	112,100	20%	-
126,743	341,766	37%	-
-	-	-	-
-	197,528	-	-
200,406	483,531	-	41%
39,000	255,592	-	15%
77,802	325,904	-	24%
-	-	-	-
44,000	129,179	-	34%
-	117,415	-	-
-	66,058	-	-
610,144	2,120,664		
456,690	1,646,164		
1,442,856	3,780,129		
921,360	2,797,161		

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Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Employment contracts

Ian R Davies – Managing Director and Chief Executive Officer

The Company has engaged Mr Davies under an employment contract as Managing Director for a three year term that commenced 1 July 2011. Under the contract the Company agreed to provide remuneration consisting of:

- a base salary, superannuation contributions and other benefits not at risk totalling \$550,000 for each year of the contract;
- STI remuneration for each year of the contract consisting of an annual cash bonus for each year of the contract; and
- LTI remuneration for each year of the contract consisting of an annual grant of options to be granted at 1 July of that year on such terms and conditions as the Board considers appropriate for each year of the contract.

The termination provisions in Mr Davies' contract are as follows:

	Notice period	Payment in lieu of notice
Employer-initiated termination	None	12 months
Termination for serious misconduct	None	None
Employee-initiated termination	3 months	3 months

On 23 December 2011, with shareholder approval, the Company issued 2,000,000 unlisted LTI options to Mr Davies exercisable at \$0.40 each, in three tranches:

- 667,000 options vesting 23/11/2011, expiring 01/07/2014
- 667,000 options vesting 01/07/2012, expiring 01/07/2015
- 666,000 options vesting 01/07/2013, expiring 01/07/2016

On 9 September 2010, with shareholder approval, the Company issued 4,000,000 unlisted LTI options to Mr Davies exercisable at \$0.255 each, in four tranches:

- 1,200,000 options vesting 09/09/2010, expiring 09/09/2015
- 800,000 options vesting 19/07/2011, expiring 19/07/2016
- 1,000,000 options vesting 19/07/2012, expiring 19/07/2017
- 1,000,000 options vesting 19/07/2013, expiring 19/07/2018

All unvested options will immediately vest in the event of change of control of the Company.

The purpose of the issue of unlisted options to Mr Davies as Managing Director and Chief Executive Officer was to provide Mr Davies with additional incentive to develop the Group and create value for shareholders and to retain his services for at least three years. The unlisted LTI options form part of Mr Davies remuneration package. The options issued 23 December 2011 will automatically lapse and expire if Mr Davies resigns or is terminated for cause before 30 June 2014.

Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Employment contracts (continued)

General Managers

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

- Steven G Scott – General Manager Exploration;
- Julie A Whitcombe – Chief Financial Officer;
- Francis L Connolly – Secretary and General Counsel;
- Timothy J Wyatt – General Manager Production and Facilities (commenced 24 October 2011);
- Michael R Herrington – General Manager Development and Technical Services (ceased 31 October 2011);
- Iain D MacDougall – General Manager Production and Facilities (ceased 7 October 2011).

There is no fixed term of employment under Dr Scott's contract and the termination provisions 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 same terms applied under the contracts with Mr Herrington and Mr MacDougall, who are no longer in the Company's employment.

There is no fixed term of employment under Mr Connolly's contract or Mrs Whitcombe's contract and the termination provisions 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

There is no fixed term of employment under Mr Wyatt's contract and the termination provisions 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

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Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Employment contracts (continued)

General Managers (continued)

2012 contingent performance rights

During the year ending 2012, the Company granted Dr Scott, Mrs Whitcombe, Mr Connolly and Mr Wyatt contingent performance rights for the year ending 30 June 2012 to vest in three tranches at 1 July in 2012, 2013 and 2014 respectively, subject to achievement of certain performance hurdles during the 2012 financial year. The numbers of 2012 performance rights granted, lapsed, vested and still to vest are as follows:

Holder	Rights granted 23/12/2011	Rights lapsed 20/07/2012	Rights vested 20/07/2012	Rights to vest 01/07/2013	Right to vest 01/07/2014
Steven Scott	862,200	258,660	201,180	201,180	201,180
Timothy Wyatt	862,200	258,660	201,180	201,180	201,180
Julie Whitcombe	732,900	219,870	171,010	171,010	171,010
Francis Connolly	675,300	202,590	157,570	157,570	157,570

All unvested rights will immediately vest in the event of change of control of the Company.

The purpose of the grant of 2012 performance rights to Dr Scott, Mrs Whitcombe, Mr Connolly and Mr Wyatt was to provide them with additional incentive to develop the Group and create value for shareholders, and to retain their services for at least three years. The 2012 performance rights formed part of the remuneration package for each of them.

2011 contingent performance rights

During the year ending 2011, the Company granted Mrs Whitcombe and Mr Connolly contingent performance rights for the year ending 30 June 2011 to vest in three tranches at 1 July in 2011, 2012 and 2013 respectively, subject to achievement of certain performance hurdles during the 2011 financial year. The numbers of 2011 performance rights granted, lapsed, vested and still to vest are as follows:

Holder	Rights granted 01/12/2010	Rights lapsed 01/07/2011	Rights vested 01/07/2011	Rights vested 20/07/2012	Right to vest 01/07/2013
Julie Whitcombe	300,000	-	100,000	100,000	100,000
Francis Connolly	200,000	-	66,667	66,666	66,667

All unvested rights will immediately vest in the event of change of control of the Company.

The purpose of the grant of 2011 performance rights to Mrs Whitcombe and Mr Connolly was to provide them with additional incentive to develop the Group and create value for shareholders, and to retain their services for at least three years. The 2011 performance rights formed part of the remuneration package for each of them.

Options

The Company issued 1,000,000 unlisted options to each of Mr Herrington and Dr Scott on 5 August 2010. The unlisted options issued to Mr Herrington and Dr Scott are exercisable at \$0.255 each, in three tranches:

- 400,000 options vested 26/07/2011, expiring 02/02/2014
- 300,000 options vested 26/07/2012, expiring 02/02/2014
- 300,000 options vesting 26/07/2013, expiring 02/02/2014

All unvested options will immediately vest in the event of change of control of the Company. Unvested options will automatically lapse and expire if Dr Scott ceases to be an employee of the Group. Senex agreed to waive this condition for Mr Herrington when he ceased to be an employee.

The purpose of the issue of unlisted options to Mr Herrington and Dr Scott was to provide them with additional incentive to develop the Group and create value for shareholders. The unlisted options formed part of the remuneration package for each of them.

Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Partly paid shares

The Company did not issue partly paid shares to key management personnel in the years ended 30 June 2012 and 30 June 2011.

Options and contingent performance rights

Grants

During the year ended 30 June 2012, the following options and contingent performance rights were granted to key management personnel:

Table 2: Unlisted options and contingent performance rights granted as part of remuneration

	Grant date	Option and performance rights granted during the year		Value per option or right at grant date (\$)
		Number	Value (\$)	
Directors				
Denis F Patten		-	-	-
Ian R Davies	1 July 2011	2,000,000	319,980	0.16
Timothy BI Crommelin		-	-	-
Ralph H Craven		-	-	-
Benedict M McKeown		-	-	-
Yanina A Barila		-	-	-
Robert J Pett		-	-	-
Executives				
Steven G Scott	23 December 2011	862,200	543,186	0.63
Timothy J Wyatt	23 December 2011	862,200	543,186	0.63
Julie A Whitcombe	23 December 2011	732,900	461,727	0.63
Francis L Connolly	23 December 2011	675,300	425,439	0.63
Total		5,132,600	2,293,518	

The 2,000,000 unlisted LTI options issued to Mr Davies on 23 December 2011 were granted, subject to shareholder approval, on 1 July 2011 and have been valued at \$0.14-\$0.18 each using the Black-Scholes pricing model which takes into account the following variables:

Share price at grant date	\$0.37
Exercise price	\$0.40
Time to expiry	3.00 – 5.01 yrs
Risk free rate	5.75%
Share price volatility	50%
Dividend yield	0%

Contingent performance rights have been valued at the share price on date of grant.

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Directors' report

REMUNERATION REPORT (AUDITED) (continued)

Vesting

During the year ended 30 June 2012, the following options and performance rights vested:

667,000 options granted to Mr Davies vested on 23 November 2011, and had a value of \$93,380.

400,000 options granted to each of Mr Herrington and Dr Scott vested on 26 July 2011, and had a value of \$52,000 for each of them.

100,000 contingent performance rights granted to Mrs Whitcombe vested on 1 July 2011 and had a value of \$38,500.

66,667 contingent performance rights granted to Mr Connolly vested on 1 July 2011 and had a value of \$25,667.

No other options or contingent performance rights granted to key management personnel as part of remuneration vested during the period.

Signed in accordance with a resolution of the Directors.



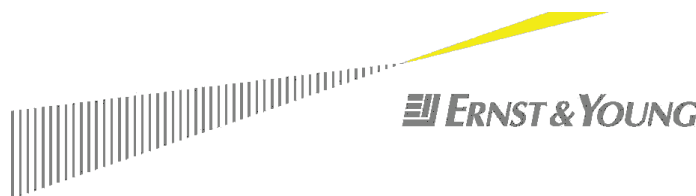
Denis F Patten
Chairman

Brisbane, Queensland
24 September 2012



Ian R Davies
Managing Director

Auditor's independence declaration



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Fax: +61 7 3011 3100
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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 2012, 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.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', with a stylized flourish at the end.

Ernst & Young

A large, stylized handwritten signature in dark ink, likely belonging to Andrew Carrick, with a prominent loop and a long horizontal stroke.

Andrew Carrick
Partner
24 September 2012

Financial statements

Corporate governance statement

The Board and management of the Company are committed to the creation of shareholder value and meeting the expectations of stakeholders to practice sound corporate governance. In the 2012 financial year the Company has grown significantly in size and become part of the S&P ASX 200 Index. Given this change, the Company has conducted a review of its corporate governance obligations and implemented a number of new corporate governance policies with the goal of meeting the legitimate governance expectations of investors and other stakeholders.

The following policies were implemented during 2011/12:

- Code of conduct;
- Diversity policy;
- Disclosure and communications policy;
- Risk management policy; and
- Remuneration policy.

During 2011/12, the Company's corporate governance practices and policies have accorded with those outlined in the ASX corporate Governance Council's Principles and Recommendations (2nd Edition) (ASX Guidelines), (except as outlined below).

The following corporate governance statement should be read in conjunction with the directors' report on pages 31 to 52.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board responsibilities

To ensure that the Board is well equipped to discharge its responsibilities, it has adopted a formal charter for the operation of the Board. The charter defines the functions reserved to the Board and those delegated to management to facilitate accountability to the Company and its shareholders.

This year the board established a remuneration and nominations committee with three primary functions:

- to support and advise the Board on remuneration and remuneration-related matters;
- to make decisions under delegated authority to align the interests of employees and shareholders; and
- to examine the selection and appointment practices of the Company in relation to the Board and advise the Board regarding these matters.

The Company formalised a charter for the committee which can be found on the Company's website. The remuneration and nominations committee considers the performance of the Managing Director and all members of the executive management team when recommending performance-related remuneration through short-term and long-term incentives for the year completed and when assessing fixed remuneration and performance remuneration to be offered for future periods. Further information on executive remuneration is set out in the remuneration report.

At the time of joining the Company, Directors and senior executives are provided with the letters of appointment, together with key Company documents and information setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

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 Independent Non-Executive Directors;
- the chairperson must be a Independent Non-Executive Director;
- the Board should comprise of Directors with an appropriate range of qualifications and experience; and
- the Board shall meet at least monthly and follow 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
Denis F Patten	Chairman, Independent Non-Executive Director
Ian R Davies	Managing Director and Chief Executive Officer
Timothy BI Crommelin	Non-Executive Director
Ralph H Craven	Independent Non-Executive Director
Benedict M McKeown	Non-Executive Director
Yanina A Barila	Alternate Director appointed by Mr McKeown

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, in accordance with the ASX Guidelines, 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.

The Company did not comply with recommendation 2.1 of the ASX Guidelines during the 2012 financial year as a majority of the Board are not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1. Notwithstanding this, the Board believes that the individuals on the Board can and do make quality and independent judgements in the best interest of the Company and other stakeholders. The Board regularly assesses the independence of each Non-Executive Director.

The independent Directors at the date of this report are Mr Patten (Chairman) and Dr Craven. Mr Davies is the Managing Director. Mr McKeown is a Partner with The Sentient Group which is a substantial shareholder in the Company. Mr Crommelin is the Executive Chairman of RBS Morgans Limited.

Financial statements

Corporate governance statement

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

RBS Morgans Limited is a material professional adviser to the Company. As a result of these relationships, these three Directors are not considered to be independent. 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 of each Director's skills, experience and expertise relevant to the position of Director are detailed on pages 12 to 13 of the annual report.

The Chairman, Mr Patten is an independent Director. The roles of Chairman and Managing Director are exercised by different individuals.

Remuneration and nomination committee

The Board has established a remuneration and nominations committee during the period. The committee has three primary functions:

- support and advise the Board on remuneration and remuneration-related matters;
- make decisions under delegated authority to align the interests of employees and shareholders; and
- examine the selection and appointment practices of Senex in relation to the Board and advise the Board regarding these matters.

The remuneration and nomination committee has a charter which sets out its roles and responsibilities, composition and structure and can be found on the Company's website. The charter also provides for the Board to obtain independent professional advice at the expense of the Company.

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 each Director on an individual basis regarding their role as a Director.

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

Corporate governance statement

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of conduct

The Company has developed a code of conduct during the period that sets out standards of behaviour expected of its directors and employees and those the Company contracts to do work for it. The code of conduct is available on the Company's website in the corporate governance section.

Diversity policy

The Company has developed a diversity policy during the period which aims to create workplace culture that attracts and retains well-qualified, diverse and motivated people right across the business. Diversity improves the quality of decision making, productivity and teamwork within a business and can result in better business outcomes. The Company is committed to fair and equitable recruitment regardless of age, gender, race, religion, colour, marital status, disability or national origin.

The Board is committed to managing and promoting a culture of diversity in the workplace and has approved the following objectives in relation to gender diversity:

- ensure that in the interview process for each executive position there is at least one female on the interview panel;
- consider diversity when reviewing Board succession plans with the aim of improving gender representation and diversity;
- wherever there is a vacancy at Board and senior management level, the Company seeks to find a person with the most appropriate qualifications and experience to fulfil the role given the need to balance a range of criteria that is required for an effective Board and management team. Included in the criteria is the need to have a reasonable balance of male and female Directors and senior management; and
- review remuneration, recruitment and selection practices to ensure they are free from gender bias.

Over the next few years the Company aims to increase diversity in senior appointments as positions become available, but all appointments will be based on merit and skills required to discharge the duties of such roles.

Should the need arise to make any new Board appointment; recruitment will be drawn from a diverse field of suitably qualified candidates.

At 30 June 2012, women represented 28 per cent of all employees and 20 per cent of senior management. The Company has a female Alternate Non-Executive Director as a member of the Board of Directors.

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. Personnel are required to consult the Secretary prior to dealing in securities in the Company or other companies with 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. The *Corporations Act 2001* also 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, 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 permits.

Financial statements

Corporate governance statement

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Audit committee

The Board has an audit committee which comprises three Non-Executive Directors, of whom two are independent. The Chairman of the Board cannot chair the audit committee. The Chairman of the audit committee, Dr Craven, is an independent Director. All members of the Committee are financially literate and the committee possess sufficient financial expertise and knowledge of the industry in which the Company operates.

It is the responsibility of the audit 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, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The audit committee has a charter which sets out its roles and responsibilities, composition and structure and can be found on the Company's website.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company has adopted policies and procedures to ensure compliance with its continuous disclosure obligations, and to ensure accountability at senior management level for that compliance.

The Company is committed to providing timely, full and accurate disclosure and to keeping the market informed through quarterly releases detailing exploration, development and production, and through annual and half-year reports to shareholders.

All material matters are disclosed to the ASX immediately (and subsequently to the media, where relevant), as required by the ASX Listing Rules. All material investor presentations are released to the ASX and are posted on the Company's website. Shareholders can subscribe to a free email notification service and receive notice of any announcement released by the Company.

The disclosure and communications policy is available on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Company respects the rights of its shareholders and has adopted policies to facilitate the effective exercise of those rights through participation at general meetings and by providing information to shareholders about the Company and its operations.

The Company is committed to providing a high standard of communication to shareholders and other stakeholders so that they have all available information reasonably required to make informed assessments of the Company's value and prospects.

The Company's disclosure and communications policy sets out the Company's commitment to promote effective communication with shareholders and encourage their participation at shareholders' meetings. The disclosure and communications policy is available on the Company's website.

Corporate governance statement

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk assessment and management

The Company recognises that effective risk management is central to continued growth and success and has established a sound system of risk oversight, management and internal control.

During this period the Company established a risk management policy to govern the Company's approach to risk oversight and management and internal control systems. A copy of the risk management policy is available on the Company's website.

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 also received assurance from the Managing Director and Chief Financial Officer that:

- the declaration provided in accordance with section 295A of the *Corporations Act 2011* is founded on a system of risk management and internal control; and
- the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee

The remuneration report sets out details of the Company's policies and practices for remunerating Directors, key management personnel and employees.

The Company has established a remuneration and nomination committee, which comprises all of the Non-Executive Directors and is chaired by Mr Patten who is the Chairman of the Board. The Company did not comply with recommendation 8.2 of the ASX Guidelines that the majority of the committee be independent as a majority of the Board are not considered to be independent.

The remuneration of Non-Executive Directors is structured separately from that of the Executive Directors and senior executives. Information on remuneration for Non-Executive Directors is in the remuneration report.

During the year the Board also approved a remuneration policy. The policy provides a governance framework for the structure and operation of remuneration systems, within the context of the long-term financial soundness and risk management framework of Senex Energy Limited.

It provides for fixed and performance based remuneration for employees, including Directors, and includes a component of equity remuneration.

Financial statements

Consolidated Statement of Financial Position

as at 30 June 2012

	Note	2012 \$'000	2011* \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	123,951	42,279
Prepayments	12	2,513	281
Trade and other receivables	13	19,122	7,486
Inventory		1,501	34
		147,087	50,080
Asset held for sale	14	2,206	-
Total current assets		149,293	50,080
Non-current assets			
Trade and other receivables	15	975	787
Available-for-sale assets	16	2,760	-
Property, plant and equipment	17	25,467	3,114
Intangibles	18	183	-
Exploration assets	19	74,309	38,271
Oil and gas properties	20	93,374	81,330
Total non-current assets		197,068	123,502
TOTAL ASSETS		346,361	173,582
LIABILITIES			
Current liabilities			
Trade and other payables	22	27,805	8,442
Provisions	23	453	414
Total current liabilities		28,258	8,856
Non-current liabilities			
Provisions	24	18,162	7,410
Total non-current liabilities		18,162	7,410
TOTAL LIABILITIES		46,420	16,266
NET ASSETS		299,941	157,316
EQUITY			
Contributed equity	25	374,251	241,402
Reserves	26	4,683	3,767
Accumulated losses	27	(78,993)	(87,853)
TOTAL EQUITY		299,941	157,316

* Restated – refer note 38 for details

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 \$'000	2011* \$'000
Continuing operations			
Revenue	6(a)	70,411	13,198
Cost of sales	6(b)	(39,434)	(7,695)
Gross profit / (loss)		30,977	5,503
Other income	6(c)	85	3,512
Oil and gas exploration expenses		(5,222)	(1,637)
Impairment of goodwill		-	(12,213)
Transaction costs		-	(1,777)
Relocation and branding		-	(519)
General and administrative expenses	7(a)	(14,890)	(8,084)
Finance expense		(409)	(307)
Profit / (loss) before tax		10,541	(15,522)
Income tax benefit / (expense)	8	(1,681)	12,006
Profit / (loss) after tax		8,860	(3,516)
Net profit / (loss) attributable to owners of the parent entity		8,860	(3,516)
Other comprehensive income			
Movements in fair value of available-for-sale assets		(886)	448
Other comprehensive income, net of tax		(886)	448
Total comprehensive income attributable to owners of parent entity		7,974	(3,068)
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity (cents per share):			
Basic earnings / (loss) per share		0.96	(0.55)
Diluted earnings / (loss) per share		0.95	(0.55)
Earnings per share attributable to the ordinary equity holders of the parent entity (cents per share):			
Basic earnings / (loss) per share		0.96	(0.55)
Diluted earnings / (loss) per share		0.95	(0.55)

* Restated – refer note 38 for details

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

Financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers		59,008	6,578
Payments to suppliers and employees		(42,704)	(18,500)
Payments for exploration expenditure		(6,808)	(1,637)
Interest received		3,368	3,017
Interest paid		-	(230)
Fees received for technical services		1,427	1,901
Income tax paid		338	(253)
Other receipts		-	113
Net cash flows from operating activities	28	14,629	(9,011)
Cash flows from investing activities			
Payment for oil and gas properties		(15,152)	(7,079)
Proceeds from disposal of oil and gas properties		-	495
Purchase of property, plant and equipment & intangibles		(18,209)	(945)
Proceeds from disposal of available-for-sale financial assets		-	16,496
Purchase of available-for-sale financial assets		(4,025)	(7,068)
Payment for exploration assets		(27,916)	(4,629)
Term deposit payments		-	19,222
Acquisition of subsidiary		-	790
Net cash flows from investing activities		(65,302)	17,282
Cash flows from financing activities			
Proceeds from borrowings		-	400
Repayment of borrowings		-	(8,400)
Proceeds from share issues		135,886	26,044
Payments of transaction costs of issue of shares		(4,338)	(792)
Net cash flows from financing activities		131,548	17,252
Net increase in cash and cash equivalents		80,875	25,523
Net foreign exchange differences		797	(35)
Cash and cash equivalents at the beginning of the year		42,279	16,791
Cash and cash equivalents at the end of the year	11	123,951	42,279

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

The following table presents the consolidated Statement of Changes in Equity for the year ended 30 June 2012:

	Contributed equity \$'000	Accumulated losses \$'000	Share-based payments reserve \$'000	Other reserve \$'000	Net unrealised gain / (loss) reserve \$'000	Total \$'000
Balance at 1 July 2011	241,402	(87,853)	3,950	(183)	-	157,316
Profit / (loss) for the year	-	8,860	-	-	-	8,860
Other comprehensive income	-	-	-	-	(886)	(886)
Total comprehensive income	-	8,860	-	-	(886)	7,974
Transactions with owners, recorded directly in equity:						
Shares issued	135,886	-	-	-	-	135,886
Transaction costs on share issue	(3,037)	-	-	-	-	(3,037)
Share-based payments	-	-	1,802	-	-	1,802
Balance at 30 June 2012	374,251	(78,993)	5,752	(183)	(886)	299,941

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

	Contributed equity \$'000	Accumulated losses \$'000	Share-based payments reserve \$'000	Other reserve \$'000	Net unrealised gain / (loss) reserve \$'000	Total \$'000
Balance at 1 July 2010	151,267	(84,337)	2,102	-	(448)	68,584
Profit / (loss) for the year	-	(3,516)	-	-	-	(3,516)
Other comprehensive income	-	-	-	-	448	448
Total comprehensive income	-	(3,516)	-	-	448	(3,068)
Transactions with owners, recorded directly in equity:						
Shares issued	90,690	-	-	-	-	90,690
Transaction costs on share issue	(555)	-	-	-	-	(555)
Share-based payments	-	-	1,848	-	-	1,848
Acquisition of non-controlling interest	-	-	-	(183)	-	(183)
Balance at 30 June 2011	241,402	(87,853)	3,950	(183)	-	157,316

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 1: CORPORATE INFORMATION

The financial statements of Senex Energy Limited ("the Company" or "the parent entity") and its controlled entities / subsidiaries (collectively known as "the Group") for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 19 September 2012.

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 statements are general-purpose financial statements, which have 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 statements have 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. Senex Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are presented in Australian dollars (\$).

(b) Compliance with IFRS

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

(c) New accounting standards and interpretations

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective 1 January 2013)**

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities.

In December 2009 the AASB issued AASB 9 which is part of phase one of the comprehensive project to replace AASB 139. It addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing AASB 139 categories of held to maturity, available-for-sale and loans and receivables.

In December 2010 a revised version of AASB 9 was issued incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

The standard is not applicable until 1 January 2013 and the Group is yet to assess its full impact. However, initial indications are that it will affect the Group's accounting for available-for-sale assets which will be reclassified as fair value assets under AASB 9. Any future movements on the valuation of these assets would be recognised as other comprehensive. The Group does not expect to adopt the new standard before its operative date. It would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

- (ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and revised AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect this new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expense, assets and liabilities in much the same way as under the previous standard. AASB 11 provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group only has interests in joint operations and as such the accounting treatment will not change under the new Standard.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group does not expect this standard to have an impact.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

- (iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group only has one asset valued at fair value being its investment in listed shares which is classified as an available-for-sale asset. The shares are fair valued each reporting date to the current quoted share price and this is defined as a Level 1 input under the fair value hierarchy per the standard. The standard does not change the current accounting treatment or disclosures.

The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

- (iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. The revised standard changes the definition of short-term employee benefits. Under the "old" standard these were defined as those benefits due to be settled within 12 months after the end of the period in which the employees render the related service. In contrast, under the revised AASB 119, only benefits that are expected to be settled within 12 months after the end of the annual reporting period in which the employees render the related service are classified as short-term benefits. This could potentially lead to a reclassification of some short-term benefits to non-current.

The revised standard also requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The Group does not have a defined benefit plan.

The Group does not intend to adopt the revised standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

- (v) AASB 1053 *Application of Tiers of Australian Accounting Standards*, AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*, AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman convergence Project – Reduced Disclosure Requirements*, AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements* and AASB 2012-1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements* (effective 1 July 2013)

In June 2010 the AASB officially introduced a revised differential reporting framework in Australia. It is effective for periods beginning on or after 1 July 2013. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is required to prepare its financial statements in accordance with Australian Accounting Standards (Tier 1) and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The new standards will have no impact on the financial statements of the Group.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Group as at 30 June each year.

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 transaction.

(e) Operating segments

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.

(f) Foreign currency translation

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 and any resulting gain or loss is taken to profit or loss.

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.

(g) Cash and cash equivalents

Cash and cash equivalents 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.

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Trade and other receivables

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 allowance for impairment 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.

(i) Inventories

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value.

(j) Investments and other financial assets

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

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

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.

Available-for-sale securities

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.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments and other financial assets (continued)

Available-for-sale assets are assessed at each reporting date for whether there is objective evidence that an investment is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value had been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment is recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

(k) Earnings per share

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.

(l) Interest in jointly controlled operations

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.

(m) Property, plant and equipment

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.

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

Field-based facilities, plant and equipment – over 10 years

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

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Property, plant and equipment (continued)

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.

(n) Intangible assets

Software

Acquired computer software and licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over 2 to 5 years.

(o) Oil and gas properties

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 method 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 cash-generating unit basis.

(p) Leases

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 profit or loss 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.

(q) Impairment of non-financial assets (excluding goodwill)

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).

Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of non-financial assets (excluding goodwill) (continued)

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

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

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 reporting date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a 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

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 asset. 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 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.

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions and employee benefits (continued)

Employee leave benefits

Wages, salaries, annual leave and sick leave

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

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

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 the Black-Scholes 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).

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.

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 (other than a grant cancelled by forfeiture when the vesting conditions are not met), 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.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payment transactions (continued)

Cash-settled transactions

The Group recognises the fair value of cash-settled share-based payment transactions as an employee expense with the corresponding liability in employee benefits. The fair value of the liability is measured initially, and at the end of each reporting period until settled, at the fair value of the cash-settled share-based payment transaction, taking into consideration the terms and conditions on which the cash-settled share-based payment transactions were granted, and the extent to which the employees have rendered service to date.

(u) Contributed equity

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

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.

(w) Oil and gas exploration costs

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 profit or loss.

Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found, or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Where a potential impairment is indicated, assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to profit and loss.

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Income tax and other taxes

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 substantively enacted at the reporting 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.

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.

Petroleum Resource Rent Tax (PRRT)

PRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Tax consolidation legislation

Senex Energy Limited and its controlled entities have implemented the tax consolidation legislation.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Income tax and other taxes (continued)

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 tax consolidated group has entered into a tax sharing agreement which sets out the allocation of income tax liabilities amongst the entities should the head entity default on its tax payment obligations and the treatment of entities exiting the tax consolidated group. No amounts have been recognised in the financial statements in respect of this tax sharing agreement as payment of any amounts under this agreement are considered remote.

(y) Goods and Services Tax (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 Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows 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.

(z) 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.

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.

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Business combinations

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.

(ab) 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 is taken directly to profit or loss. The Group does not use hedge accounting.

(ac) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and cash equivalents, available-for-sale 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 Group's operations, and as the Group does not use derivative instruments or debt, the Directors do not believe the establishment of a risk management committee is warranted.

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 reporting date, the Group had the following exposure to variable interest rate risk:

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	123,951	42,279

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting 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 2012, 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)	
	2012	2011
	\$'000	\$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
+1.0% (100 basis points)	868	296
-1.0% (100 basis points)	(868)	(296)

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

Management believes the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Financial statements

Notes to the financial statements

for the year ended 30 June 2012

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

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	11,184	787
Trade and other receivables	16,770	5,195
Net exposure	27,954	5,982

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting 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 2012, 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)	
	2012	2011
	\$'000	\$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
AUD / USD +5%	(978)	(209)
AUD / USD -5%	978	209

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

Management believes the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Notes to the financial statements

for the year ended 30 June 2012

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 to available-for-sale assets.

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

At reporting date, the Group had the following exposure to equity securities price risk:

	Note	Consolidated	
		2012 \$'000	2011 \$'000
Financial assets			
Available-for-sale assets	16	2,760	-
Net exposure		2,760	-

The following sensitivity is based on the equity securities price risk exposures in existence at the reporting 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 2012, 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)	
	2012 \$'000	2011 \$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
Price +10%	-	-
Price -10%	-	-
Net unrealised gain / (loss) reserve		
Price +10%	193	-
Price -10%	(193)	-

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 reporting 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.

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Notes to the financial statements

for the year ended 30 June 2012

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, trade and other receivables 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 held with Australian financial institutions, which are considered to have a 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	
		2012 \$'000	2011 \$'000
Financial liabilities			
6 months or less	22	27,805	8,442
		27,805	8,442

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

Notes to the financial statements

for the year ended 30 June 2012

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

Risk exposures and responses (continued)

Fair value

AASB 7 *Financial Instruments: Disclosures* 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 2012 or 30 June 2011.

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							
	2012			Total \$'000	2011			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Available-for-sale assets (listed investments)	2,760	-	-	2,760	-	-	-	-

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

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Notes to the financial statements

for the year ended 30 June 2012

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 bases 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 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 the 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, foreign exchange rates, operating costs and any future development costs necessary to produce reserves. Estimates of future commodity prices are based on market consensus prices where available. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax discount rate of 11.4% (2011: 12.0%).

For goodwill, expected future cash flow is estimated for the lowest level of cash-generating unit to which the goodwill can be attributed.

Impairment of available-for-sale assets

Available-for-sale assets are considered to be impaired when the fair value is significantly below cost or has been below cost for a prolonged period of time. A significant decline is assessed on the historical volatility of the share price. The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant.

The Group considers a less than 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in fair value of greater than 30% with a low historical volatility will often be considered significant.

Generally, the Group does not consider a decline over a period of less than six months to be prolonged. However where the decline in fair value is greater than 12 months, it is usually considered prolonged.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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, foreign 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 and amortisation charged to the Statement of Comprehensive Income.

Units of production method of depreciation and amortisation

The Group 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 Group'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 recognises 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 classifies 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.

Financial statements

Notes to the financial statements

for the year ended 30 June 2012

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Petroleum Resource Rent Tax (PRRT)

On 19 March 2012, legislation to extend the PRRT regime to all Australian offshore and onshore oil and gas projects from 1 July 2012 was substantively enacted through the Senate.

Under the regime it is possible to seek to combine tenements and report for PRRT tax purposes on the combined assessable receipts. The Group expects to, as much as practicable under the legislation, combine a number of its tenements for PRRT purposes and the financial statements have been prepared on this basis.

The legislation also provides for the Group to adopt a starting base for existing projects for tax purposes which is deductible in determining any future taxable profit. The Group has included future augmentation on expenditure categories including starting bases in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. As a result, no additional deferred tax asset has been recognised in the financial statements for the period ended 30 June 2012. If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$118 million would have been recognised in the financial statements at 30 June 2012.

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, and its unconventional gas prospects in the Cooper Basin in South Australia.

Oil

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

Notes to the financial statements

for the year ended 30 June 2012

NOTE 5: OPERATING SEGMENTS (continued)

Major customers

Revenue is predominantly derived from the sale of crude oil to a consortium of buyers made up of Santos Limited and its subsidiaries; Delhi Petroleum Pty Ltd and Origin Energy Resources Limited.

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
- Cash and cash equivalents
- Interest income
- Corporate expenses
- Assets held for sale

Financial statements

Notes to the financial statements

for the year ended 30 June 2012

NOTE 5: OPERATING SEGMENTS (continued)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2012 and 30 June 2011:

	Gas		Consolidated Oil		Total	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales	-	-	64,391	9,839	64,391	9,839
Technical service fees	210	-	2,474	803	2,684	803
Total segment revenue	210	-	66,865	10,642	67,075	10,642
<i>Unallocated item:</i>						
Interest income					3,336	2,556
Total revenue per Statement of Comprehensive Income					70,411	13,198

	Gas		Consolidated Oil		Total	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Results						
Segment profit / (loss)	210	(346)	22,209	3,408	22,419	3,062
Reconciliation of segment net profit / (loss) after tax to net profit / (loss) before tax						
<i>Unallocated items:</i>						
Interest income					3,336	2,556
Net gain on investments held-for-trading and available-for-sale					-	3,467
Impairment of goodwill					-	(12,213)
Foreign exchange gain / (loss)					797	(35)
Transaction costs					-	(1,777)
Relocation and rebranding					-	(519)
Corporate expenses					(16,096)	(10,108)
Other income					85	45
Net profit / (loss) before tax per the Statement of Comprehensive Income					10,541	(15,522)

Notes to the financial statements

for the year ended 30 June 2012

NOTE 5: OPERATING SEGMENTS (continued)

Segment assets and segment liabilities at 30 June 2012 and 30 June 2011 are as follows:

	Gas		Consolidated Oil		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Segment assets						
Segment operating assets	43,466	2,081	169,211	124,612	212,677	126,693
Asset held for sale					2,206	-
Available-for-sale assets					2,760	-
Unallocated assets ¹					128,718	46,889
Total assets per the Statement of Financial Position					346,361	173,582
Asset additions	29,798	1,283	51,876	14,170	81,674	15,453
Unallocated asset additions					3,646	995
Total asset additions					85,320	16,448
Segment liabilities	6,222	695	37,083	11,331	43,305	12,026
Unallocated liabilities					3,115	4,240
Total liabilities per the Statement of Financial Position					46,420	16,266

¹ The unallocated assets include cash and cash equivalents of \$123,951,000 (2011: \$42,279,000), accrued interest on term deposits of \$95,000 (2011: \$127,000), prepayments of \$30,000 (2011: \$281,000), receivables of \$496,000 (2011: \$3,293,000) and property, plant, equipment and intangibles of \$4,146,000 (2011: \$909,000).

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 6: REVENUE

Revenue and expenses

(a) Revenue

Oil sales
Interest income
Technical service fees

(b) Cost of sales

Operating costs
Amortisation of oil and gas properties

(c) Other income

Net gain on investments held-for-trading and available-for-sale
Other income

Consolidated	
2012	2011
\$'000	\$'000
64,391	9,839
3,336	2,556
2,684	803
70,411	13,198
(27,619)	(5,699)
(11,815)	(1,996)
(39,434)	(7,695)
-	3,467
85	45
85	3,512

Notes to the financial statements

for the year ended 30 June 2012

NOTE 7: EXPENSES

Note	Consolidated	
	2012 \$'000	2011 \$'000
(a) General and administrative expenses		
Employee expenses	(9,136)	(4,952)
Public company and office administration expenses	(1,834)	(1,150)
Travel and insurance	(866)	(156)
Consultants, accounting and legal fees	(3,142)	(1,293)
Depreciation and amortisation	(680)	(191)
Other expenses	768	(342)
	(14,890)	(8,084)
(b) Depreciation, amortisation and impairment		
<i>Included in cost of sales:</i>		
Amortisation of oil and gas properties	20 (11,815)	(1,996)
	(11,815)	(1,996)
<i>Not included in cost of sales:</i>		
Depreciation expense	17 (639)	(191)
Amortisation expense	18 (41)	-
Impairment of goodwill	21 -	(12,213)
	(680)	(12,404)
(c) Employee costs		
Employee costs	(13,571)	(6,279)
	(13,571)	(6,279)
(d) Rental expense relating to operating leases		
<i>Included in general and administrative expenses:</i>		
Operating lease expenses	(810)	(541)
	(810)	(541)
(e) Net foreign exchange (gains) / losses recognised in profit before tax for the year		
<i>Included in general and administrative expenses:</i>		
Foreign exchange gains / (losses)	797	(35)
	797	(35)

Financial statements

Notes to the financial statements

for the year ended 30 June 2012

NOTE 8: INCOME TAX

Income tax expense

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 years

Deferred income tax

Relating to origination and reversal of temporary differences

Tax assets not brought to account

Tax consolidation benefit – Stuart Petroleum Limited

Income tax benefit / (expense) reporting in the Statement of Comprehensive Income

Consolidated	
2012	2011
\$'000	\$'000
-	-
-	-
(3,709)	500
2,028	(1,023)
-	12,529
(1,681)	12,006

Amounts charged or credited directly to equity

	Consolidated	
	2012	2011
	\$'000	\$'000
Unrealised (gain) / loss on available-for-sale investments	380	(192)
Transaction and acquisition costs recorded in equity	1,301	238
Income tax benefit / (expense) reported in equity	1,681	46

Notes to the financial statements

for the year ended 30 June 2012

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	
	2012	2011
	\$'000	\$'000
Accounting profit / (loss) before income tax	10,541	(15,522)
At the Group's statutory income tax rate of 30% (2011: 30%)	(3,162)	4,657
Share-based payments	(541)	(478)
Entertainment	(6)	(7)
Fines and penalties	-	(11)
Goodwill impairment	-	(3,661)
Tax assets not brought to account	2,028	(1,023)
Tax consolidation benefit – acquisition of 100% subsidiary	-	12,529
Income tax benefit / (expense) reporting in the Statement of Comprehensive Income	(1,681)	12,006

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for the year ended 30 June 2012

NOTE 8: INCOME TAX (continued)

Recognised deferred tax assets and liabilities

Deferred income tax at reporting date relates to the following:

	Consolidated			
	Statement of Financial Position		Statement of Comprehensive Income	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred tax assets / (liabilities)				
Held-for-trading financial assets	-	-	-	(772)
Available-for-sale financial assets	-	-	-	585
Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties	(28,859)	(7,852)	(21,007)	5,924
Trade and other payables	256	51	205	(11)
Provisions	5,570	1,206	4,364	5,639
Income tax losses	30,794	16,020	14,774	-
Other	1,467	682	(896)	179
Deferred tax losses not brought to account as realisation is not regarded as probable	(9,228)	(10,107)	879	462
Net deferred income tax assets recognised	-	-	(1,681)	12,006

Tax losses

As at 30 June 2012, the Group had \$102,647,000 (2011: \$83,664,000) of carry-forward tax losses that are available for use in Australia. The Group has deferred tax assets arising from these tax losses of \$30,794,000 (2011: \$25,099,000) 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 2012.

Unrecognised temporary differences – Petroleum Resource Rent Tax (PRRT)

The legislation provides for the Group to adopt a starting base for existing projects for tax purposes which is deductible in determining any future taxable profit. The Group has included future augmentation on expenditure categories including starting bases in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. As a result, no additional deferred tax asset has been recognised in the financial statements for the period ended 30 June 2012. The total unrecognised temporary difference in respect of PRRT for the starting base for its existing projects is \$295 million at 30 June 2012. If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$118 million would have been recognised in the financial statements at 30 June 2012.

The Group also has a number of Petroleum Exploration Licences (PEL) for which no production decision has been made and as such there are no assessable PRRT receipts forecast at present. Substantial starting bases exist for these PELs which may give rise to a deferred tax asset should assessable receipts be generated from the tenement area. The total amount of unrecognised temporary differences in respect of PRRT is \$80 million. The deferred tax asset associated with these unrecognised temporary differences has not been recognised as its realisation is not regarded as probable at 30 June 2012.

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for the year ended 30 June 2012

NOTE 9: AUDITORS' REMUNERATION

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

	Consolidated	
	2012	2011
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
An audit or review of the financial report of the Group ¹	347,390	250,360
Other services provided to the Group:		
- tax compliance	-	12,800
- other services	-	289,900
	347,390	553,060

¹ \$129,330 of audit fees expensed in 2012 related to the 2011 financial year.

In the prior year, other services of \$289,900 related principally to assistance with the project management of the integration of Stuart Petroleum Limited into the Group.

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for the year ended 30 June 2012

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

For basic and diluted earnings per share:

Net profit / (loss) from continuing operations
attributable to ordinary equity holders of the parent entity

Net profit / (loss) attributable to ordinary equity holders of the parent entity

Consolidated	
2012 \$'000	2011 \$'000
8,860	(3,516)
8,860	(3,516)

Weighted average number of shares

Weighted average number of ordinary shares for basic earnings per share

Effect of dilution – share options

Effect of dilution – performance rights

Weighted average number of ordinary shares adjusted for the effect of dilution

Consolidated	
2012 Number	2011 Number
920,847,238	634,387,668
11,360,220	-
2,947,841	-
935,155,299	634,387,668

During the period, a number of share options and performance rights were issued (refer to note 36).

Subsequent to the year end, on 19 July 2012, 104,111,540 ordinary fully paid shares at 74 cents were issued as the result of a retail entitlement offer.

During the prior year, a number of share options and performance rights issued during the period were considered anti-dilutive, and were therefore not included in the calculation of weighted average number of shares. The anti-dilutive nature of these instruments arose from the Group's loss-making position for the prior year.

Notes to the financial statements

for the year ended 30 June 2012

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	
	2012	2011
	\$'000	\$'000
Cash at bank and in hand	111,258	39,943
Cash advanced to jointly controlled operations	12,693	2,336
	123,951	42,279

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.

NOTE 12: CURRENT ASSETS – PREPAYMENTS

	Consolidated	
	2012	2011
	\$'000	\$'000
Prepayment of pipeline charges	2,483	-
Prepayments – other	30	281
	2,513	281

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for the year ended 30 June 2012

NOTE 13: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Trade receivables ¹	16,587	6,058
Sundry receivables ²	1,473	1,170
Joint venture receivables ³	1,062	258
	19,122	7,486

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.

NOTE 14: CURRENT ASSETS – ASSET HELD FOR SALE

		Consolidated	
	Note	2012 \$'000	2011 \$'000
Non-current asset held for sale – property, plant and equipment	17	2,206	-
		2,206	-

During the period, the Group has announced the conditional sale of Port Bonython Fuels Pty Ltd to Mitsubishi Corporation of Tokyo, Japan. The sale agreement relates to a sale of 90% of the equity in Port Bonython Fuels Pty Ltd. On completion of this sale, the remaining 10% interest held by Stuart Petroleum Fuels Pty Ltd will become subject to an agreement whereby Mitsubishi Corporation will hold an option to acquire this interest, and whereby Stuart Petroleum Fuels Pty Ltd may require Mitsubishi Corporation to acquire the interest, within 13 months of completion.

The asset is presented within unallocated assets for segment reporting purposes.

On the basis of this agreement, this asset has been reclassified as held for sale.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 15: NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012	2011
	\$'000	\$'000
Sundry receivables ¹	975	787

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.

NOTE 16: NON-CURRENT ASSETS – AVAILABLE-FOR-SALE ASSETS

	Consolidated	
	2012	2011
	\$'000	\$'000
Listed shares carried at fair value	2,760	-

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

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

During the period, the Group recognised a net loss before tax of \$1,266,000 (2011: net gain before tax \$4,564,000) on re-measurement to fair value of available-for-sale assets in the reserve (refer note 26).

No impairment charge was recognised during the current period (2011: \$nil).

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for the year ended 30 June 2012

NOTE 17: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

		Property, Plant and Equipment \$'000	Consolidated Land and Buildings \$'000	Total \$'000
Note				
At 30 June 2011				
	Cost	1,111	2,206	3,317
	Accumulated depreciation	(203)	-	(203)
	Net book amount	908	2,206	3,114
Movements for the year ended 30 June 2012				
	Opening net book amount	908	2,206	3,114
	Additions	25,199	-	25,199
	Disposals	(1)	-	(1)
14	Reclassification to 'asset held for sale'	-	(2,206)	(2,206)
7(b)	Depreciation charge for the year	(639)	-	(639)
	Closing net book amount	25,467	-	25,467
At 30 June 2012				
	Cost	26,281	-	26,281
	Accumulated depreciation	(814)	-	(814)
	Net book amount	25,467	-	25,467
At 30 June 2010				
	Cost	29	-	29
	Accumulated depreciation	(12)	-	(12)
	Net book amount	17	-	17
Movements for the year ended 30 June 2011				
	Opening net book amount	17	-	17
	Additions	996	-	996
34	Acquisition of subsidiary	86	2,206	2,292
7(b)	Depreciation charge for the year	(191)	-	(191)
	Closing net book amount	908	2,206	3,114
At 30 June 2011				
	Cost	1,111	2,206	3,317
	Accumulated depreciation	(203)	-	(203)
	Net book amount	908	2,206	3,114

Notes to the financial statements

for the year ended 30 June 2012

NOTE 18: NON-CURRENT ASSETS – INTANGIBLES

Note	Consolidated	
	2012 \$'000	2011 \$'000
At the beginning of the year		
Cost	-	-
Accumulated depreciation	-	-
Net book amount	-	-
Carrying amount at the beginning of the year		
Opening net book amount	-	-
Additions	224	-
Disposals	-	-
Depreciation charge for the year	(41)	-
Closing net book amount	183	-
At 30 June		
Cost	224	-
Accumulated depreciation	(41)	-
Net book amount	183	-

NOTE 19: NON-CURRENT ASSETS – EXPLORATION ASSETS

Note	Consolidated	
	2012 \$'000	2011 \$'000
Exploration assets		
Balance at the beginning of the year	38,271	985
Additions	36,038	8,170
Acquisition of subsidiary	-	29,116
Balance at the end of the year	74,309	38,271

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for the year ended 30 June 2012

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

	Note	Consolidated	
		2012 \$'000	2011 \$'000
Oil and gas properties			
Balance at the beginning of the year, net of accumulated amortisation and impairment		81,330	27,602
Additions		23,859	7,282
Acquisition of subsidiary	34	-	48,442
Amortisation charge for the year	7(b)	(11,815)	(1,996)
Balance at the end of the year, net of accumulated amortisation and impairment		93,374	81,330
Balance at the beginning of the year			
Cost		89,894	34,170
Accumulated amortisation		(5,889)	(3,893)
Accumulated impairment, net of reversals		(2,675)	(2,675)
Net carrying amount		81,330	27,602
Balance at the end of the year			
Cost		113,753	89,894
Accumulated amortisation		(17,704)	(5,889)
Accumulated impairment, net of reversals		(2,675)	(2,675)
Net carrying amount		93,374	81,330

Impairment of oil and gas properties

At 30 June 2012, 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 cash-generating unit basis and has resulted in no impairment expense or reversal of impairment expense (2011: \$nil). 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.

NOTE 21: GOODWILL

	Note	Consolidated	
		2012 \$'000	2011 \$'000
Oil and gas properties			
Balance at the beginning of the year, net of accumulated amortisation and impairment		-	-
Additions	34	-	12,213
Impairment		-	(12,213)
Balance at the end of the year, net of impairment		-	-

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

Notes to the financial statements

for the year ended 30 June 2012

NOTE 22: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2012	2011
	\$'000	\$'000
Other creditors and accruals – unsecured ¹	7,513	5,365
Joint venture payables ²	20,292	3,077
	27,805	8,442

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 and accruals 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 23: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2012	2011
	\$'000	\$'000
Annual and long service leave	406	414
Lease incentives	47	-
	453	414

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for the year ended 30 June 2012

NOTE 24: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2012	2011
	\$'000	\$'000
Rehabilitation	18,066	7,379
Long service leave	96	31
	18,162	7,410

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	
	Note	2012	2011
		\$'000	\$'000
Rehabilitation			
Balance at the beginning of the year		7,379	2,080
Acquisition of subsidiary	34	-	4,877
Additional provision recognised during the year		9,899	27
Unwinding and discount rate adjustment		788	395
Balance at the end of the year		18,066	7,379

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 assets will be incurred at the end of the asset's useful life.

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.

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for the year ended 30 June 2012

NOTE 25: CONTRIBUTED EQUITY

	Parent entity	
	2012 \$'000	2011 \$'000
1,032,094,191 ordinary fully paid shares (2011: 758,280,547)	374,251	241,402
Total issued capital	374,251	241,402

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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NOTE 25: CONTRIBUTED EQUITY (continued)

Ordinary shares

Movement in ordinary fully paid shares on issue

	2012		2011	
	Number of shares	\$'000	Number of shares	\$'000
Balance at the beginning of the year	758,280,547	241,402	518,078,680	151,214
Partly paid shares cancelled and converted into ordinary shares	-	-	-	53
Shares issued during the year	273,813,644	135,886	240,201,867	90,690
Transaction costs on shares issued	-	(3,037)	-	(555)
Balance at the end of the year	1,032,094,191	374,251	758,280,547	241,402

On 26 September 2011, the Company issued 152,936,858 ordinary fully paid shares at a price of 35 cents each, which raised \$53,528,000 before costs.

On 29 June 2012, the Company issued 105,946,775 ordinary fully paid shares at 74 cents each, to raise \$78,401,000 before costs.

8,525,000 ordinary fully paid shares were issued at a price of 25 cents each for the exercise of unlisted options during the period, which raised \$2,131,000 before costs.

2,000,000 ordinary fully paid shares were issued at a price of 27 cents each for the exercise of unlisted options during the period, which raised \$540,000 before costs.

2,708,343 ordinary fully paid shares were issued at a price of 35.6 cents each for the exercise of unlisted options during the period, which raised \$964,000 before costs.

870,000 ordinary fully paid shares were issued at a price of 37 cents each for the exercise of unlisted options during the period, which raised \$322,000 before costs.

826,668 ordinary fully paid shares were issued during the period as a result of the vesting of performance rights.

Options

Information relating to options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in note 36.

Performance rights

Information relating to performance rights, including details of shares issued is set out in note 36.

Capital management

When managing capital (being total contributed equity of \$374,251,000 at 30 June 2012), 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 equity raising, and does not have any debt facilities. The Group is not subject to any externally imposed capital requirements.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 26: RESERVES

Note	Consolidated	
	2012 \$'000	2011 \$'000
Share-based payments reserve		
Balance at the beginning of the year	3,950	2,102
Options and performance rights issued	1,802	1,848
Balance at the end of the year	5,752	3,950
Other reserve		
Balance at the beginning of the year	(183)	-
Non-controlling interest on acquisition	-	31,695
Purchase of non-controlling interest	-	(31,878)
Balance at the end of the year	(183)	(183)
Net unrealised gain / (loss) reserve		
Balance at the beginning of the year	-	(448)
Net (loss) / gain recognised on re-measurement to fair value of available-for-sale assets	16	4,564
Transfer of realised gain to other income	-	(3,924)
Tax effect on net loss / (gain) recognised on re-measurement to fair value of available-for-sale assets	8	(192)
Balance at the end of the year	(886)	-
Total reserves	4,683	3,767

Nature and purpose of reserves

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.

Net unrealised gain / (loss) reserve

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

NOTE 27: ACCUMULATED LOSSES

	Consolidated	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	(87,853)	(84,337)
Net profit / (loss) attributable to ordinary equity holders of the parent entity	8,860	(3,516)
Balance at the end of the year	(78,993)	(87,853)

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for the year ended 30 June 2012

NOTE 28: CONSOLIDATED STATEMENT OF CASH FLOWS RECONCILIATION

		Consolidated	
		2012	2011
	Note	\$'000	\$'000
Reconciliation of the net profit / (loss) after tax to net cash flows from operations			
Net profit / (loss)		8,860	(3,516)
<i>Adjustments:</i>			
Depreciation and amortisation		12,495	2,187
(Gain) / loss on foreign exchange translation		(797)	35
(Gain) / loss on sale of assets		(3)	(3,467)
Rehabilitation unwind		409	-
Impairment of goodwill	21	-	12,213
Share options expensed		1,802	1,594
Income tax expense / (benefit)	8	1,681	(12,006)
<i>Changes in assets and liabilities:</i>			
(Increase) / decrease in prepayments		(2,393)	-
(Increase) / decrease in trade and other receivables		(12,003)	(2,644)
(Increase) / decrease in inventory		(341)	-
Increase / (decrease) in trade and other payables		4,654	(3,521)
Increase / (decrease) in provisions		265	114
Net cash flows from operating activities		14,629	(9,011)

Notes to the financial statements

for the year ended 30 June 2012

NOTE 29: 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

Permits	Consolidated Working interest	
	2012 %	2011 %
Cooper/Eromanga Basins		
ATP 560P* (Ueleven)	42.0	42.0
ATP 736P* – application	80.0	80.0
ATP 737P* – application	80.0	80.0
ATP 738P* – application	80.0	80.0
ATP 752P (Barta)	15.0	15.0
ATP 752P (Wompi)	22.8	22.8
ATP 794P (Barcoo Junction Prospect Area)	12.0	12.0
ATP 794P (Brightspot)	15.0	15.0
ATP 794P (Springfield)	24.0	24.0
ATP 794P (Regleigh)	24.0	24.0
ATP 794P (Barcoo)	35.0	35.0
ATP 794P (Remainder)	60.0	60.0
PEL 87*	60.0	60.0
PEL 90* (Candra)	75.0	75.0
PEL 90* (Kivi)	75.0	75.0
PEL 93*	70.0	70.0
PEL 94	15.0	15.0
PEL 100*	55.0	55.0
PEL 104*	60.0	60.0
PEL 110	60.0	60.0
PEL 111*	60.0	60.0
PEL 113* (Saintly)	100.0	66.7
PEL 113* (Dunoon)	100.0	66.7
PEL 113* (Murteree)	65.0	65.0
PEL 115*	33.0	33.0
PEL 182*	49.9	49.9
PEL 424*	60.0	60.0
PEL 514* (Northern)	50.0	-
PEL 514* (Southern)	70.0	-

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for the year ended 30 June 2012

NOTE 29: INTEREST IN JOINT VENTURE OPERATIONS (continued)

EXPLORATION

	Consolidated Working interest	
	2012	2011
Permits	%	%
Surat Basin		
ATP 471P (Weribone)	20.7	20.7
ATP 574P (Shallows)	30.0	30.0
ATP 574P (Deepes)	30.0	30.0
ATP 593P* (Don Juan CSG)	45.0	45.0
ATP 593P* (Deepes)	24.0	24.0
ATP 771P* (Don Juan CSG)	45.0	45.0

	Consolidated Working interest	
	2012	2011
Permits	%	%
Offshore Carnarvon Basin		
WA-254-P (Parts 1, 3, 4)	-	6.2
WA-254-P (Part 2 – Sage block)	-	9.3

Notes to the financial statements

for the year ended 30 June 2012

NOTE 29: INTEREST IN JOINT VENTURE OPERATIONS (continued)

PRODUCTION

	Consolidated Working interest	
	2012 %	2011 %
Permits		
Cooper/Eromanga Basins		
Acrasia PPL 203*	75.0	75.0
Cuisinier PLA 303 – application	15.0	25.0
Derrilyn PPL 206	35.0	35.0
Derrilyn PPL 208	35.0	35.0
Dunoon PRL 16*	100.0	66.7
Growler PRL 15*	60.0	60.0
Harpoono PPL 209*	100.0	66.7
Mirage PPL 213*	60.0	60.0
Reg Sprigg West PPL 211	18.8	18.8
Snatcher PPL 240 – application*	60.0	-
Toparoa PPL 215	2.3	2.3
Ventura PPL 214*	60.0	60.0
Warrior PPL 207*	70.0	70.0

	Consolidated Working interest	
	2012 %	2011 %
Permits		
Offshore Carnarvon Basin		
WA-47-R (Sage)	9.3	-

	Consolidated Working interest	
	2012 %	2011 %
Permits		
Bowen Basin		
PL 231*	40.0	40.0

	Consolidated Working interest	
	2012 %	2011 %
Permits		
Surat Basin		
PL 171	20.0	20.0
PLA 392 – application	30.0	30.0
PLA 393 – application	30.0	30.0
PCA 76 – application	30.0	30.0

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for the year ended 30 June 2012

NOTE 29: 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:

	Note	Consolidated	
		2012 \$'000	2011 \$'000
Current assets			
Cash and cash equivalents	11	12,693	2,336
Trade and other receivables	13	1,062	258
Non-current assets			
Property, plant and equipment		23,279	-
Exploration assets		22,914	18,141
Oil and gas properties		86,102	81,330
TOTAL ASSETS		146,050	102,065
Current liabilities			
Trade and other payables	22	20,292	3,077
Non-current liabilities			
Provision for rehabilitation		12,735	6,082
TOTAL LIABILITIES		33,027	9,159
NET ASSETS		113,023	92,906

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	
	2012 \$'000	2011 \$'000
Revenue		
Oil sales	55,566	9,839
	55,566	9,839
Expenses		
Cost of sales	(32,660)	(7,593)
Oil and gas exploration expenses	(5,161)	(1,637)
	(37,821)	(9,230)

Notes to the financial statements

for the year ended 30 June 2012

NOTE 30: 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 %	
		2012	2011
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	100
Directly controlled by Stuart Petroleum Ltd			
Stuart Petroleum (Offshore) Pty Ltd*	Australia	100	100
Stuart Petroleum Fuels Pty Ltd	Australia	100	100
Stuart Renewable Energy Pty Ltd*	Australia	100	100
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	100	100
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	100	100
Stuart Petroleum Custodian Pty Ltd*	Australia	100	100
Directly controlled by Stuart Petroleum Fuels Pty Ltd			
Port Bonython Fuels Pty Ltd	Australia	100	100
Directly controlled by Remers Pty Ltd			
Whitewood Nominees Pty Ltd*	Australia	100	100

* Application for deregistration of these entities has been lodged subsequent to the financial year end.

Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 32.

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for the year ended 30 June 2012

NOTE 31: DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, Stuart Petroleum Pty Ltd is party to a deed of cross guarantee and has been granted relief from the Corporations Act 2001 requirement for preparation, audit and lodgement of financial statements, and director's reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The following companies are parties to the Deed and represent a 'closed group' for the purposes of the Class Order:

- Senex Energy Limited
- Azeeza Pty Ltd
- Victoria Oil Pty Ltd
- Victoria International Petroleum N.L.
- Permian Oil Pty Ltd
- Victoria Oil Exploration (1977) Pty Ltd
- Stuart Petroleum Pty Ltd
- Stuart Petroleum Fuels Pty Ltd
- Stuart Petroleum Cooper Basin Oil Pty Ltd
- Stuart Petroleum Cooper Basin Gas Pty Ltd

As there are no other parties to the deed of cross guarantee that are controlled by the Company, the 'closed group' is the same as the 'extended group'.

The deed of cross guarantee was executed on 26 June 2012.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 31: DEED OF CROSS GUARANTEE (continued)

(a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained earnings

Set out below is a consolidated Statement of Comprehensive Income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the 'closed group':

	2012 \$'000
Continuing operations	
Revenue	70,411
Cost of sales	(39,434)
Gross profit	30,977
Other income	85
Oil and gas exploration expenses	(5,222)
General and administrative expenses	(14,739)
Finance expense	(409)
Profit before tax	10,692
Income tax expense	(1,681)
Profit after tax	9,011
Net profit attributable to owners of the parent entity	9,011
Other comprehensive income	
Movements in fair value of available-for-sale assets	(886)
Other comprehensive income, net of tax	(886)
Total comprehensive income attributable to owners of parent entity	8,125
	2012 \$'000
Retained earnings at the beginning of the financial year	(97,967)
Profit for the year	9,011
Retained earnings at the end of the financial year	(88,956)

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for the year ended 30 June 2012

NOTE 31: DEED OF CROSS GUARANTEE (continued)

(b) Consolidated Statement of Financial Position

Set out below is a consolidated Statement of Financial Position as at 30 June 2012 of the 'closed group':

	As at 30 June 2012 \$'000
ASSETS	
Current assets	
Cash and cash equivalents	116,194
Prepayments	2,513
Trade and other receivables	19,122
Inventory	1,501
Total current assets	139,330
Non-current assets	
Trade and other receivables	975
Available-for-sale assets	2,760
Property, plant and equipment	25,467
Intangibles	183
Exploration assets	74,309
Oil and gas properties	93,374
Total non-current assets	197,068
TOTAL ASSETS	336,398
LIABILITIES	
Current liabilities	
Trade and other payables	27,805
Provisions	453
Total current liabilities	28,258
Non-current liabilities	
Provisions	18,162
Total non-current liabilities	18,162
TOTAL LIABILITIES	46,420
NET ASSETS	289,978
EQUITY	
Contributed equity	374,251
Reserves	4,683
Accumulated losses	(88,956)
TOTAL EQUITY	289,978

Notes to the financial statements

for the year ended 30 June 2012

NOTE 32: KEY MANAGEMENT PERSONNEL

Details of key management personnel

Compensation of key management personnel

	Consolidated	
	2012	2011
	\$	\$
Short-term	1,989,397	1,794,048
Post employment	99,201	81,753
Terminations	248,675	-
Share-based payment	1,442,856	921,360
	3,780,129	2,797,161

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for the year ended 30 June 2012

NOTE 32: KEY MANAGEMENT PERSONNEL (continued)

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 the Company, including their personally related entities, are set out below:

Options held in the Company for the year ended 30 June 2012

Number of options	Balance at beginning of period 1 July 2011	Granted as compensation	Options exercised	Options expired
Directors				
DF Patten	1,400,000	-	(900,000)	-
IR Davies	4,000,000	2,000,000	-	-
RH Craven ¹	-	-	-	-
RJ Pett ¹	1,000,000	-	-	-
BM McKeown	-	-	-	-
TBI Crommelin	-	-	-	-
YA Barila	-	-	-	-
Executives				
SG Scott	1,000,000	-	-	-
MR Herrington ²	1,000,000	-	-	-
JA Whitcombe	-	-	-	-
FL Connolly	-	-	-	-
TJ Wyatt ³	-	-	-	-
ID MacDougall ⁴	208,335	-	(208,335)	-
Total	8,608,335	2,000,000	(1,108,335)	-

¹ RJ Pett retired from the Board as Non-Executive Director on 26 September 2011. RH Craven was appointed to the Board as Non-Executive Director on 28 September 2011.

² MR Herrington ceased employment on 31 October 2011. His unexercised options on resignation are included in the Net change other column.

³ TJ Wyatt was appointed on 24 October 2011.

⁴ ID MacDougall ceased employment on 7 October 2011.

The net change other column includes movement for other allocations of options and movement due to retirement/appointment of key management personnel.

There were no vested and unexercisable options at 30 June 2012.

Notes to the financial statements

for the year ended 30 June 2012

Net change other	Balance at end of period 30 June 2012	Vested at 30 June 2012	Vested and exercisable at 30 June 2012
(500,000)	-	-	-
-	6,000,000	2,667,000	2,667,000
-	-	-	-
(1,000,000)	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1,000,000	400,000	400,000
(1,000,000)	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(2,500,000)	7,000,000	3,067,000	3,067,000

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for the year ended 30 June 2012

NOTE 32: KEY MANAGEMENT PERSONNEL (continued)

Option holdings of key management personnel (Consolidated) (continued)

Options held in the Company 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
Directors				
DF Patten	1,500,000	-	(100,000)	-
IR Davies	-	4,000,000	-	-
RJ Pett	1,000,000	-	-	-
BM McKeown	-	-	-	-
TBI Crommelin	-	-	-	-
YA Barila	-	-	-	-
JT Kopcheff ¹	3,000,000	3,000,000	-	-
Executives				
SG Scott	-	1,000,000	-	-
MR Herrington	-	1,000,000	-	-
JA Whitcombe	-	-	-	-
FL Connolly	-	-	-	-
ID MacDougall	-	-	-	-
DI Rakich ²	1,000,000	400,000	-	-
Total	6,500,000	9,400,000	(100,000)	-

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

² DI Rakich ceased employment on 14 February 2011.

The net change other column includes movement for other allocations of options and movement due to retirement/appointment of key management personnel.

There were no vested and unexercisable options at 30 June 2011.

Notes to the financial statements

for the year ended 30 June 2012

Net change other	Balance at end of period 30 June 2011	Vested at 30 June 2011	Vested and exercisable at 30 June 2011
-	1,400,000	1,400,000	1,400,000
-	4,000,000	1,200,000	1,200,000
-	1,000,000	1,000,000	1,000,000
-	-	-	-
-	-	-	-
-	-	-	-
-	6,000,000	3,000,000	3,000,000
-	1,000,000	-	-
-	1,000,000	-	-
-	-	-	-
-	-	-	-
208,335	208,335	208,335	208,335
(1,400,000)	-	-	-
(1,191,665)	14,608,335	6,808,335	6,808,335

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 32: KEY MANAGEMENT PERSONNEL (continued)

Performance rights holdings of key management personnel (Consolidated)

The Company initiated a performance rights plan during the year ended 30 June 2012, 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 the Company, including their personally related entities, are set out below:

Performance rights held in the Company for the year ended 30 June 2012

Number of rights	Balance at beginning of period 1 July 2011	Granted as compensation	Vested and issued	Expired	Net change other	Balance at end of period 30 June 2012
Directors						
DF Patten	-	-	-	-	-	-
IR Davies	-	-	-	-	-	-
RH Craven ¹	-	-	-	-	-	-
RJ Pett ¹	-	-	-	-	-	-
BM McKeown	-	-	-	-	-	-
TBI Crommelin	-	-	-	-	-	-
YA Barila	-	-	-	-	-	-
Executives						
SG Scott	-	862,200	-	-	-	862,200
MR Herrington ²	-	-	-	-	-	-
JA Whitcombe	300,000	732,900	(100,000)	-	-	932,900
FL Connolly	200,000	675,300	(66,667)	-	-	808,633
TJ Wyatt ³	-	862,200	-	-	-	862,200
ID MacDougall ⁴	-	-	-	-	-	-
Total	500,000	3,132,600	(166,667)	-	-	3,465,933

¹ RJ Pett retired from the Board as Non-Executive Director on 26 September 2011. RH Craven was appointed to the Board as Non-Executive Director on 28 September 2011.

² MR Herrington ceased employment on 31 October 2011.

³ TJ Wyatt was appointed on 24 October 2011.

⁴ ID MacDougall ceased employment on 7 October 2011.

The balance of performance rights at 30 June 2012 had not vested.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 32: KEY MANAGEMENT PERSONNEL (continued)

Performance rights holdings of key management personnel (Consolidated) (continued)

Performance rights held in the Company for the year ended 30 June 2011

Number of rights	Balance at beginning of period 1 July 2010	Granted as compensation	Vested and issued	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 ²	-	-	-	-	-	-
Total	-	500,000	-	-	-	500,000

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

² DI Rakich ceased employment on 14 February 2011.

The balance of performance rights at 30 June 2011 had not vested.

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for the year ended 30 June 2012

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 the Company, including their personally related entities, are set out below:

Ordinary fully paid shares held in the Company for the year ended 30 June 2012

Number of ordinary fully paid shares	Balance at beginning of period 1 July 2011	Granted as compensation	Options exercised	Net change other	Balance at end of period 30 June 2012
Directors					
DF Patten	640,000	-	900,000	128,000	1,668,000
IR Davies	634,000	-	-	408,689	1,042,689
RH Craven ¹	-	-	-	102,320	102,320
RJ Pett ¹	541,500	-	-	(541,500)	-
BM McKeown	-	-	-	-	-
TBI Crommelin	2,489,362	-	-	497,874	2,987,236
YA Barila	-	-	-	-	-
Executives					
SG Scott	-	-	-	-	-
MR Herrington ²	-	-	-	-	-
JA Whitcombe	30,000	100,000	-	61,000	191,000
FL Connolly	250,000	66,667	-	104,844	421,511
TJ Wyatt ³	-	-	-	-	-
ID MacDougall ⁴	174,431	-	208,335	(382,766)	-
Total	4,759,293	166,667	1,108,335	378,461	6,412,756

¹ RJ Pett retired from the Board as Non-Executive Director on 26 September 2011. RH Craven was appointed to the Board as Non-Executive Director on 28 September 2011.

² MR Herrington ceased employment on 31 October 2011.

³ TJ Wyatt was appointed on 24 October 2011.

⁴ ID MacDougall ceased employment on 7 October 2011.

The net change other column includes movement for other acquisitions or disposals of shares and movement due to retirement/appointment of key management personnel.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 32: KEY MANAGEMENT PERSONNEL (continued)

Shareholdings of key management personnel (Consolidated) (continued)

Ordinary fully paid shares held in the Company 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	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
FL Connolly ²	-	-	-	250,000	250,000
ID MacDougall	-	-	-	174,431	174,431
DI Rakich ²	-	-	-	-	-
Total	2,441,500	-	100,000	2,217,793	4,759,293

¹ JT Kopcheff retired from the Board as Executive Director on 22 September 2010. His shares at the date of his resignation are included in the Net change other column.

² IR Davies, TBI Commelin and FL Connolly became key management personnel during the year. DI Rakich ceased employment during the year. Their existing shareholdings on joining/leaving the Company are included in the net change other column.

Loans to key management personnel

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

Other transactions and balances with key management personnel

During 2012, the Group made payments of \$3,151,064 (2011: \$451,511) to RBS Morgans Limited, a company associated with Mr Crommelin. These payments primarily comprised capital raising fees. These services were not provided by Mr Crommelin as a Director of the Company.

At 30 June 2012, the Company has a payable due to Mr Davies in relation to a cash-settled share-based payment of \$420,000.

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

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 33: COMMITMENTS

Leasing commitments

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

The Group entered into a lease agreement for head office premises in Brisbane. The term of the lease is three years, with a two year lease option. The lease agreement gives rise to commitments totalling \$1,300,000 over the term of the lease.

The Group entered into a one year sub-lease agreement for additional space in the Brisbane office, with no option for extension. This agreement gives rise to commitments totalling \$458,000 over the term of the lease.

The Group entered into a lease agreement for office premises in Adelaide. The term of the lease is two years, with a two year lease renewal option. This lease agreement gives rise to commitments totalling \$491,000 over the term of the lease.

Future minimum payments under the non-cancellable leases as at 30 June 2012 are as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Minimum lease payments		
- not later than one year	821	763
- later than one year and not later than five years	677	659
	1,498	1,422

Capital commitments

The following capital commitments were contracted for at the reporting date but not recognised as liabilities:

	Consolidated	
	2012	2011
	\$'000	\$'000
- not later than one year	6,585	-
	6,585	-

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 maintain its interests in present permit areas, the Group must expend by 30 June 2013 approximately \$13,478,000 (2011: \$12,902,000). Expenditure beyond 30 June 2013 is expected to total approximately \$25,746,000 to maintain the same interests.

Notes to the financial statements

for the year ended 30 June 2012

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 Petroleum Limited ("Stuart"). Stuart is an oil and gas production and exploration company operating in the South Australian Cooper and Eromanga Basins. The effect of this transaction was accounted for in the full year accounts as at 30 June 2011 on a provisional basis.

The table below summarises the final allocation of the purchase price paid for Stuart:

	Recognised on acquisition \$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash	790
Receivables and other assets	3,653
Inventory	33
Exploration and evaluation assets	29,116
Oil and gas properties	48,442
Property, plant and equipment	2,292
Financial liabilities	(15,019)
Provisions	(5,090)
Deferred tax liability	(12,213)
Fair value of identifiable net assets	52,004
Goodwill	12,213
Non-controlling interest on date of acquisition	(31,695)
Total consideration	32,522

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.

NOTE 35: CONTINGENCIES

Wharfage dues dispute

During the year the Group settled invoices in relation to a dispute between the South Australian Cooper Basin Joint Venture and the Department of Transport, Energy and Infrastructure ("DTEI") regarding the level of wharfage dues on oil exported via the Port Bonython facilities. In addition to the amounts already settled, it is expected that the DTEI will seek to levy interest and penalty charges in relation to these wharfage dues. At the date of this report, the Group is unable to reliably estimate the impact of these interest and penalty charges, nor its liability in this regard.

Other contingencies

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.

There were no other unrecorded contingent assets or liabilities in place for the Group at 30 June 2012.

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for the year ended 30 June 2012

NOTE 36: SHARE-BASED PAYMENTS

Equity-settled share-based payments

Employee share options and performance rights

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

For the year there was no formal policy in place regarding the award of options or performance rights to employees at commencement of employment, or throughout their engagement with the Company except for a policy granting 2012 contingent performance rights to the executive members of key management personnel.

(a) Options

Options granted carry no dividend or voting rights. Options are subject to the option holder being employed in their contracted role on vesting date. There are no conditions attached to the options. When exercisable, each option is convertible into one ordinary share.

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.

The exercise price of options is based on the Board's assessment of a price which will provide appropriate performance incentive to the holder of the options.

Set out below are summaries of options granted:

Grant date	Expiry date	Exercise price Cents	Balance at beginning of the period 1 July 2011 Number	Granted Number
2012				
12 April 2011	26 July 2011	35.6	833,340	-
12 April 2011	16 November 2011	35.6	1,875,003	-
18 February 2009	31 January 2012	25.0	8,600,000	-
5 August 2010	2 February 2014	25.5	2,000,000	-
6 July 2010	30 June 2014	37.0	2,210,000	-
1 July 2011	1 July 2014	40.0	-	667,000
9 September 2010	31 August 2014	27.0	3,000,000	-
1 July 2011	1 July 2015	40.0	-	667,000
9 September 2010	9 September 2015	25.5	1,200,000	-
1 July 2011	1 July 2016	40.0	-	666,000
9 September 2010	19 July 2016	25.5	800,000	-
9 September 2010	19 July 2017	25.5	1,000,000	-
9 September 2010	19 July 2018	25.5	1,000,000	-
8 November 2010	30 June 2014	37.0	600,000	-
Total			23,118,343	2,000,000
Weighted average exercise price			28.1	40.0

Exercised Number	Forfeited Number	Balance at end of the period 30 June 2012 Number	Vested and exercisable at end of the period 30 June 2012 Number
(833,340)	-	-	-
(1,875,003)	-	-	-
(8,525,000)	(75,000)	-	-
-	-	2,000,000	800,000
(450,000)	-	1,760,000	1,760,000
-	-	667,000	667,000
(2,000,000)	-	1,000,000	1,000,000
-	-	667,000	-
-	-	1,200,000	1,200,000
-	-	666,000	-
-	-	800,000	800,000
-	-	1,000,000	-
-	-	1,000,000	-
(420,000)	-	180,000	180,000
(14,103,343)	(75,000)	10,940,000	6,407,000
28.1	25.0	30.3	30.7

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 36: SHARE-BASED PAYMENTS (continued)

(a) Options (continued)

Grant date	Expiry date	Exercise price Cents	Balance at beginning of the period 1 July 2010 Number	Granted Number
2011				
12 April 2011	26 July 2011	35.6	-	833,340
12 April 2011	16 November 2011	35.6	-	1,875,003
18 February 2009	31 January 2012	25.0	8,775,000	-
5 August 2010	2 February 2014	25.5	-	2,000,000
6 July 2010	30 June 2014	37.0	-	2,210,000
9 September 2010	31 August 2014	27.0	-	3,000,000
9 September 2010	9 September 2015	25.5	-	1,200,000
9 September 2010	19 July 2016	25.5	-	800,000
9 September 2010	19 July 2017	25.5	-	1,000,000
9 September 2010	19 July 2018	25.5	-	1,000,000
8 November 2010	30 June 2014	37.0	-	600,000
Total			8,775,000	14,518,343
Weighted average exercise price			25.0	29.9

The weighted average share price at the date of exercise of options granted during the year ended 30 June 2012 was 40.0 cents (2011: 29.9 cents).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.06 years (2011: 2.21 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 ranged between 14 to 18 cents per option (2011: 8 to 17 cents). The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2012 included:

- (a) Options are granted for no consideration and generally vest over a three year period
- (b) Exercise price: 40.0 cents (2011: 25.5 to 37.0 cents)
- (c) Grant date: 1 July 2011 (2011: various from 6 July 2010 to 12 April 2011)
- (d) Expiry date: various between 1 July 2014 to 1 July 2018 (2011: various from 26 July 2011 to 19 July 2018)
- (e) Share price at grant date: 37.0 cents (2011: various from 27.0 to 42.0 cents)
- (f) Expected price volatility of the Company's shares: 50% (2011: 50%)
- (g) Expected dividend yield: nil% (2011: nil%)
- (h) Risk-free interest rate: 5.75% (2011: 5.75%)

The expected price volatility is based on the historic volatility, the remaining life of the options and is adjusted for any expected changes to future volatility due to publicly available information.

Exercised Number	Forfeited Number	Balance at end of the period 30 June 2011 Number	Vested and exercisable at end of the period 30 June 2011 Number
-	-	833,340	833,340
-	-	1,875,003	1,875,003
(175,000)	-	8,600,000	8,600,000
-	-	2,000,000	-
-	-	2,210,000	-
-	-	3,000,000	-
-	-	1,200,000	1,200,000
-	-	800,000	-
-	-	1,000,000	-
-	-	1,000,000	-
-	-	600,000	-
(175,000)	-	23,118,343	12,508,343
25.0	-	28.1	27.3

(b) Performance rights

The Company has adopted a performance rights plan for certain employees, which directly links equity-based incentives to performance conditions.

The performance rights granted during the year ended 30 June 2012 were subject to satisfaction of performance conditions and vesting conditions. If the performance condition applicable to a performance right is satisfied, and the performance right vests, the holder is entitled to receive, without payment, on the vesting date for that performance right, one fully paid ordinary share in the Company for each vested performance right.

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.

Fair value of performance rights

The weighted average fair value at grant date of performance rights granted during the year ended 30 June 2012 was 63.6 cents (2011: 38.5 cents).

Fair value is calculated taking into consideration the share price on grant date and the likely number of shares that will be issued after taking into consideration a probability factor for the vesting conditions such as employee retention and individual performance conditions.

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 36: SHARE-BASED PAYMENTS (continued)

Set out below are summaries of performance rights granted and issued:

Grant date / exercise date	Performance rights granted Number	Exercised during the period Number
2012		
1 July 2011	100,000	-
10 August 2011	-	566,668
23 November 2011	260,000	-
23 December 2011	4,532,600	-
5 January 2012	-	260,000
24 February 2012	100,000	-
20 April 2012	10,000	-
Total	5,002,600	826,668

Grant date / exercise date	Performance rights granted Number	Exercised during the period Number
2011		
1 December 2010	1,800,000	-
Total	1,800,000	-

Cash-settled share-based payments

During the year, a senior employee was granted a cash-settled share-based payment. The payment was based on the Company 20 day VWAP on 30 June 2011. The fair value of the cash-settled share-based payment is measured at each reporting date with reference to the Company's closing share price taking into account the terms and conditions upon which the instrument was granted and the current likelihood of achieving the specified target.

The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2012 is \$420,000 (2011: \$nil).

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee expense were as follows:

	2012 \$	2011 \$
Equity-settled share-based payments		
- Options	579,274	1,389,641
- Performance rights	1,223,056	204,050
Cash-settled share-based payments	420,000	-
	2,222,330	1,593,691

Notes to the financial statements

for the year ended 30 June 2012

NOTE 37: PARENT ENTITY INFORMATION

(a) Summary financial information

	Parent entity	
	2012	2011
	\$'000	\$'000
Total current assets	183,469	52,417
Total non-current assets	93,272	97,260
TOTAL ASSETS	276,741	149,677
Total current liabilities	4,588	2,486
Total non-current liabilities	2,089	115
TOTAL LIABILITIES	6,677	2,601
NET ASSETS	270,064	147,076
EQUITY		
Contributed equity	374,505	241,656
Share-based payments reserve	5,498	3,696
Net unrealised gain / (loss) reserve	(886)	-
Other reserve	(183)	(183)
Accumulated losses	(108,870)	(98,093)
TOTAL EQUITY	270,064	147,076
Net loss of the parent entity	(10,777)	(5,739)
Other comprehensive income of the parent entity	(886)	448
Total comprehensive income of the parent entity	(11,663)	(5,291)

(b) Guarantees entered into by the parent entity

There are cross guarantees provided as described in note 31.

No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee as the fair value of the guarantee is considered immaterial.

(c) Contingent assets and liabilities of the parent entity

There are no unrecorded contingent assets or liabilities in place for the parent entity at 30 June 2012 (2011: \$nil).

(d) Contractual commitments for capital acquisitions

The parent entity did not have any contractual commitments for capital acquisition at 30 June 2012 (2011: \$nil).

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Notes to the financial statements

for the year ended 30 June 2012

NOTE 38: COMPARATIVE INFORMATION

Finalisation of the purchase price allocation for the acquisition of Stuart Petroleum Limited (refer note 34) has had the following effect on the financial result for the year ended 30 June 2011:

	2011 Provisional* \$'000	Amortisation – restated \$'000	Finance expense – restated \$'000	2011 Restated \$'000
Continuing operations				
Revenue	13,198	-	-	13,198
Cost of sales	(7,593)	(102)	-	(7,695)
Gross profit / (loss)	5,605	(102)	-	5,503
Other income	3,512	-	-	3,512
Oil and gas exploration expenses	(1,637)	-	-	(1,637)
Impairment of goodwill	(12,213)	-	-	(12,213)
Transaction costs	(1,777)	-	-	(1,777)
Relocation and rebranding	(519)	-	-	(519)
General and administrative expenses	(8,084)	-	-	(8,084)
Finance expense	(196)	-	(111)	(307)
Loss before tax	(15,309)	(102)	(111)	(15,522)
Income tax benefit	12,006	-	-	12,006
Loss after tax	(3,303)	(102)	(111)	(3,516)
Net loss attributable to owners of the parent entity	(3,303)	(102)	(111)	(3,516)

* An amount of \$1,650,000 has been reclassified between 'Revenue' and 'General and administrative expenses'.
The amount relates to internally generated revenue which should be treated as a consolidation adjustment.

Notes to the financial statements

for the year ended 30 June 2012

NOTE 38: COMPARATIVE INFORMATION (continued)

Finalisation of the purchase price allocation for the acquisition of Stuart Petroleum Limited has had the following effect on the Statement of Financial Position for the year ended 30 June 2011:

	2011 Provisional \$'000	PPA adjustment \$'000	Amortisation – restated \$'000	Finance expense – restated \$'000	2011 Restated \$'000
ASSETS					
Current assets					
Cash and cash equivalents	42,279	-	-	-	42,279
Prepayments	281	-	-	-	281
Trade and other receivables	7,486	-	-	-	7,486
Inventory	34	-	-	-	34
Total current assets	50,080	-	-	-	50,080
Non-current assets					
Trade and other receivables	787	-	-	-	787
Property, plant and equipment	1,364	1,750	-	-	3,114
Exploration assets	37,760	511	-	-	38,271
Oil and gas properties	82,507	(1,034)	(102)	(41)	81,330
Total non-current assets	122,418	1,227	(102)	(41)	123,502
TOTAL ASSETS	172,498	1,227	(102)	(41)	173,582
LIABILITIES					
Current liabilities					
Trade and other payables	8,442	-	-	-	8,442
Provisions	414	-	-	-	414
Total current liabilities	8,856	-	-	-	8,856
Non-current liabilities					
Provisions	6,113	1,227	-	70	7,410
Total non-current liabilities	6,113	1,227	-	70	7,410
TOTAL LIABILITIES	14,969	1,227	-	70	16,266
NET ASSETS	157,529	-	(102)	(111)	157,316
EQUITY					
Contributed equity	241,402	-	-	-	241,402
Reserves	3,767	-	-	-	3,767
Accumulated losses	(87,640)	-	(102)	(111)	(87,853)
TOTAL EQUITY	157,529	-	(102)	(111)	157,316

Financial statements

Notes to the financial statements

for the year ended 30 June 2012

NOTE 39: EVENTS AFTER THE REPORTING DATE

Equity raising

On 19 June 2012, the Company announced a \$155 million fully underwritten equity raising through an institutional placement of approximately \$50 million before costs and a 2 for 13 accelerated non-renounceable entitlement offer to raise approximately \$105 million before costs at an offer price of 74 cents per share.

The institutional component of the equity raising and the accelerated institutional component of the 2 for 13 non-renounceable entitlement were completed prior to the year end. As a result, 105,946,775 ordinary fully paid shares were issued at 74 cents each on 29 June 2012, to raise \$78,401,000 before costs (refer note 25).

The retail entitlement offer closed on 16 July 2012 and resulted in the issue of 104,111,540 ordinary fully paid shares at 74 cents on 19 July 2012, to raise \$77,043,000 before costs.

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.

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 2012 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; and
 - (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 31, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.
- (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 2012.

On behalf of the Board



Denis F Patten
Chairman

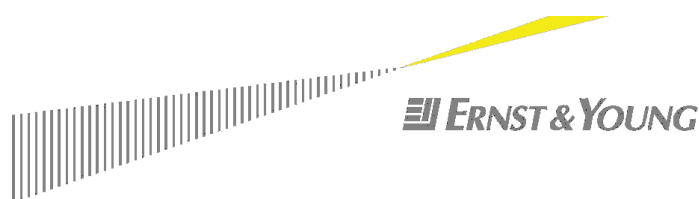
Brisbane, Queensland
24 September 2012



Ian R Davies
Managing Director

Financial statements

Independent audit report



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www.ey.com/au

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 2012, 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.

Independent audit 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 2012 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 37 to 52 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read "Ernst & Young", written over a faint, larger version of the company name.

Ernst & Young

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

Andrew Carrick
Partner
Brisbane
24 September 2012

Shareholder information

Shareholders statistics

Additional information provided pursuant to Australian Securities Exchange listing rule 4.10 and not shown elsewhere in this report:

(a) A distribution schedule of the number of holders in each class of equity securities as at 14 September 2012:

Number of shares	Number of holders		
	Fully paid shares	Unlisted options	Performance rights
1 – 1,000	2,683	-	-
1,001 – 5,000	3,689	-	-
5,001 – 10,000	2,073	-	1
10,001 – 100,000	4,792	6	2
100,001 +	840	7	6
Total	14,077	13	9

(b) The number of holders holding less than a marketable parcel of fully paid shares as at 14 September 2012 was 2,093 holders.

(c) The names of the 20 largest holders of fully paid shares, the number of fully paid shares each holds and the percentage of capital each holds as at 14 September 2012:

No.	Name	Number	%
1	Sentient Executive GP IV Limited	103,178,338	9.05
2	National Nominees Limited	93,472,634	8.20
3	JP Morgan Nominees Australia Limited	93,114,898	8.17
4	HSBC Custody Nominees (Australia) Limited	54,180,143	4.75
5	Sentient Executive GP III Ltd	49,684,394	4.36
6	Australian Foundation Investment Company Limited	46,717,317	4.10
7	Elphinstone Holdings Pty Ltd	32,595,309	2.86
8	Mr Robert Bryan	31,716,667	2.78
9	Sentient Executive GP III Ltd	31,599,544	2.77
10	Citicorp Nominees Pty Limited	27,157,740	2.38
11	JP Morgan Nominees Australia Limited	19,192,400	1.68
12	Bow Energy Limited	15,600,000	1.37
13	BNP Paribas Noms Pty Ltd	13,428,024	1.18
14	Citicorp Nominees Pty Limited	11,421,316	1.00
15	AMP Life Limited	10,119,267	0.89
16	HSBC Custody Nominees (Australia) Limited	10,014,571	0.88
17	Mirrabooka Investments Limited	8,500,000	0.75
18	UBS Wealth Management Australia Nominees Pty Ltd	7,844,949	0.69
19	Mr Dallas John William Allman & Mrs Judith Dawn Allman	6,000,000	0.53
20	Amcil Limited	5,370,000	0.47
Total		670,907,511	58.86

(d) The name of the substantial holder in the Company and the number of equity securities to which the substantial holder and the substantial holder's associates have a relevant interest, as disclosed in the substantial holding notice given to the Company as at 14 September 2012:

Name	Number	%
Sentient Executive GP III Limited	152,417,033	16.7
as disclosed by notice of change of interests dated 28 September 2011		

Shareholders statistics

(e) Directors' security holdings and relevant interests as at 14 September 2012:

Class of security	Number of securities	
	Fully paid shares	Unlisted options
DF Patten	1,924,616	-
IR Davies	1,853,953	6,000,000
RH Craven	140,000	-
TBI Crommelin	3,546,812	-
BM McKeown*	-	-
YA Barila*	-	-
Total	7,465,381	6,000,000

* Mr McKeown and Ms Barila are executives of the Sentient Group which held relevant interests in 188,212,276 fully paid shares (16.51% of issued shares) at 14 September 2012.

(f) Voting rights

Subject to the constitution and to any rights or restrictions attaching to any class of shares, every member is entitled to vote at a general meeting of the Company. Subject to the constitution and the *Corporations Act 2001*, every member present in person or by proxy, representative or attorney at a general meeting has, on a show of hands, one vote, and on a poll, one vote for each fully paid share held by the member.

Shareholder information

Major announcements

2012	Announcement
5 June	Appraisal success continues with the Cuisinier-4 oil well in the Queensland Cooper Basin
4 June	Gas flows to surface at Sasanof-1 unconventional gas exploration well
31 May	Appraisal success with the Snatcher-4 oil well on the western flank of the South Australian Cooper Basin
30 May	Sasanof-1 fracture stimulation program successfully completed
28 May	Extensive 3D seismic survey underway in the northern region of the South Australian Cooper Basin
10 May	Senex 2P gas reserves upgraded 75%
4 May	Senex resumes production at Snatcher oil field in the South Australian Cooper Basin
27 April	Tigercat-2 exploration well results
26 April	March 2012 Quarterly Report and Appendix 5B
11 April	Preliminary results from Sasanof-1 confirm excellent prospects for unconventional gas in the southern Cooper Basin
11 April	Growler-10 oil appraisal well gives Senex eleventh consecutive success at Growler oil field
4 April	Senex announces major oil reserves upgrade
30 March	Senex extends its successful oil appraisal program in the South Australian Cooper Basin
27 March	Thunderchief-1 oil exploration well unsuccessful
14 March	Kato-2 Coal seam gas exploration well delivers excellent results
13 March	Senex Half Year Report to 31 December 2011
13 March	Senex announces \$1.95M net profit for the half year to 31 December 2011
9 March	Senex to sell the Port Bonython Fuels Project in South Australia to Mitsubishi Corporation
22 February	Growler-8 oil appraisal well successful
6 February	Spitfire-1 exploration well discovers new oil field
1 February	Senex to increase its interest in unconventional gas permit PEL 115 and acquire 19.99% of Orca Energy
25 January	December 2011 Quarterly Report and Appendix 5B
17 January	Successful Growler-7 appraisal well further extends mapped limits of the western flank
6 January	Senex commences unconventional gas campaign
4 January	Growler-11 oil development well successful

2011	Announcement
15 December	Jaguar-1 exploration well unsuccessful
12 December	Kato-1 coal seam gas exploration well exceeds expectations
28 November	Growler-9 well extends known limits of the Growler oil field
25 November	Western Surat coal seam gas exploration program commences
7 November	Successful Growler-6 appraisal well a future oil producer
31 October	September 2011 Quarterly Report and Appendix 5B
18 October	Senex commences Cooper Basin western flank drilling program
5 October	CSG appraisal delivers positive results in Surat Basin
29 September	Production recommences at Growler oil field
29 September	Director appointment – Dr Ralph Craven
26 September	Resignation of Director Robert Pett
22 September	Senex announces full year statutory accounts
21 September	Senex 1 for 5 entitlement issue significantly over-subscribed
1 September	Sampdoria-1 exploration well results
24 August	Agreement for pipeline transport of Snatcher crude
22 August	Senex announces \$53.3 million capital raising
19 August	Senex to farmin to strategic Cooper Basin permit PELA 514
19 August	Senex and Beach developing Growler to Moomba oil pipeline
18 August	Senex farmout to Ambassador Exploration – PEL 516, PEL 113
29 July	June 2011 Quarterly Report and Appendix 5B
15 July	Senex announces 2011/12 production target

Shareholder information

Five year history

	2008*	2009	2010	2011**	2012
Financial performance (A\$'000)					
Sales revenue (oil sales)	5,487	9,476	10,513	9,839	64,391
Total revenue	6,452	11,603	13,188	13,198	70,411
Income tax benefit / (expense)	46	56	(102)	12,006	(1,681)
Profit / (loss) after tax	(3,845)	(8,629)	2,589	(3,516)	8,860
Financial position (A\$'000)					
Total assets	27,473	30,235	73,972	173,582	346,361
Net debt/(cash)					
Total equity	25,168	25,701	68,583	157,316	299,941
Reserves and production					
2P reserves – oil (mmboe)***			1.6	6.9	8.1
2P reserves – gas (mmboe)***			7.74	13.58	23.74
Production – oil (barrels)	57,097	124,187	142,579	172,715	601,647
Exploration					
Wells drilled (number)	18	14	11	13	26
Other capital expenditure (A\$'000)					
Property, plant and equipment and intangibles	9	4	20	996	25,422
Share information					
Issued shares	320,151,033	368,300,198	518,078,680	758,280,547	1,032,094,191
Weighted average shares	263,452,020	363,917,808	251,714,888	634,387,668	920,847,238
Share price	0.28	0.39	0.24	0.36	0.71
Ratios					
Earnings / (loss) per share (cents/share) – diluted	(1.60)	(2.59)	1.13	(0.55)	0.95
General (A\$'000)					
Market capitalisation	89,642	143,637	124,339	272,981	732,787
Current liabilities	1,417	2,781	3,269	8,856	28,258
Profit / (loss) before tax	(3,141)	(4,188)	2,565	(15,522)	10,541
Interest income	226	827	1,217	2,556	3,336
Depreciation, amortisation and impairment expenditure	2,012	1,859	977	14,400	12,495
Exploration expenses	2,775	6,069	2,393	1,637	5,222

* 2008 figures are sourced from the 2009 annual report. These vary from the 2008 annual report due to the classification of Victoria Petroleum USA as a discontinued operation.

** 2011 figures are sourced from the 2012 annual report. These vary from the 2011 annual report due to the finalisation of the purchase price allocation for Stuart Petroleum Limited (Stuart). Production from Stuart oil fields has been included as though Senex's acquisition of the company had occurred on 1 July 2010. Reported Senex production for 2011 was 92,765 net barrels.

*** Refer competent persons statement on page 143.

Glossary

1P means certified to be 'proved' (developed plus undeveloped) in accordance with the SPE-PRMS.

2P means certified to be 'proved' plus 'probable' in accordance with the SPE-PRMS.

3P means certified to be 'proved' plus 'probable' plus 'possible' in accordance with the SPE-PRMS.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

ATP means an authority to prospect granted under the *Petroleum Act 1923* (Qld) or the *Petroleum Gas (Production and Safety) Act 2004* (Qld).

Barrel/bbl means the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons.

boe means barrels of oil equivalent. 1 boe = 6,000 cubic feet.

Cooper Basin means the sedimentary geological basin of upper Carboniferous to middle Triassic age in north-east South Australia and south-west Queensland.

CSG means coal seam gas, which is predominantly methane gas stored within coal deposits or seams.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Eromanga Basin means the Mesozoic sedimentary basin covering parts of Queensland, the Northern Territory, South Australia and New South Wales.

Exploration means drilling, seismic or technical studies to identify and evaluate regions or prospects with the potential to contain hydrocarbons.

KPI means key performance indicators.

LNG means liquefied natural gas, which is natural gas that has been liquefied by refrigeration for storage or transportation.

LTI means long-term incentive.

Market capitalisation means the company's market value at a given date and is calculated as the number of shares on issue multiplied by the closing share price on that given date.

mmboe means million barrels of oil equivalent.

NPAT means net profit after tax.

Oil means a mixture of liquid hydrocarbons of different molecular weights.

Pedirka Basin means the Paleozoic intracratonic sedimentary basin located primarily in South Australia and the Northern Territory and possibly extending into Queensland.

PEL means a petroleum exploration licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA).

PELA means an application for a PEL.

Petroleum Act means the *Petroleum Act 1923* (Qld), the *Petroleum Gas (Production and Safety) Act 2004* (Qld) or the *Petroleum and Geothermal Energy Act 2000* (SA), as relevant.

PJ means petajoule.

PL means a petroleum lease granted under the *Petroleum Act 1923* (Qld) or the *Petroleum Gas (Production and Safety) Act 2004* (Qld).

PPL means a petroleum production licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA).

PRL means petroleum retention licence granted under the *Petroleum and Geothermal Energy Act 2000* (SA).

Reserve means a Reserve as defined in the SPE-PRMS.

SPE-PRMS means the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers.

STI means short-term incentive.

Stuart means Stuart Petroleum Pty Ltd (formerly Stuart Petroleum Limited).

Surat Basin means the sedimentary geological basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales.

TRIFR means total recordable injury frequency rate.

TSR means total shareholder return.

VWAP means volume weighted average price.

Competent persons statement

Unless otherwise indicated, the statements contained in this report about Senex's reserves and resource estimates have been compiled by Dr Steven Scott BSc (Hons), PhD, who is General Manager - Exploration, a full time employee of Senex, in accordance with the definitions and guidelines in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (SPE PRMS). Dr Scott consents to the inclusion of the estimates in the form and context in which they appear. Senex reserves and resources are consistent with the SPE PRMS.

Reserves and resource estimates in this report were compiled on the following dates:

<i>Oil</i>	
2011/12	29 February 2012
2010/11	21 February 2012
2009/10	19 January 2010

<i>Coal seam gas</i>	
2011/12	28 February 2012
2010/11	31 December 2010
2009/10	21 October 2009

<i>Unconventional gas</i>	
2011/12	15 July 2010

Shareholder information

Corporate directory

SENEX ENERGY LIMITED

Australian Business Number

50 008 942 827

Directors

Denis F Patten (Chairman)
Ian R Davies (Managing Director and Chief Executive Officer)
Benedict M McKeown (Non-Executive Director)
Timothy BI Crommelin (Non-Executive Director)
Ralph H Craven (Non-Executive Director)
Yanina A Barila (Alternative Non-Executive Director)

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 registry

Link Market Services

Level 15, 324 Queen Street
Brisbane Queensland 4000

Telephone: From Australia 1300 554 474

Telephone: International +61 2 8280 7111

Email: registrars@linkmarketservices.com.au

Securities exchange

Australian Securities Exchange (ASX)

Code: SXY

Solicitors

Corrs Chambers Westgarth
Waterfront Place
1 Eagle Street
Brisbane Queensland 4000

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane Queensland 4000

Bankers

ANZ Banking Group Ltd
Level 20, 111 Eagle Street
Brisbane Queensland 4000

Auditors

Ernst & Young
Level 51, 111 Eagle Street
Brisbane Queensland 4000

About this report

This 2012 annual report is a summary of Senex's operations, activities and financial position as at 30 June 2012.

The theme of the 2012 annual report is energy to deliver. This reflects the Company's focus on delivering its extensive energy development and exploration programs across conventional oil and gas as well as unconventional gas.

An electronic version of this report is available at www.senexenergy.com.au

Shareholders who no longer wish to receive a printed annual report can help us to reduce the number of copies printed by advising our share registry in writing (see corporate directory on page 144). Shareholders who choose not to receive a printed report will continue to receive all other shareholder information, including notice of shareholder meetings.



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