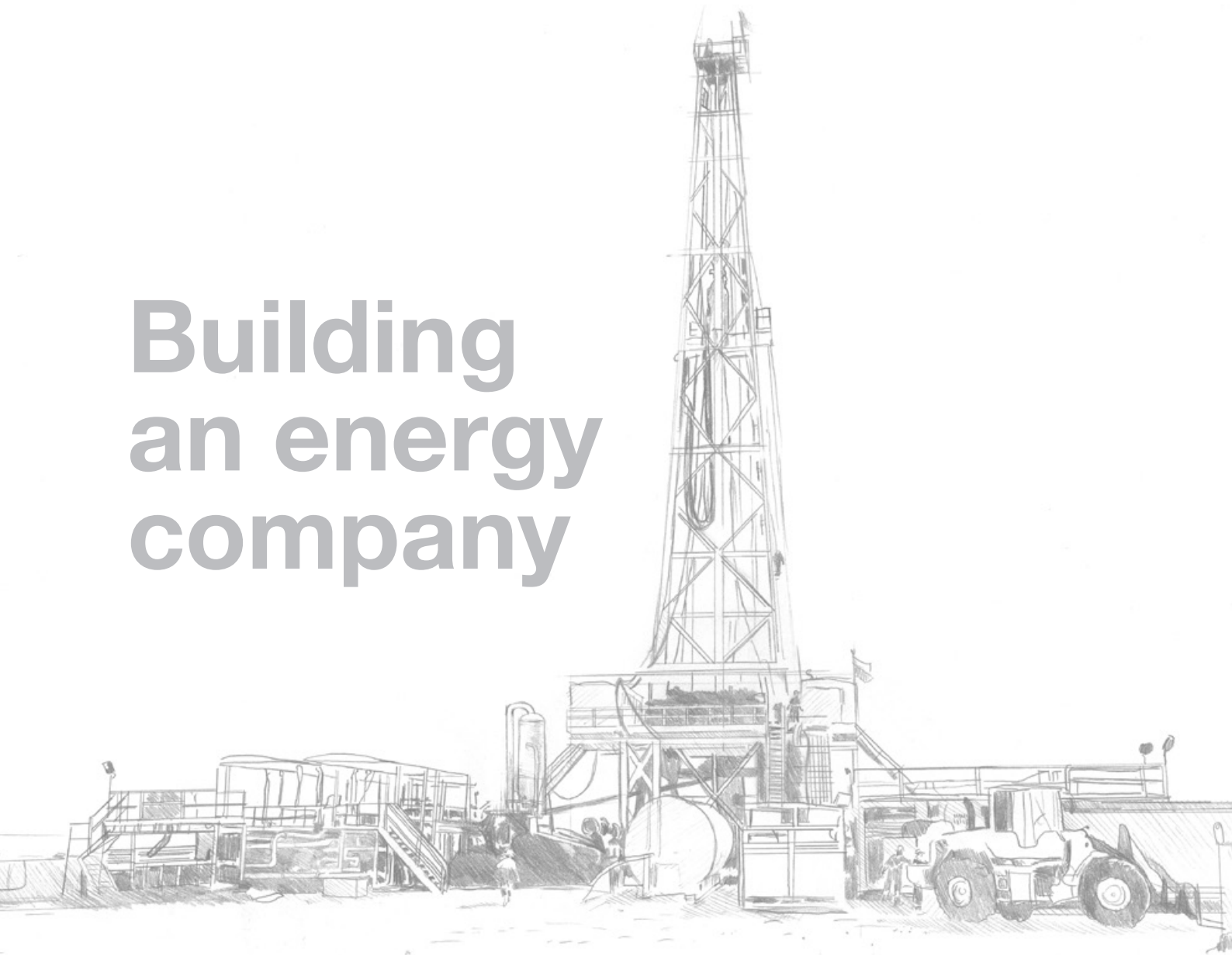


Building an energy company



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About this report

This report is a summary of Senex's operations, activities and financial position as at 30 June 2013. It complies with Australian reporting requirements.

An electronic version of this report is available at www.senexenergy.com.au. Printed reports are also available from Senex on request.

Chairman's letter

Dear Shareholder,

You will note a distinct difference in our approach to the presentation of this year's annual report for Senex Energy Limited (Senex). The absence of colourful images in this document is a deliberate move to signal our focus on cost management and timely disclosure, while retaining the critical elements of transparency, readability and easy navigation.

Delivering on our strategy

In line with our rapid growth agenda, your Company realised excellent operational and financial results during 2012/13, completing the planned exploration and development activities within budget.

Operationally, Senex achieved record oil production of 1.25 million barrels and increased net proved and probable (2P) oil reserves by 3.9 million barrels to 10.8 million barrels, representing a reserves replacement ratio of 319%. Successful exploration programs delivered two new conventional oil fields and, importantly, a significant conventional gas discovery less than 30 kilometres from the Moomba to Sydney gas pipeline. At the same time, the Company progressed plans to develop a valuable unconventional gas business.

Financially, your Company ended the year with a very healthy balance sheet. Cash reserves totalled \$127 million and, on the back of a doubling in oil production, oil revenue reached \$137 million, resulting in net profit after tax of \$61 million¹. With no debt and our high margin oil business generating operating cashflows, all of our 2013/14 work programs are fully self-funded. It is an enviable scorecard.

Outperforming and undervalued

Senex clearly delivered on its growth trajectory for 2012/13 in relation to operational and financial performance. In the face of these successes, it was disappointing to see the stock undervalued by the market in the latter half of the year, closing at 59 cents (down 17% on the 2011/12 closing price). Since the end of the year, it has been pleasing to see the share price recover, trading at 72 cents at the time of writing. We trust the investment community will see the strength and advantage of Senex's underlying business as it continues to grow in 2013/14.

Building an energy company

The theme of this year's report, **Building an energy company**, reflects the Board's long term strategy for Senex and provides a meaningful framework for understanding the company's results for 2012/13. The Board, management and entire team at Senex are focused on building an enduring Australian energy business that delivers value to shareholders over the short, medium and long term.

To achieve this, we have concentrated on:

- **Careful management of people and the environment:** Putting safety first, living the Senex values of Delivery, Ownership, Collaboration and Integrity, building effective relationships with our stakeholders, and minimising environmental and social impacts.
- **Prudent fiscal and capital management:** Protecting our balance sheet, improving efficiency, reducing the cost of production and minimising overheads.
- **Rapid growth of our profitable oil business:** Maximising the use of existing infrastructure, optimising production from existing fields, focusing on near field exploration and exploitation, and applying world-class expertise and technology.
- **Early development of our substantial gas resources:** Prioritising the early development of existing gas resources ahead of further gas exploration, and introducing a financially-capable partner with marketing and technical expertise.

Sustainable growth opportunities

Senex is a growth company with very real opportunities to capitalise on the value of its oil and gas assets, particularly in the South Australian Cooper-Eromanga Basin. Your Company's performance since the business's rejuvenation in 2010 – and particularly over the last year – demonstrates our capacity to deliver on aggressive growth targets. Your Board and management are committed to continuing this trend.

The secret of Senex's success over the years is our people. Their enthusiasm, experience and creativity have delivered results that set Senex apart from its competitors. I would like to thank our team for their excellent work during the year and encourage them to stay focused on achieving our goals for 2013/14.

Finally, on behalf of my colleagues on the Board, I would like to thank you, our shareholders, for your support and loyalty. We will continue to serve your interests over the coming year; building an energy company that is focused on growth, profitability and balance sheet protection.

Sincerely,



Denis F Patten
Chairman

27 August 2013

¹ Net profit after tax is equivalent to 'Profit/(loss) after tax' per the audited consolidated statement of comprehensive income on page 52 of this Annual Report.

Managing Director's report

In an age of endless distractions, focus is the essential ingredient for success. Over the last three years, our single-minded focus on sustainable growth has transformed Senex into a thriving S&P/ASX 200 company. In coming years, this same focus will see us continuing the process of building an energy company and generating wealth for our shareholders.

Highlights: Record growth

2012/13 was an incredible year for Senex with record production, record reserves and record profitability. We demonstrated our technical credentials as a profitable oil producer and successful oil and gas explorer. At the same time, we laid the foundations for future success by expanding the capability of our team and structuring the business for continued growth.

The full extent of our success in the past year becomes evident when you take a slightly longer view. Over the last three years, Senex increased production by more than 780%, achieved a six-fold increase in oil reserves and delivered substantial new gas resources in the Cooper-Eromanga Basin. Our team grew from four at 30 June 2010 to 160 at 30 June 2013. These outcomes are all consistent with our focus on developing a robust and sustainable energy business.

People: Values roll-out

To build a valuable energy company, it is critical that we develop the right culture. Senex articulated four core values during 2013: Delivery, Ownership, Collaboration and Integrity, with safety at the heart of all four. These values describe the behaviours we need to develop a results-oriented culture that will drive our business forward. The Board and Executive Leadership Team fully support the concept of values-driven success and each of the values has been embedded in the performance review process for all staff, including me.

Safety: Striving for zero

Safety is a key measure of success for Senex and our corporate safety performance target for 2012/13 was to "strive for zero" harm, as measured by total recordable injuries per million hours worked. During the year, the number of hours worked by Senex employees and contractors more than doubled to over one million hours. Nine recordable incidents occurred during the year, with eight of the nine incidents involving third party contractors and three of those involving lost time. For the coming year, we have renewed focus on our contractor management procedures.

Environment: Careful management

During 2013, Senex worked closely with landholders, traditional owners, regulators and other stakeholders to progress our exploration activities with minimal environmental and social impacts. The Company operated in accordance with all environmental regulation and is playing an active role in the development of a roadmap for unconventional gas projects in South Australia.

Outlook: Continued strong performance

2013/14 will be a year of unprecedented activity for Senex. Our focus is on the continued development of our high growth, high margin oil business and early commercialisation of our gas resources:

- **Extensive oil drilling:** Senex will drill more than 30 oil wells in its South Australian Cooper-Eromanga Basin permits with a combination of exploration, appraisal and development wells.
- **Ongoing 3D seismic acquisition and analysis:** Work is already underway on the acquisition of more than 1,000 square kilometres of 3D seismic data across Senex's permits in the northern Cooper-Eromanga Basin. Analysis and interpretation of this survey and the 1,300 square kilometres already collected will yield the next generation of oil and gas targets across our acreage.
- **Oil production increase:** We anticipate production for the year of between 1.4 million and 1.6 million barrels of oil, representing a 12% to 28% increase on the 2012/13 result.
- **Oil reserves growth:** Senex is targeting further growth in proved and probable oil reserves of between 4 million and 6 million barrels, representing a reserves replacement ratio of 333% (to the midpoint of guidance).
- **Hornet gas field development planning:** Following the discovery of a new conventional tight gas field at Hornet in the southern Cooper-Eromanga Basin, Senex will progress plans for early development and will seek to introduce the right partner at the right time.
- **Unconventional gas business development:** Building on the results of successful exploration in 2012/13, Senex will seek to identify commercial opportunities to develop its significant unconventional gas assets in the South Australian Cooper-Eromanga Basin.
- **Realising the value of CSG assets:** The 2013/14 work plan for our Surat Basin coal seam gas permits will see us drill up to 11 wells to further define the resource and increase the value of the assets.

I can assure you that the growing team at Senex is working hard to deliver on our business objectives for 2013/14. The announcement of a 15 year tenure security agreement with the South Australian Government on 19 August 2013 is an excellent example of our continuing focus on delivery. I would like to acknowledge our team's efforts over the past year and commend them for their relentless focus on delivering results. I would also like to express my appreciation for the ongoing support of my fellow Directors throughout the year. It is the collective energy and expertise of the entire team of Senex that will deliver results – and generate wealth – for our shareholders.

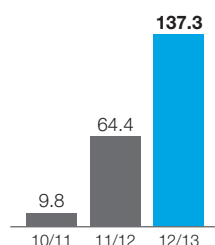


Ian R Davies
Managing Director and Chief Executive Officer

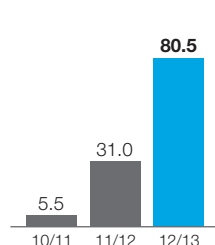
27 August 2013

Performance highlights

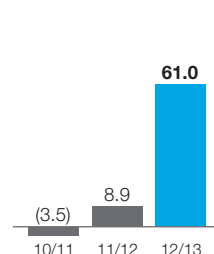
Oil sales (\$ million)



Gross profit (\$ million)



NPAT (\$ million)¹



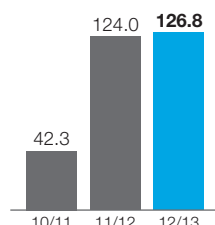
Change from 2011/12

Oil sales
Up 113%

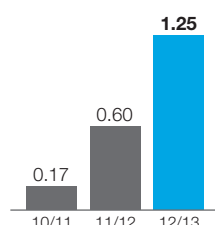
Gross profit
Up 160%

NPAT
Up \$52.1m

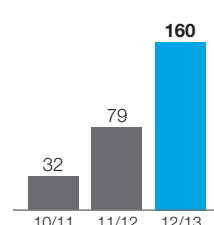
Cash reserves (\$ million)²



Net oil production (mmbbls)



Employees



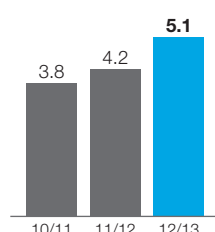
Cash reserves
Up 2%

Net oil production
Up 108%

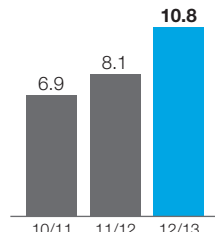
Employees
Up 103%

Net oil reserves (mmbbls)³

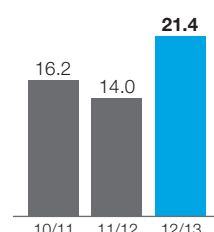
1P



2P



3P



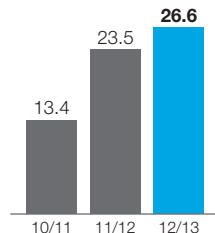
1P oil reserves
Up 21%

2P oil reserves
Up 33%

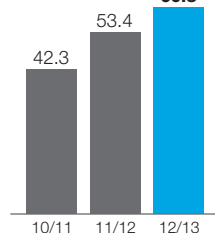
3P oil reserves
Up 53%

Surat Basin net gas reserves and resources (mmboe)

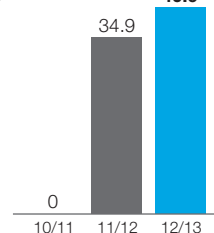
2P



3P



2C



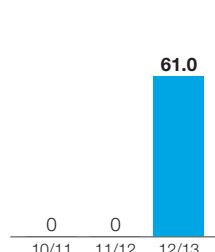
2P gas reserves
Up 13%

3P gas reserves
Up 14%

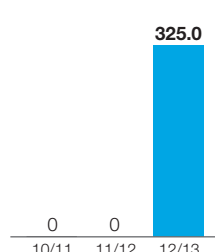
2C gas resources
Up 17%

Cooper-Eromanga Basin net gas resources (mmboe)

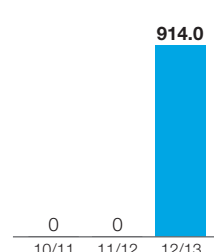
1C



2C



3C



Initial Cooper-Eromanga Basin gas resources booked

¹ Net profit after tax is equivalent to 'Profit/loss after tax' per the audited consolidated statement of comprehensive income on page 52 of this Annual Report.

² Cash reserves is equivalent to 'Cash and cash equivalents' per the audited consolidated statement of financial position on page 51 of this Annual Report.

³ Reserves as at estimation date, as shown on page 115 of this Annual Report.

Company profile

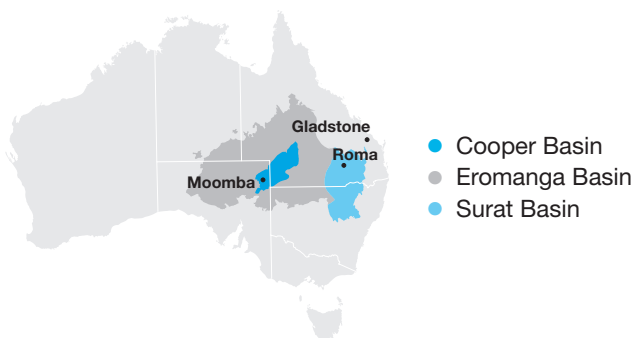
Senex (ASX: SXY) is an S&P/ASX 200 energy company with a diversified portfolio of oil and gas assets in Australia's Cooper, Eromanga and Surat Basins. The Company is an experienced operator in Australia's oil and gas industry and has attracted a highly qualified team of professionals to grow the business safely and efficiently.

Senex holds an extensive land position in the South Australian Cooper-Eromanga Basin and is focused on:

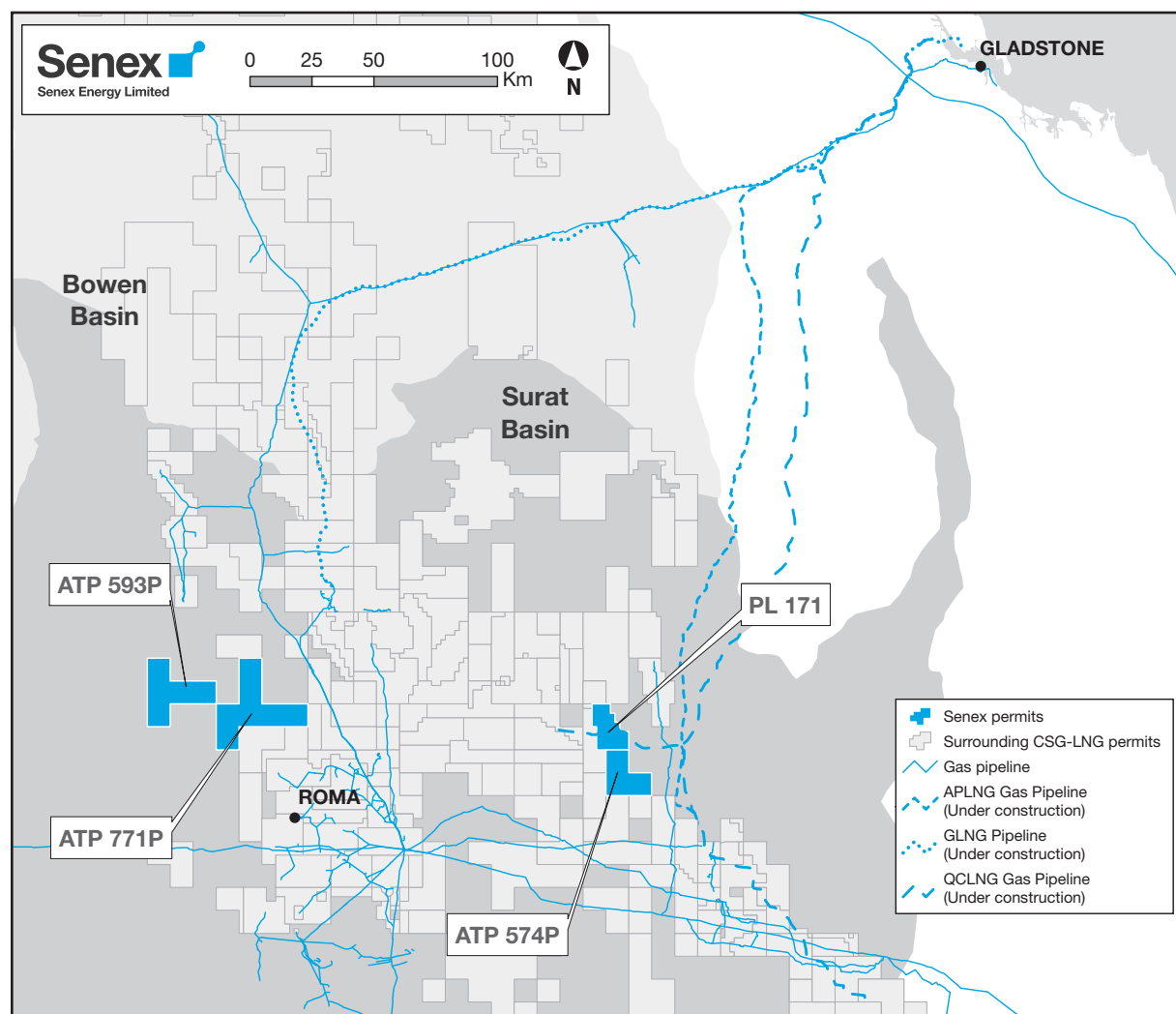
- Rapid growth of the Company's high margin, low risk conventional oil business
- Early development of the Company's substantial conventional gas resource
- Commercialising the Company's world-class unconventional gas resource

In addition to its South Australian interests, Senex holds valuable coal seam gas acreage in the LNG feedstock area of Queensland's Surat Basin.

Senex employs more than 160 people, with headquarters in Brisbane and offices in Adelaide and the Cooper-Eromanga Basin. The Senex team is committed to upholding the Company's values of *Delivery*, *Ownership*, *Collaboration* and *Integrity*, based on safe work practices and long term sustainability.

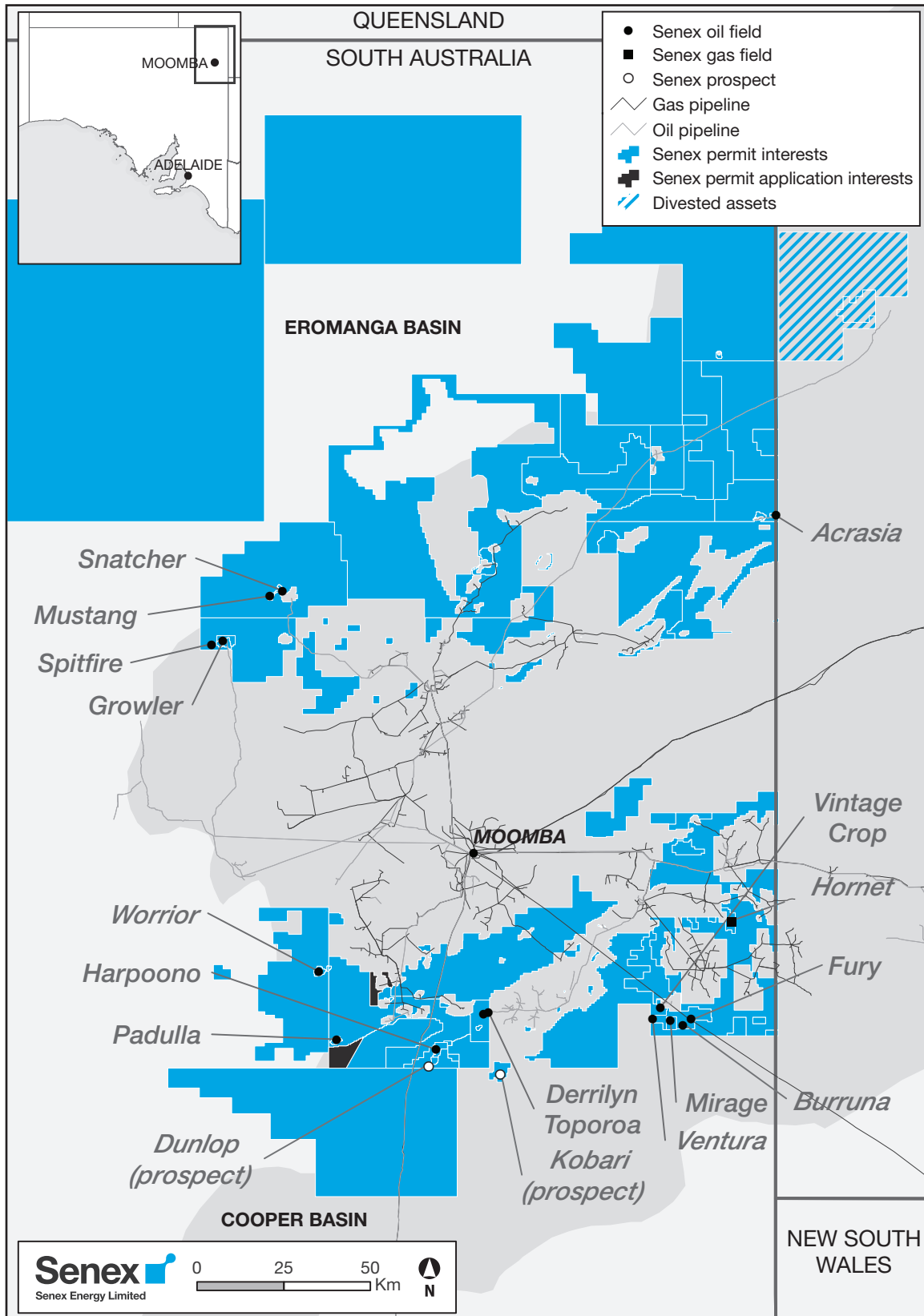


Senex permits in the Queensland Surat Basin



Company profile

Senex permits in the South Australian Cooper-Eromanga Basin



Financial analysis

Senex delivered another year of exceptional financial performance, with revenue increasing by 110% to \$147.9 million (2012: \$70.4 million). Crude oil sales revenue increased by 113% to \$137.3 million (2012: \$64.4 million), following another year of record growth in production (refer graph below). This growth in production was achieved primarily from continued development of the Company's prolific oil fields on the western flank of the South Australian Cooper-Eromanga Basin. Oil prices were strong for the majority of the year with average revenue per barrel of \$113 (2012: \$111). However, this was offset by a relatively strong Australian dollar with an average exchange rate of 1.014 to the US dollar during the year.

The strong production growth and a focus on tight cost control resulted in Senex achieving a 14.6% decrease in operating costs per barrel, down to \$39.20 (including all costs and royalties) compared to \$45.90 per barrel in the prior year. Total cost per barrel (including depletion, depreciation and amortisation) decreased by 17.8% to \$53.90, down from \$65.60 per barrel in the prior year.

These strong results combined to produce a gross profit of \$80.5 million (2012: \$31.0 million) and an average cash margin of \$75 per barrel. Other income recognised in the current financial year includes \$15.5 million resulting from the net gain on the sale of the Group's 15% interest in ATP 752P and PL 303 (Cuisinier field, effective from 15 March 2013) and \$3.6 million from the sale of the Port Bonython Fuels project.

Earnings before interest, tax, depreciation, amortisation, impairment and exploration expenses (EBITDAX) increased by 265% to \$91.0 million, compared to \$24.9 million in the prior year.

Net profit after tax was a record \$61.0 million, an increase of 585% over the prior year result of \$8.9 million.

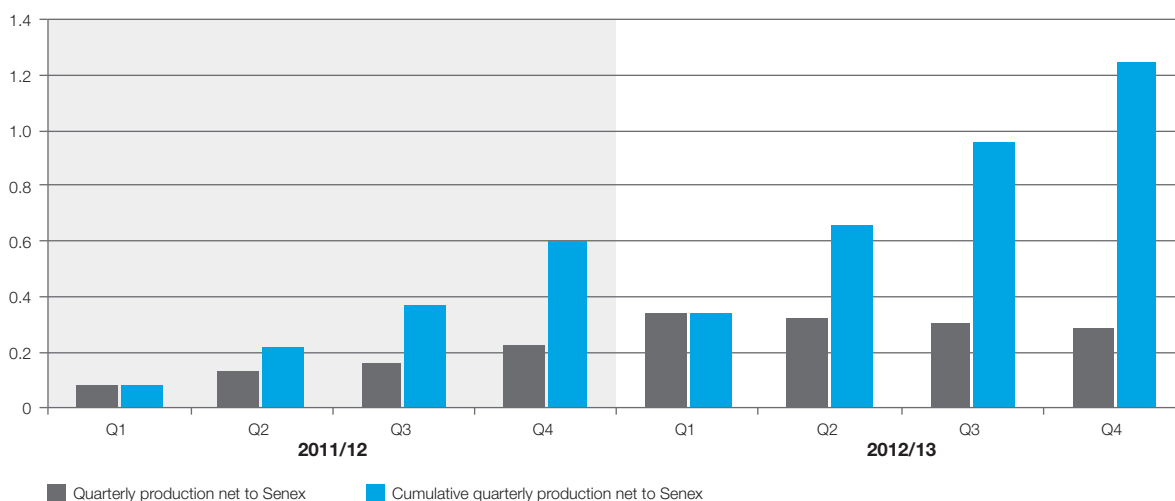
This was despite Senex recording an exploration expense of \$12.8 million (2012: \$5.2 million) and investing in a significant increase in human resources to help grow the business, with the number of Senex employees increasing to 160 by 30 June 2013.

Senex continued to invest heavily throughout 2013 in the continued development of its Cooper-Eromanga Basin oil business, with \$43.7 million incurred on oil and gas properties, facilities and plant and equipment during the year. These investments include both projects to facilitate increases in production from new and existing fields, along with projects focusing on increasing efficiency and reducing future operating costs. This included construction of the Snatcher-Charo oil pipeline, workovers and recompletions of several key producing wells and construction of a bulk storage facility, warehouse and other facilities at Growler oil field.

As foreshadowed in 2012, Senex undertook a substantial exploration program during 2013 with the key priorities being the appraisal of the gas resource potential of its Cooper-Eromanga Basin acreage and the identification of the next generation of oil targets by way of a significant 3D seismic acquisition, processing and interpretation program. Senex invested \$88.0 million in exploration during 2013, with further details on the results of these activities included on pages 11 to 19 of this Annual Report.

Senex ended the financial year in an enviable fiscal position, with \$126.8 million in cash (2012: 124.0 million), no debt and a \$20.0 million receivable from the sale of its interest in the Cuisinier field. These cash reserves, along with forecast operating cash flows from the high margin oil business, mean that Senex's 2013/14 work programs are fully funded.

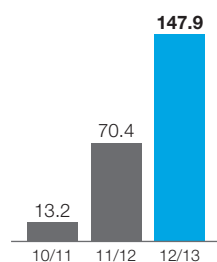
Production growth for 2011/12 and 2012/13 (million barrels)



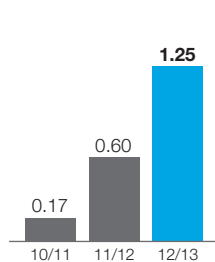
Financial analysis

Financial performance indicators

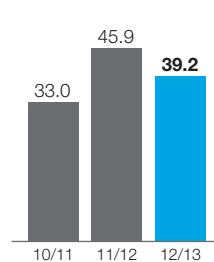
Revenue (\$ million)



Net oil production (mmbbls)



Cost per barrel (\$)



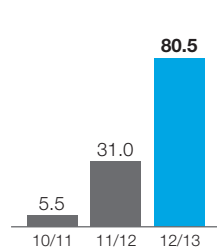
Change from 2011/12

Revenue
Up 110%

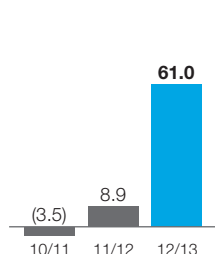
Net oil production
Up 108%

Cost per barrel
Down 14.6%

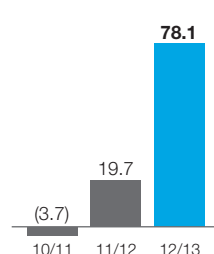
Gross profit (\$ million)



NPAT (\$ million)¹



EBITDA (\$ million)²

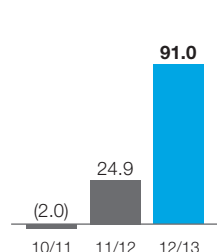


Gross profit
Up 160%

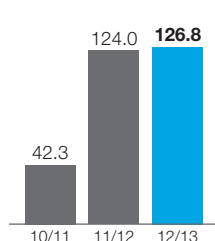
Net profit after tax
Up 585%

EBITDA
Up 296%

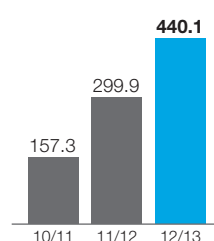
EBITDAX (\$ million)²



Cash reserves (\$ million)³



Net assets (\$ million)



EBITDAX
Up 265%

Cash reserves
Up 2.3%

Net assets
Up 47%

¹ NPAT – Net profit after tax is equal to 'Profit/(loss) after tax' per the audited consolidated statement of comprehensive income on page 52 of this Annual Report.

² EBITDA / EBITDAX – Earnings before interest, tax, depreciation, amortisation, impairment and exploration expenses can be reconciled to the audited Financial Report as follows:

	2013 \$'000	2012 \$'000	2011 \$'000
Profit/(loss) after tax	61,004	8,860	(3,516)
Add back:			
Interest	(5,421)	(3,336)	(2,556)
Tax	391	1,681	(12,006)
Depreciation	626	639	191
Amortisation and impairment	21,509	11,856	14,209
EBITDA	78,109	19,700	(3,678)
Exploration expense	12,843	5,222	1,637
EBITDAX	90,952	24,922	(2,041)

³ Cash reserves is equivalent to 'Cash and cash equivalents' per the audited consolidated statement of financial position on page 51 of this Annual Report.

Company strategy

Strategic priorities

In 2013/14, Senex will maintain its focus on the rapid development of its high-margin oil business in the South Australian Cooper-Eromanga Basin to increase oil revenues and protect the Company's balance sheet. At the same time, Senex will plan for the early commercialisation of its gas resources in the South Australian Cooper-Eromanga Basin and further define the gas resources and increase the value of its Queensland Surat Basin assets.

These priorities are consistent with the Company's 2012/13 strategic direction, except that the focus of the gas business in the South Australian Cooper-Eromanga Basin has shifted from exploration to appraisal and commercialisation following the discovery of Hornet gas field in 2013.

The Company's key strategic objectives and performance targets for 2013/14 are described in the table below.

Strategic objectives	2013/14 work plan	2013/14 targets
Oil business		
Grow a profitable and self-funding oil business through aggressive exploration, appraisal and development	• Drill more than 30 exploration, appraisal and development wells across the South Australian Cooper-Eromanga Basin • Analyse existing 3D seismic data and acquire additional 3D seismic data	• Increase net annual production to between 1.4 million and 1.6 million barrels of oil • Increase net 2P reserves of oil by 4 million to 6 million barrels
Gas business		
Unlock a world-class gas resource in the South Australian Cooper-Eromanga Basin Monetise the valuable coal seam gas resource in Queensland's Surat Basin	• Pursue opportunities for the early development of Hornet gas field • Senex and joint venture partners to drill up to 11 coal seam gas exploration and appraisal wells	• Introduce the right partner at the right time to assist with funding, marketing and technical expertise • Continue to define and build coal seam gas reserves and resources
Asset management		
Focus on assets where Senex has a strong equity position and operatorship	• Investigate further opportunities to enhance Senex's portfolio of oil and gas assets	• Continue to high-grade the Senex oil and gas portfolio
Capital management		
Protect the Company's balance sheet	• Increase oil production • Reduce the cost of oil production • Efficient capital allocation	• Achieve a 5% reduction in oil production costs per barrel • Focus capital spend on near term production and reserves growth
Sustainability		
Ensure exploration and development are sustainable	• Prioritise safety • Minimise environmental disturbance	• Strive for zero harm • Fully implement Senex's comprehensive integrated management system

Principal risks and uncertainties

Risk factors

Senex identifies and assesses the potential consequences of strategic, safety, environmental, operational, legal, reputation and financial risks in accordance with the Company's risk management policy. Senex management continually monitors the effectiveness of the Company's risk management, internal compliance and control systems, and reports to the audit and risk committee on areas where there is scope for improvement.

The principal risks and uncertainties that could materially affect Senex are described below. Further information about Senex's approach to risk management is provided in the corporate governance statement on pages 22-25 of this Annual Report. The Charter for the Audit and Risk Committee is available on the Senex website.

External risks

Exposure to oil and gas pricing	Volatile oil and gas prices make it difficult to predict future price movements with any certainty and, in turn, demand for petroleum products produced by Senex. Declines in oil or gas prices could have an adverse effect on Senex. Senex does not currently hedge its exposures to oil price movements. The profitability of Senex's prospective gas assets will be determined by the future market for LNG and domestic gas. LNG prices can vary significantly depending on oil prices, exchange rates, worldwide supply and the terms under which LNG off-take arrangements are agreed. The prices required to achieve adequate returns on Senex's gas assets will vary depending on well costs and flow rate assumptions.
Exchange rate fluctuations	Senex's oil revenue is denominated in United States dollars (USD), whereas Senex's other income and expenditure is denominated in Australian dollars (AUD). This exposes Senex to fluctuations and volatility in the AUD/USD exchange rate. Senex does not currently hedge its exposure to exchange rate fluctuations.
Carbon price	The Clean Energy Act 2011 (Cth) (CEA) introduced a mandatory carbon pricing mechanism for certain large carbon emitters in Australia. The price of carbon was fixed by the Commonwealth Government from 1 July 2012. On 1 July 2015, the mechanism will transition into an emissions trading scheme allowing the price of carbon to be determined by the market. Generally, liable entities that exceed set thresholds of greenhouse gas emissions will be required under the CEA to purchase and surrender carbon units for each equivalent tonne of carbon dioxide released into the atmosphere. In some circumstances, direct statutory liability for the greenhouse gas emissions embedded in the natural gas rests with the supplier, rather than the ultimate user of the gas. Senex may become a natural gas supplier to which the CEA applies, in which case it may incur costs or liabilities under the CEA.
Changes to law, regulations or Government policy	Changes in law and regulations or government policy may adversely affect Senex's business. Examples include, changes to strategic cropping, native title, land access or overlapping tenement arrangements or the introduction of legislation that restricts or inhibits exploration and production.

Principal risks and uncertainties

Operating risks

Exploration and development	The future value of Senex will depend on its ability to find and develop oil, gas and associated liquids that are economically recoverable. The ultimate success or otherwise of such ventures requires successful exploration, establishment of commercial reserves, establishment of effective production and processing facilities, transport and marketing of the end product. Through this process, the business is exposed to a wide variety of risks, including failure to locate hydrocarbons, changes to reserve estimates, variable quality of hydrocarbons, weather impacts, facility malfunctions, lack of access to appropriate skills or equipment and cost overruns.
Estimation of reserves	The estimation of oil and natural gas reserves involves subjective judgments and determinations based on geological, technical, contractual and economic information. It is not an exact calculation. The estimate may change because of new information from production or drilling activities or changes in economic factors, such as assumptions regarding oil and gas prices.
Access to infrastructure	Senex's ability to sell and market its oil and gas products will be negatively impacted should it be unable to secure adequate and economic transportation and processing capacity. Access will depend on the proximity and capacity of pipelines and processing facilities.
Tenure security	Petroleum licences held by Senex are subject to the granting and approval by relevant government bodies. Government regulatory authorities generally require the holder of the licences to undertake certain proposed exploration commitments and failure to meet these obligations could result in forfeiture. Exploration licences are also subject to partial or full relinquishments after the stipulated period of tenure if no alternative licence application (e.g. production licence application) is made, resulting in a potential reduction in Senex's overall tenure position. In order for production to commence in relation to any successful oil or gas well, it is necessary for a production licence to be granted and there can be no guarantees that it will be granted. On 19 August 2013, Senex announced a 15 year petroleum retention scheme with the South Australian Government that assists in mitigating tenure security risk.
Health, safety and environmental matters	Exploration, development and production of oil and gas involves risks which may impact the health and safety of personnel, the community and the environment. Failure to manage these risks could result in injury or loss of life, damage or destruction of property and damage to the environment. Losses or liabilities arising from such incidents could significantly impact Senex's financial results.
Seasonal conditions	Senex has exposure to a number of natural events, such as floods, which are beyond its control and capable of significantly disrupting and delaying Senex's operations. Natural events could hinder Senex's ability to pursue operational activities, including to drill exploration and development wells and to produce oil or gas, for an extended period of time. In particular, Senex's oil operations in the Cooper-Eromanga Basin are subject to the impact of localised rain on access roads.

Production and sales

Senex continued to grow its profitable crude oil business in 2012/13, achieving record production, record sales and record revenues.

Production

Net crude oil production more than doubled over the 12 months to 1.25 million barrels (2011/12: 0.60 million barrels). This exceeded Senex's full year production guidance of 1.0 million barrels issued in July 2012 and the revised production guidance issued in April 2013 of 1.2 million barrels.

The 2012/13 production growth was fuelled by the strong performance of Senex's prolific oil fields on the western flank of the Cooper-Eromanga Basin and the addition of new oil fields following successful exploration. It also reflects continuing contribution from Senex's mature oil fields in other areas of the Cooper-Eromanga Basin.

In 2013/14, Senex has forecast a 12% to 28% increase in production to between 1.4 million barrels and 1.6 million barrels. This is based on continuing strong performance of existing oil fields and additional production resulting from successful exploration.

Sales and revenue

Sales of crude oil increased by 109% year on year to 1.21 million barrels (2011/12: 0.58 million barrels). As a result, Senex received record revenues from crude oil sales of \$137.3 million in 2012/13, which is a 113% increase on the 2011/12 result of \$64.4 million. This also reflects a higher average oil price for the year of \$113 per barrel (2011/12: \$111 per barrel).

Reserves and resources

Senex achieved record growth in reserves and resources during 2012/13 as a result of successful exploration and independent review of production and exploration data.

Oil reserves growth

During 2012/13, a comprehensive reserves review by Senex and Dallas-based assessors DeGolyer and MacNaughton resulted in a major upgrade of the Company's oil reserves in the South Australian Cooper-Eromanga Basin. The review examined production and exploration data from across Senex's portfolio of oil assets and booked reserves additions across the Company's extensive permits in the Cooper-Eromanga Basin. The review resulted in a 2P reserves replacement ratio of 319%, with initial reserves booked at new western flank oil discoveries Mustang and Spitfire. It also delivered reserves additions at oil fields previously considered mature including Acrasia, Vintage Crop, Mirage and Ventura.

Coal seam gas reserves and resource growth

In February 2013, the Company upgraded its coal seam gas reserves and resources by 15% to 598 petajoules (PJ) (101.7 mmmboe) following successful exploration and appraisal activities in Senex's coal seam gas assets in the Queensland Surat Basin. The upgrade, which was independently assessed by MHA Petroleum Consultants LLC, increased 2P gas reserves by 13% to 157 PJ (26.6 mmmboe) and 3P gas reserves by 14% to 358 PJ (60.8 mmmboe).

Initial Cooper-Eromanga Basin contingent gas resource booking

Senex booked its first contingent gas resources in the Cooper-Eromanga Basin in May 2013. As a result of successful exploration at the Hornet and Kingston Rule gas wells, Senex identified a conventional tight gas reservoir and estimated 141 billion cubic feet (Bcf) (23.6 mmmboe) of 1C contingent gas resource.

Subsequent analysis and interpretation of the exploration results from the Hornet, Sasanof and Paning gas exploration wells by Senex and independent estimators DeGolyer and MacNaughton resulted in a significant upgrade in the Company's Cooper-Eromanga Basin contingent gas resources. The Hornet 1C contingent resource was upgraded to 153 Bcf (26 mmmboe), bringing total 1C contingent resources across Senex permits in the Cooper-Eromanga Basin to 365 Bcf (61 mmmboe). 2C contingent resources across Senex permits increased to 1.9 trillion cubic feet (Tcf) (325 mmmboe) and 3C contingent resources increased to 5.5 Tcf (914 mmmboe).

Reserves and resources

Senex total oil and gas reserves and resources (mmboe)

	30 June 2012	Production	Additions	30 June 2013 ¹
Reserves				
1P	4.2	(1.2)	2.1	5.1
2P	31.6	(1.2)	7.0	37.4
3P	67.4	(1.2)	16.0	82.2
Contingent resources				
1C	-	-	61.0	61.0
2C	34.9	-	331.0	365.9
3C	-	-	914.0	914.0
Prospective resources				
High estimate	-	-	614.0	614.0

Senex 2P reserves by activity

	Crude oil (mmbbls)	Gas (PJ)	Total (mmboe)
Reserves at 30 June 2012	8.1	138.1	31.6
Production	(1.2)	-	(1.2)
Additions	3.9	18.5	7.0
Reserves at 30 June 2013 ¹	10.8	156.6	37.4

Senex 2P reserves by area at 30 June 2013

	Crude oil (mmbbls)	Gas (PJ)	Total (mmboe)
Cooper-Eromanga Basin	10.8 ¹	-	10.8
Surat Basin	-	156.6	26.6

¹ After accounting for 2012/13 estimated full year production of 1.25 mmbbls. Includes reserves in respect of the Cuisinier oil field; 1P: 0.3 mmbbls, 2P: 0.6 mmbbls, 3P: 0.9 mmbbls. In June 2013, Senex agreed to dispose of its 15% equity share of Cuisinier (ATP 752P and PL 303).

Sustainable development

Senex is serious about sustainable development. For Senex, it means managing the business in a way that protects and supports people, encourages health and wellbeing, minimises environmental impacts and gives shareholders and other stakeholders comfort that the business is in good hands. This is an essential component of building an energy company that can create wealth for shareholders. The commitment to sustainable development also enhances Senex's reputation as a desirable employer, a good neighbour and an attractive investment proposition.

As Senex grows, the level of performance reporting will increase in conjunction with sustainable development initiatives. For 2012/13, the Company focused on a number of social and environment topics. Information about the corporate governance of the business is provided in a dedicated section (refer pages 22 to 49 of this Annual Report).

Social	Environment
Safety	Compliance
People	Environmental incidents
Community	Greenhouse gas emissions
	Land management
	Water use

2012/13 highlights

- The Senex team more than doubled to 160 employees.
- Total exposure hours worked increased by 148% to more than one million hours.
- Senex rolled out the core values of *Delivery*, *Ownership*, *Collaboration* and *Integrity*, to promote a positive, results-oriented team culture where safety and sustainable development are integrated into every aspect of the business.
- In April 2013, Senex held its first stakeholder consultation meeting as part of the process of developing a Statement of Environmental Objectives and Environmental Impact Report for seismic survey activities adjacent to Coongie Lakes National Park in the Cooper-Eromanga Basin.
- Senex agreed compensation agreements with two key landholders in the South Australian Cooper-Eromanga Basin, whose properties encompass Senex's Growler and Snatcher oil production operations.
- Senex worked closely with traditional custodians to undertake cultural heritage clearances for all land-based activities in the Cooper-Eromanga Basin.

2013/14 priorities

Senex will continue to focus on its contractor management systems with eight of the nine recordable incidents for 2012/13 being third party contractor related.

Senex will continue to identify opportunities to minimise water use, detect and minimise greenhouse emissions and improve energy efficiency across its areas of operation.

Senex will continue to work closely with landholders, traditional owners, other concerned stakeholders and regulators to ensure we prevent – or otherwise minimise and remediate – disturbance to land as a result of its activities.

Native Title agreements will be negotiated for three permit applications across the Cooper-Eromanga Basin in South Australia and Queensland.

Performance data for 2012/13

Measures	2012/13	2011/12
Social		
Total recordable injury frequency rate ¹	8.62	8.44
Exposure hours (employees plus contractors)	1,043,528	420,271
Number of employees	160	79
Environment		
Reportable incidents	3	3
Water produced (ML) ²	1,161	1,084
Water used (ML) ³	17.1	13.2

¹ Number of recordable injuries per million hours worked

² Water produced as a by-product of hydrocarbon production, some of which is used for drilling and dust suppression

³ Water purchased or extracted from bores

Social

Safety

Safety comes first at Senex. Nothing is more important than the wellbeing of employees, contractors and the public. That is why the goal is to "strive for zero" harm by continually improving our safety performance. Safety is a key performance indicator for the business and is embedded in performance contracts for all employees.

During the year, Senex conducted a company-wide risk assessment to identify the key organisational risks and identify controls to ensure the level of organisational risk is as low as reasonably practicable (ALARP). Senex also implemented initiatives to build the foundations of a strong, proactive safety culture within the Company. This was led by the Managing Director, who places safety high on the agenda of all his communications with Senex staff, and also included enhancing our corporate and site induction materials and raising the profile of safety performance at quarterly town hall meetings of all staff.

In 2012/13, the total hours worked by Senex staff and contractors increased significantly to over one million hours worked. Senex delivered a total recordable injury frequency rate for the business of 8.62 (recordable injuries per million hours worked) during the year (2011/12: 8.44).

In 2013/14, Senex will continue to focus on the improvement of its management systems, the identification and management of operational risk and the continued improvement of the third party contractor management process to ensure that the ongoing risk to personnel is ALARP.

Sustainable development

People

The Senex team has grown rapidly over the last three years, from four employees at 30 June 2010 to 160 employees at 30 June 2013. The average age of Senex employees is 37 and female employees make up 27% of the workforce, with 20% of those women holding management positions.

Senex implemented a series of programs in 2012/13 designed to improve employee health and wellbeing and create a satisfying work environment that enhances the Company's reputation as a desirable employer. This included the roll-out of the Employee Incentive Plan, several health and wellbeing initiatives, and a referral reward scheme to support recruitment activities. The Company also articulated its core values of *Delivery*, *Ownership*, *Collaboration* and *Integrity*, and began the process of recognising values-driven behaviours with the inaugural Living the Values awards in July 2013. In 2013/14, the core values will be incorporated into the performance review process for all employees.

Community

Senex is focused on achieving positive outcomes for the communities associated with our operations and ensuring meaningful engagement with stakeholders. The Company's activities are mainly centred on the South Australian Cooper-Eromanga Basin where Senex operates a growing oil business and is exploring for new oil and gas resources. This is a remote and sparsely populated region of Australia. The closest township is Innamincka, near the South Australian-Queensland border.

During 2012/13, Senex worked closely with regulators, landholders, indigenous owners and other interested stakeholders across its operations in the South Australian Cooper-Eromanga Basin and Queensland Surat Basin. This includes developing cultural heritage management agreements and Native Title agreements with indigenous owners, as well as access and compensation agreements for specific projects with individual landholders.

In South Australia, Senex negotiated compensation agreements with two of the key landholders affected by its Cooper-Eromanga Basin activities. These two agreements cover the majority of Senex's producing oil assets. Native Title agreements are in place with the three traditional owner groups associated with our permits in South Australia. Representatives of the Yandruwandha-Yawarrawarrka people and the Dieri people conducted work area clearances during the year to safeguard existing identified cultural heritage sites and minimise any environmental and cultural heritage impact from our activities.

Senex core values



DELIVERY	OWNERSHIP	COLLABORATION	INTEGRITY
We: • Create opportunities • Innovate • Use initiative • Achieve results	We: • Are accountable • Take responsibility • Generate solutions	We: • Communicate openly • Work together • Combine strengths	We: • Are honest • Respect others • Talk straight



SAFETY

Sustainable development

Environment

Senex is committed to ensuring projects and operations are conducted in an environmentally responsible manner. This is achieved by systematically developing activity specific environmental assessments and implementing environmental controls and performance standards. Environmental performance is monitored as part of the Company's integrated management system.

Compliance

A total of 109 environmental inspections of wells and facilities were conducted by Senex's Environment Team during 2012/13. The inspections assessed Senex's compliance against relevant legislation, regulations, licence conditions and the relevant Statement of Environmental Objectives (SEO).

Performance across all Senex operations is ranked using indicators of High, Medium or Low and actioned accordingly. The 2012/13 inspections identified two non-compliances ranked High against the SEO which were immediately actioned and five medium to low ranked incidents.

During the year, regulatory authorities conducted several inspections of Senex operations, including seismic survey activities, and two environmental improvement notices were issued. All improvement items were immediately actioned, corrected and closed out with the regulator.

Environmental incidents

Senex has adopted a policy of internally reporting and examining the root causes of all environmental incidents regardless of severity. Understanding minor events will ultimately lower the risk of significant occurrences.

During the year, three spills occurred outside of purpose built containment facilities requiring activation of the Senex Spill Response Plan and implementation of remediation measures. These three reportable spills along with all other minor occurrences were reported to the South Australian Department of Manufacturing, Innovation, Trade and Energy (DMITRE) and investigated. Corrective actions were implemented to mitigate the identified deficiencies.

Greenhouse gas emissions

Since 2009/10, Senex has reported greenhouse gas emissions annually under the *National Greenhouse and Energy Reporting Act 2007* (NGER). In 2011/12, Senex also began reporting to the National Pollutant Inventory (NPI).

Greenhouse gas emissions in all reporting periods prior to 2012/13 were well under the facility threshold of 25,000 tonnes of carbon dioxide equivalent. Calculations for the 2012/13 reporting period for both NGER and NPI will be completed in October 2013.

Land management

Senex works hard to minimise disturbance to the environment as a result of its activities. The Company's experienced and qualified team works closely with all relevant stakeholders to ensure we reduce our environmental footprint wherever possible and rehabilitate any disturbed areas.

In 2012/13, Senex's oil production and its oil and gas exploration activities were undertaken with minimal impact to the local environment. As part of its oil exploration program, Senex undertook low-impact 3D seismic surveys over more than 1,000 square kilometres of the South Australian Cooper-Eromanga Basin. In April, the Company held its first stakeholder consultation meeting as part of the process of developing an SEO and Environmental Impact Report for seismic survey activities adjacent to Coongie Lakes National Park in the Cooper-Eromanga Basin. This was an important component of planning for a further program of seismic acquisition that will see another 1,000 square kilometres surveyed during 2013/14.

In 2013/14, Senex will drill more than 30 oil wells across its Cooper-Eromanga Basin acreage as part of a multi-year oil exploration, appraisal and development program. Senex will undertake this work in accordance with its agreed SEOs and Environmental Impact Reports.

Water use

Senex has stringent requirements in place for the management of water within the production and drilling process. All water used in the drilling of wells is sourced from existing produced water or from approved water bores. All produced water is processed through multi-stage, lined interceptor ponds prior to being transferred to approved evaporation ponds.

Oil business

Senex achieved significant growth in its oil business during 2012/13, consolidating the Company's reputation for being at the forefront of the rediscovery of Australia's Cooper-Eromanga Basin. Successful exploration, appraisal and development delivered record production, record reserves growth and two oil field discoveries. Production facilities were upgraded throughout Senex's operations and pipelines were completed and commissioned to connect the Company's most prolific oil fields to the Moomba processing facility.

Detailed review

In 2012/13, Senex conducted a comprehensive review of production and exploration data from Senex's 13,000 square kilometres of core permits in the South Australian Cooper-Eromanga Basin. This included a comprehensive assessment of the Company's producing assets on the western flank oil fairway and in the northern and southern Cooper-Eromanga Basin.

As a result of the review, Senex identified more than 50 oil prospects across its permits in the South Australian Cooper Basin and announced a major upgrade in oil reserves, as detailed on page 11 of this Annual Report. Dallas-based consultants DeGolyer and MacNaughton independently assessed the reserves estimates.

Drilling success

During 2012/13, Senex drilled 11 oil wells in the South Australian Cooper-Eromanga Basin and continued its strong track record for effective exploration, appraisal and development, achieving an overall drilling success rate of 82%. Eight wells were drilled on the western flank oil fairway and the remaining three wells were drilled in Senex's southern Cooper-Eromanga Basin permits, either adjacent or close to existing oil fields.

Senex had initially planned to drill more than 20 oil wells during 2012/13. However, drilling was deferred to the 2013/14 financial year following the decision to undertake the detailed review of the Company's oil assets detailed above, which included reprocessing of the Mollichuta 3D seismic survey and acquisition of new 3D seismic data over more than 1,000 square kilometres, as detailed on page 17 of this Annual Report.

Oil wells drilled in 2012/13

Type	Number	Success rate
Exploration	4	50%
Appraisal	3	100%
Development	4	100%
Total	11	82%

Western flank activities

Senex's operated oil fields on the western flank of the Cooper-Eromanga Basin underpinned the Company's record production result for 2012/13. Growler and Snatcher oil fields performed strongly with discoveries at Mustang and Spitfire contributing production.

Pipelines commissioned

During the year, Senex and its joint venture partners completed the construction and commissioning of pipelines to connect Growler and Snatcher oil fields with the Santos-operated oil processing facility at Moomba. These pipelines have significantly enhanced safety and security of supply and will minimise future weather related production disruptions.

The Growler-Lycium-Moomba pipelines were commissioned in mid-December 2012 and were operational throughout the second half of 2012/13. The 70 kilometre Growler to Lycium pipeline (Senex 60%) and the 74 kilometre Lycium to Moomba pipeline (Senex 40%) are operated by Beach Energy Limited. Subsequently, the Spitfire field was connected to Growler oil field by flowline, and its production is now also transported by pipeline to Moomba.

In June 2013, Senex commissioned the 3.5 kilometre Snatcher-Charo pipeline (Senex 60% and Operator) and commenced oil deliveries from Snatcher oil field to Moomba via the Charo-Tirrawarra pipeline (operated by Santos).

Growler oil field (PPL 242: Senex 60% and Operator)

Field production increased year on year following a successful program of production optimisation and facility upgrades. This included the installation of artificial lift equipment and construction of a new bulk oil storage facility. Senex plans to drill further appraisal and development wells at the field as part of the 2013/14 drilling campaign.

Snatcher oil field (PPL 240: Senex 60% and Operator)

Five successful appraisal and development wells were drilled at Snatcher oil field during 2012/13, with Snatcher-9 extending the field to the north west. Field production increased steadily over the year as the new wells were placed on production. Senex plans to drill further appraisal wells at the field during 2013/14.

Spitfire oil field (PEL 104: Senex 60% and Operator)

In November 2012, Senex confirmed the discovery of a new oil field at Spitfire, approximately two kilometres west of Growler oil field. The Spitfire-2 exploration well intersected 6.5 metres of net pay in the mid-Birkhead Formation, 530 metres north of the Spitfire-1 exploration well. Following an initial production test in January 2013, Senex placed the well on an extended production test and constructed a flowline to connect the well with Growler oil field. Appraisal wells are planned to be drilled at Spitfire in 2013/14 to test the extent of the field.

Oil business

Mustang oil field (PPL 243: Senex 60% and Operator)

In July 2012, the Mustang-1 exploration well resulted in a new oil discovery approximately 4 kilometres south west of Snatcher oil field. The well intersected 4.0 metres of net pay in the mid-Birkhead Formation and free flowed oil during a drill stem test at a rate equivalent to 2,500 barrels of oil per day (bopd). Extended production testing commenced in December 2012 and favourable results contributed to an increase in interpreted field size in June 2013. Further appraisal drilling is planned for Mustang oil field during 2013/14.

Non-western flank activities

During 2012/13, Senex undertook field reviews to identify opportunities to enhance production and increase reserves at its mature oil fields in the South Australian Cooper Basin. This included geological remapping and reservoir testing at Acrasia, Fury, Worrior, Mirage and Ventura oil fields as well as Senex's 2011 discovery at Vintage Crop.

Acrasia oil field (PPL 203: Senex 100%)

Acrasia oil field was discovered in 2002 when Acrasia-1 intersected oil in the Birkhead, Hutton, Poolowanna and Tinchoo Formations. As a result of remapping in 2012/13, Senex has identified opportunities to lift production by targeting unswept oil and additional reservoirs within these formations. Two development wells will be drilled at Acrasia as part of the 2013/14 drilling campaign.

Fury oil field (PEL 115: Senex 80% and Operator)

Fury oil field was discovered in 2009 when the Fury-1 exploration well encountered good oil shows through the Murta and Epsilon Formations. Although the well was completed as an oil producer in 2010, it was never brought on production. As a result of a field review in 2012/13, Senex recompleted the well. Test results will be evaluated with a view to bringing the well online for long term production in 2013/14.

Worrior oil field (PPL 207: Senex 70% and Operator)

Since the discovery of oil at the Worrior-1 exploration well in 2003, Worrior oil field in the south west area of the South Australian Cooper-Eromanga Basin has produced more than 3.7 million barrels. Following analysis of field data in 2012/13, Senex drilled the successful Worrior-8 development well in June 2013 and intersected net oil pay of up to 18 metres across the Murta Formation, McKinlay Member, Namur Sandstone and Patchawarra Formation. The well was subsequently cased and suspended ahead of cased-hole drill stem testing to confirm productivity.

Vintage Crop oil field (PPL 241: Senex 100%)

Senex drilled the successful Vintage Crop-2 appraisal well in March 2013, approximately 430 metres north of the Vintage Crop-1 oil discovery in the southern Cooper-Eromanga Basin. The well intersected 6.5 metres of net oil within the McKinlay Formation. A further six metres of net oil pay was also intersected within the Murta Formation. Vintage Crop-2 was completed as a future oil producer after successful flow testing of the McKinlay Formation.

3D seismic acquisition

Senex acquired 3D seismic data over more than 1,000 square kilometres of its Cooper-Eromanga Basin permits during 2012/13 as part of a long term program to create a pipeline of hydrocarbon prospects. In addition, the Company reprocessed the 2009 Mollichuta 3D seismic data, which initially identified 25 prospects across the western flank oil fairway.

Cordillo 3D seismic survey

Data acquisition for the 790 square kilometre survey was completed in October 2012. The area covered three permits in the north of the South Australian Cooper-Eromanga Basin: PEL 88 (Senex 100%), PEL 90M (Senex 100%) and the Northern Area of PEL 514 (Senex 50%¹ and Operator). Initial analysis and interpretation in 2012/13 identified a number of prospects that will be further analysed before being incorporated into the 2013/14 oil drilling program.

Lignum 3D seismic survey

The Lignum survey covered 316 square kilometres on the western flank of the South Australian Cooper-Eromanga Basin, encompassing PEL 104 (Senex 60% and Operator) and PEL 111 (Senex 60% and Operator), which are adjacent to Growler and Snatcher oil fields.

Reprocessing of Mollichuta 3D seismic data

The 268 square kilometre Mollichuta 3D seismic survey was undertaken by Senex predecessor Victoria Petroleum in 2009. During 2012/13, Senex reprocessed the data to enable seismic inversion. This increases the resolution and reliability of the data and enables estimation of rock properties to help determine the extent of stratigraphic traps such as Growler and Spitfire.

2013/14 work program

On the strength of the strategic review of its oil assets, Senex announced plans to drill more than 30 oil wells during 2013/14 as the first phase of a broader, multi-year program to materially increase oil production and reserves in the Cooper-Eromanga Basin. The program commenced in June 2013 with development drilling at Worrior oil field in the southern Cooper-Eromanga Basin.

As at the date of this Annual Report, Senex had drilled three oil wells in the Cooper-Eromanga Basin with Worrior-8 and Burrunda-2 cased and suspended as future oil producers.

¹ On 12 June 2013, Senex entered into an agreement with Orca Energy Limited (and its subsidiary, Komodo Energy Pty Ltd) for the acquisition by Senex of a 20% interest in PEL 115. The transaction remains subject to standard regulatory and third party approvals and is expected to complete in 2013/14, giving Senex a 100% interest in PEL 115.

Gas business

Cooper-Eromanga Basin gas business

Overview

In 2012/13, Senex demonstrated the potential of the Cooper-Eromanga Basin to meet the anticipated gas supply shortfall expected in eastern Australia over coming years. Following successful exploration, the Company defined 5.5 Tcf of 3C contingent gas resources, equivalent to 914 million barrels of oil, across its gas exploration permits in the Cooper-Eromanga Basin. This included the identification of a 2.4 Tcf 3C contingent gas resource (396 mmboe) at the conventional gas discovery at Hornet, less than 30 kilometres from the Moomba to Sydney gas pipeline.

As a result of this significant early success, Senex will commence field appraisal and development planning for the Hornet gas field during 2013/14, with the objective of introducing a partner at an early stage to aid with funding, marketing and technical expertise. Initial development planning, which has been independently supported by third party analysis, indicates favourable project economics.

Hornet gas field discovery

During the year, Senex identified the Hornet gas field discovery in a continuous stratigraphic trap in the Mettika Embayment in the southern Cooper-Eromanga Basin. The conventional tight gas accumulation extends to the north, south and east of the PEL 115 Hornet Block (Senex 80%¹ and operator) and into PEL 516 (Senex 100%) at an average depth of 2,500 metres. The discovery resulted from the fracture stimulation of two gas wells in the PEL 115 Hornet Block (Hornet-1 and Kingston Rule-1), which resulted in stabilised gas flow rates of up to 2.2 million cubic feet per day (mmscfd).

PEL 115 Hornet Block is approximately seven kilometres south east of Kidman gas field, operated by Santos Limited on behalf of the South Australian Cooper-Eromanga Basin Joint Venture (SACBJV), and 15 kilometres north east of the Toolachee gas field, also operated by Santos. Much of this area is covered by 3D seismic and close spaced 2D seismic. In addition, 37 wells have been drilled by the SACBJV within the Hornet gas field resource area, providing rigorous subsurface control. Interpretation of geological and geophysical data indicates the gas accumulation intersected by these wells has similar characteristics to many existing Santos operated fields that produce conventional gas from the Patchawarra Formation.

Given the field's conventional reservoir characteristics, comparatively shallow depth, low levels of carbon dioxide and proximity to pipeline infrastructure with available capacity, Senex considers the field is well placed for early commercialisation.

Hornet-1 (PEL 115: Senex 80%¹ and Operator)

The Hornet-1 exploration well was drilled by Victoria Petroleum (now Senex) in 2004. At that time, gas shows were observed in the Epsilon and Patchawarra Formations with gross calculated gas-bearing sandstones of 56 metres. Two drill stem tests were conducted on the well with gas flowing to surface.

In March 2013, Senex completed a multi-zone fracture stimulation of the Hornet-1 well over the interval 2,484 metres to 2,678 metres, targeting the tight gas sands of the Patchawarra Formation. During initial production testing, gas flowed to surface at a stabilised rate of 2.2 mmscfd. The well was subsequently shut in ahead of an extended production test, which will form part of Senex's 2013/14 work program.

Kingston Rule-1 (PEL 115: Senex 80%¹ and Operator)

Senex drilled the Kingston Rule-1 gas exploration well in late 2012 to evaluate the Roseneath-Epsilon-Murteree package of shale and tight gas sands, and the tight gas sands and coal seams of the Patchawarra Formation. The well is located 2.4 kilometres from Hornet-1.

The well reached a total depth of 2,872 metres and intersected 53 metres of net gas pay, with 9 metres of pay in the Epsilon Formation and 44 metres of pay in the Patchawarra Formation tight gas sands. The well also intersected 150 metres of shale and close to 20 metres of gas charged coal in the Patchawarra Formation, with mud logs confirming the presence of liquids rich hydrocarbons in the Permian section.

In March 2013, Senex successfully fracture stimulated multiple zones in the Patchawarra tight gas sands and one zone in the Epsilon Formation. During initial production testing, gas flowed to surface at a constrained rate of 1.2 mmscfd.

Other southern Cooper-Eromanga Basin gas exploration

Exploration focused on unconventional gas prospects in the southern Cooper-Eromanga Basin delivered initial contingent resources across both tight sands and shales during the year. On the strength of exploration undertaken at Sasanof-1 in PEL 516 in 2011/12, Senex estimated 1C, 2C and 3C contingent resources across the tight sands of the Patchawarra Formation and the Murteree Shale. Senex has identified additional targets with similar characteristics across its extensive acreage in the Basin.

In August 2012, Senex continued its planned unconventional gas exploration activities in southern Cooper-Eromanga Basin permit PEL 516 (Senex 100%) with the drilling of Skipton-1, 14 kilometres north west of Kingston Rule-1.

¹ On 12 June 2013, Senex entered into an agreement with Orca Energy Limited (and its subsidiary, Komodo Energy Pty Ltd) for the acquisition by Senex of a 20% interest in PEL 115. The transaction remains subject to standard regulatory and third party approvals and is expected to complete in 2013/14, giving Senex a 100% interest in PEL 115.

Gas business

During drilling, Senex intersected a liquids rich sandstone reservoir in a previously unexplored trough and observed oil and gas shows throughout the Permian section. Wireline logs confirmed material quantities of hydrocarbons outside of structural closure. In early 2013, Senex completed a multizone fracture stimulation at Skipton-1, however mechanical difficulties delayed production testing and the well was subsequently suspended.

Northern Cooper-Eromanga Basin gas exploration

Senex achieved encouraging results from gas exploration in the northern Cooper-Eromanga Basin during 2012/13. This included significant results from deep coals, which resulted in the identification of 1C, 2C and 3C contingent gas resources. These coals exist throughout the Patchawarra Trough where Senex holds an extensive acreage position.

Paning-2 (PEL 90: Senex 100%)

Paning-2 was the first unconventional gas exploration well to be drilled in the region and the second, after the Santos-operated Moomba-77, to flow gas from deep coals.

Senex drilled Paning-2 to a depth of 3,180 metres in December 2012 to assess the unconventional gas potential of the Permian tight sand and deep coal sequences across the Patchawarra Trough. The well is located 1.2 kilometres south west of the Paning-1 conventional gas exploration well, which was drilled in 1980 by Delhi Petroleum and encountered gas in the Permian section.

In May 2013, Senex completed the fracture stimulation of five zones: two fracture stimulations in each of the Epsilon and Patchawarra Formations and a single 63,000 pound proppant fracture stimulation in the Toolachee Coal. Testing of the Toolachee Coal successfully demonstrated the ability to mobilise gas to surface at a maximum rate of 90,000 standard cubic feet per day during a four day production test.

Paning-2 also tested the domal structure up-dip of Paning-1 at the top of the Patchawarra Formation, which covers an area of more than 36 square kilometres (9,000 acres). The fracture stimulations in the Epsilon and Patchawarra formations intersected low salinity water saturated reservoirs which were subsequently isolated to allow flow testing of the Toolachee Coal.

Work program for 2013/14

In 2013/14, Senex will develop an appraisal program to confirm the extent of the Hornet gas field and provide information required for early commercialisation. This work will consider issues such as drilling and subsurface design to optimise flow rates and ultimate economic recover which will determine field economics.

In addition, Senex will continue to analyse data from its unconventional gas exploration activities at Sasanof, Skipton, Talaq and Paning to identify further opportunities to progress commercialisation opportunities.

Surat Basin gas assets

Senex continued to add value to its four strategically located coal seam gas interests in the Queensland Surat Basin during 2012/13. Senex and its joint venture partners drilled a total of seven coal seam gas wells, lifting net Senex coal seam gas reserves and resources by 15% to 598 petajoules (101.7 mmboe), as detailed on page 11 of this Annual Report.

Western permits (ATP 771P and ATP 593P: Senex 45% and Operator)

Senex operates two permits in the western Surat Basin, north west of Roma and close to infrastructure. The Company drilled two core holes in its western permits during 2012/13. Indy-1 and Indy-2 contributed field delineation data that resulted in a reserves upgrade across the permits.

Exploration data indicated good coal and carbonaceous shale thickness. Drill stem tests were conducted over intervals in both the Juandah and Taroom Coal Measures to evaluate the potential for gas deliverability, with good permeability recorded.

Eastern permits (PL 171: Senex 20% and ATP 574P: Senex 30%)

In joint venture with QGC – a BG Group business, Senex holds interests in two permits north west of Miles in the eastern Surat Basin. The permits are surrounded by acreage that is currently being developed to supply LNG projects in Gladstone.

During the year, the joint venture drilled five coal seam gas appraisal wells in these permits to increase 2P reserves and enhance understanding of the geographic distribution of the Walloon Subgroup to improve the accuracy of geological modelling and reservoir simulation predictions.

Outlook

Senex and its joint venture partners plan to drill up to 11 coal seam gas wells and two ground water monitoring wells during 2013/14. The objective of this exploration activity is to further increase 2P reserves and enhance understanding of the deliverability potential of these assets.

Tenement interests

Senex's portfolio of exploration, development and production assets at 30 June 2013

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint Venturers ¹ (*Operator)
Exploration			
Cooper-Eromanga Basin			
ATP 560P (Ueleven)	49	42	Icon*, Private Interests
ATP 736P* - application	4,812	80	Arrow Energy
ATP 737P* - application	622	80	Arrow Energy
ATP 738P* - application	1,078	80	Arrow Energy
ATP 752P (Barta)	1,388	15 ²	Santos*, Arrow Energy, Bengal
ATP 752P (Wompi)	871	17.5 ²	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)	1,544	24	Arrow Energy, Icon
ATP 794P* (Regleigh)	1,238	24	Arrow Energy, Icon
ATP 794P (Barcoo)	4,912	35	Arrow Energy *
ATP 794P* (Remainder)	1,952	60	Arrow Energy
PEL 87*	2,854	60	Beach
PEL 88*	3,304	100	
PEL 90* (Candra)	167	100	
PEL 90* (Kiwi)	145	75	Cooper
PEL 90* (Remainder)	574	100	
PEL 93*	622	70	Cooper
PEL 94	1,799	15	Beach*, Strike
PEL 100*	297	55	Acer, Cooper
PEL 102*	162	100	
PEL 104*	518	60	Beach
PEL 110*	728	60	Cooper, Orca
PEL 111*	776	60	Beach
PEL 113* (Sainty)	2	100	
PEL 113* (Dunoon)	45	100	
PEL 113* (Murteree)	53	65	Bengal
PEL 113* (Remainder)	463	100	
PEL 115*	266	80 ³	Orca
PEL 182*	1,744	52.5	Acer, AOC, Strategic
PEL 424*	6,138	60	Beach
PEL 514* (Northern)	829	50 ⁴	Planet Gas
PEL 514* (Southern)	1,088	70 ⁴	Planet Gas
PEL 516* (Mudlalee)	1	100	
PEL 516* (Remainder)	2,558	100	
PEL 516* (Shocking)	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 (Deeps)		30	BG Group*, CNOOC, Tokyo Gas
ATP 593P* (Don Juan CSG)	385	45	Arrow Energy
ATP 593P* (Deep)		24	Arrow Energy
ATP 771P* (Don Juan CSG)	538	45	Arrow Energy
ATP 771P* (Deep)		100	
Pedirka Basin (Poolowanna Trough)			
PEL 288*	9,867	100	
PEL 289*	7,061	100	
PEL 290*	6,376	100	
PEL 331*	9,690	100	
GSEL 612*	2,490	100	
GSEL 613*	2,466	100	
GSEL 614*	2,463	100	
GSEL 615*	2,450	100	
GSEL 616*	2,345	100	
GSEL 617*	2,389	100	
GSEL 618*	2,328	100	
GSEL 619*	2,141	100	
GSEL 620*	2,121	100	
GSEL 621*	2,114	100	
GSEL 622*	2,470	100	
GSEL 623*	2,436	100	
GSEL 624*	2,299	100	
GSEL 625*	2,481	100	

Tenement interests

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint Venturers ¹ (*Operator)
Production			
Cooper-Eromanga Basin			
Acrasia PPL 203*	2	100	
Warrior PPL 207*	6	70	Cooper
Derrilyn ⁵ PPL 206	1.4	35	Santos*
Derrilyn PPL 208	0.3	35	Santos*
Harpoono PPL 209*	10	100	
Reg Sprigg West PPL 211	0.1	25	Santos*, Delhi, Origin
Mirage PPL 213*	10	100	
Ventura PPL 214*	2	100	
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*	7	60	Beach
Dunoon PRL 16*	3	100	
Vintage Crop PPL 241*	0.5	100	
Snatcher PPL 240 *	3	60	Beach
Growler PPL 242 *	8	60	Beach
Mustang PPL 243*	3	60	Beach
Cuisinier PL 303	64	15 ²	Santos*, Arrow Energy, Bengal
Bowen Basin			
PL 231*	180	40	Dome, Triangle
Surat Basin			
PL 171	175	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*
PCA 125 - application (East)	154	100	
PCA 126 - application (West)	154	100	
PCA 127 - application (Central)	231	100	
Geothermal			
GEL 378*	1,565	100	
GEL 382*	1,955	100	
GEL 386*	1,976	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	90,782		
Total net Senex	72,301		

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

² During 2012/13 year, Senex sought to sell its 15% interest in Cuisinier PL 303 and its interests in ATP 752P (15% Barta and 17.5% Wompi). Santos Limited and Bengal Energy (Australia) Pty Ltd gave notices of pre-emption, on 24 and 25 June 2013 respectively, agreeing to purchase the sale interests. That sale agreement, pursuant to the pre-emptive arrangements, is subject to standard regulatory and third party approvals and is expected to complete in 2013/14, giving Senex no remaining interest in Cuisinier PL 303, ATP 752P (Barta) or ATP 752P (Wompi).

³ On 12 June 2013, Senex entered into an agreement with Orca Energy Limited (and its subsidiary, Komodo Energy Pty Ltd) for the acquisition by Senex of a 20% interest in PEL 115. The transaction remains subject to standard regulatory and third party approvals and is expected to complete in 2013/14, giving Senex a 100% interest in PEL 115.

⁴ On 14 May 2013, Senex entered into an agreement with Planet Gas Limited whereby Senex agrees to acquire an additional interest in PEL 514 to give Senex an 80% interest in PEL 514 (northern and southern). This transaction was registered and approved on 16 July 2013.

⁵ PPL 206 forms part of Derrilyn Unitisation Agreement with PPL 208 and PPL 215.

Corporate governance statement

The Board and management of Senex are committed to the creation of shareholder value and meeting the expectations of stakeholders for sound corporate governance. In 2012/13 the Company again grew significantly in size, complexity and value and remained part of the S&P/ASX 200 index. Senex conducted a review of its corporate governance framework to ensure that the Board and management would continue to meet the legitimate governance expectations of investors and other stakeholders.

The following policies were in place during 2012/13:

- Code of conduct
- Conflicts of interest policy
- Diversity policy
- Disclosure and communications policy
- Risk management policy
- Remuneration policy

During 2012/13, 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 28 to 49 of this Annual Report.

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 Senex and its shareholders. Minor changes were made to the charter to reflect revisions in ASX listing rules and ASX guidance on continuous disclosure and to simplify the structure of the charter.

The Board has established two standing committees – the Audit and Risk Committee and the Remuneration and Nominations Committee. The composition, structure, purpose and responsibilities of those Committees are described below. The Board may also delegate specific functions to ad-hoc committees from time to time on an 'as needs' basis.

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

Principle 2 – Structure the board to add value

Composition and operation of the Board

The composition and operation of the Board is determined under the following principles and guidelines set out in the Constitution and the Board Charter:

- Until Senex resolves otherwise there will be a minimum of three Directors and a maximum of seven Directors.

- The Board, advised by the Remuneration and Nominations Committee, determines the size and composition of the Board and each Board Committee, subject to the terms of the Constitution.
- A Director should have qualifications and experience relevant to the business needs and strategy of the Company.
- The Board should, where practical, comprise a majority of independent Non-executive Directors.
- The Board should provide to Senex, through the diversity of its Directors, a broad and balanced range of skills, learning, expertise and experience.
- The Chair of the Board should be an independent Non-executive Director and should not be a former Chief Executive of the Company.
- The Board and each Board Committee should meet regularly in a pre-arranged cycle and follow agreed meeting guidelines to ensure all Directors are made aware of all agenda items and are provided with all necessary information to enable them to participate in informed discussion.
- Every Director will have access to Senex employees, advisors and records in carrying out their duties and responsibilities.
- Every Director will have access to advice and counsel from the Chair and the Company Secretary in carrying out their duties and responsibilities. Where appropriate, and after consultation with the Chair, every Director will be able to seek independent professional advice at the Company's expense.
- The Board, through the Remuneration and Nominations Committee, will review the performance of each Director who is retiring by rotation under the Constitution and seeking re-election. The results of this review will form the basis of the Board's recommendation to shareholders on the proposal for re-election of the Director.
- Periodically, the Directors will conduct a performance evaluation of the Board as a whole and each Board Committee, and the governance processes that support the Board.

The Directors in office at the date of this statement are set out on page 28 of this Annual Report.

Independence

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

In determining the independent status of a Director, the Board, in accordance with the ASX Guidelines, considers whether the Director:

- is a substantial shareholder of Senex or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

Corporate governance statement

- is employed, or has previously been employed, in an executive capacity by Senex 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 three years been a principal of a material professional advisor or a material consultant to Senex or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of Senex 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 Senex or another group member other than as a Director.

Senex did not comply with recommendation 2.1 of the ASX Guidelines during 2012/13 as a majority of the Board is 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, independent judgements in the best interest of Senex 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 and Chief Executive Officer. 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. RBS Morgans Limited is a material professional advisor to Senex.

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 Senex 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 page 26 of this Annual Report.

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

Remuneration and Nominations Committee

The Remuneration and Nominations Committee has three primary functions:

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

The Remuneration and Nominations Committee has a charter which sets out its role and responsibilities, composition and structure and can be found on the Senex website. The charter provides for the Board to obtain independent professional advice at the expense of the Company, where appropriate.

Performance review and evaluation

It is the policy of the Board to ensure that Directors are equipped with the knowledge and information they need to discharge their responsibilities effectively. The performance of all Directors is reviewed annually by the Chairman. Performance is continually monitored by the Chairman and Board, although Senex is not of a size to warrant the development of formal performance review processes. 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.

As mentioned above, the Board, through the Remuneration and Nominations Committee, will review the performance of each Director who is retiring by rotation under the Constitution and seeking re-election. The results of this review will form the basis of the Board's recommendation to shareholders on the proposal for re-election of the Director.

Periodically, the Directors will conduct a performance evaluation of the Board as a whole and each Board Committee, and the governance processes that support the Board.

Principle 3 – Promote ethical and responsible decision-making

Code of conduct

Senex has a code of conduct 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 Senex website in the corporate governance section.

Diversity policy

Senex has a diversity policy which aims to create a 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. Senex 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;

Corporate governance statement

- wherever there is a vacancy at Board and senior management level, Senex 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.

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

Recruitment for any new Board appointment will be drawn from a diverse field of suitably qualified and experienced candidates.

At 30 June 2013, women represented 27 per cent of all employees (2012: 28%) and 20% of women held management positions. Senex has a female Alternative Non-Executive Director as a member of the Board of Directors.

Securities dealings and disclosures

Senex has a securities trading policy that regulates dealing in its securities by Directors, executives and employees (personnel) and their associates. 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 ensure that their associates comply with the same restrictions under the policy.

The policy prohibits personnel from dealing in any securities, not just Senex securities, if they are in possession of price sensitive information not available to the market. The *Corporations Act 2001* (Corporations Act) 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 during certain blackout periods determined and advised to personnel by the Company Secretary, Chief Executive Officer or Chair of Senex:

- the period, typically 14 days, prior to, and the day of release by the ASX of the Company's annual, half yearly and quarterly reports;
- the period prior to release by ASX of a significant announcement by the Company; and
- such other times as the Company Secretary, Chief Executive Officer or Chair determines and advises.

The policy also prohibits short term trading by personnel.

Certain personnel, including all Directors, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and other executives reporting directly to the Chief Executive Officer are designated personnel under the policy, and are subject to additional restrictions. Designated personnel are

required to obtain approval from the Company Secretary, Chief Executive Officer or Chair before any dealing in Senex securities and to notify the Company Secretary of any completed dealing.

Principle 4 – Safeguard integrity in financial reporting

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

Audit and Risk Committee

The Audit and Risk Committee comprises three Non-executive Directors, of whom two are independent. The Chairman of the Board cannot chair the Audit and Risk Committee. The Chairman of the Committee, Dr Craven, is an independent Non-executive Director. All members of the Committee are financially literate and the Committee possesses sufficient financial expertise and knowledge of the industry in which Senex operates.

It is the responsibility of the Audit and Risk Committee to ensure that an effective internal control framework exists within Senex. 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 and Risk Committee Charter setting out its role, responsibilities, composition and structure, can be found on the Senex website. The Audit Committee Charter was amended in 2012/13 and renamed the Audit and Risk Committee Charter when the Board added responsibility for review of operational risk to the Committee's function and purpose.

Principle 5 – Make timely and balanced disclosure

Senex 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 Senex website. Shareholders can subscribe to a free email notification service and receive notice of any announcement released by Senex.

The Company's disclosure and communications policy, which is available on the Senex website, was updated in 2012/13 to reflect revisions in ASX Listing Rules and ASX guidance on continuous disclosure.

Corporate governance statement

Principle 6 – Respect the rights of shareholders

Senex 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.

Senex 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.

Senex'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 Senex website.

Principle 7 – Recognise and manage risk

Risk assessment and management

Senex 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.

The Company has a formal risk management policy to govern Senex's approach to risk oversight and management, and internal control systems. A copy of the risk management policy is available on the Senex website.

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

The Company'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 Senex's business objectives.

The Board has received assurance from the Managing Director and Chief Financial Officer that:

- the declaration provided in accordance with section 295A of the Corporations Act 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 and Nominations Committee

The Remuneration Report sets out details of the Company's policies and practices for remunerating Directors, Key Management Personnel (KMP) and employees.

Senex has a Remuneration and Nominations Committee, which comprises all of the Non-executive Directors and is chaired by Mr Patten who is the Chairman of the Board. During 2012/13, Senex did not comply with recommendation 8.2 of the ASX Guidelines - that the majority of the committee be independent - as the Directors considered to be independent Non-executive Directors do not constitute a majority of the Board or a majority of the Remuneration and Nominations Committee.

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 set out in the Remuneration Report.

Senex has a remuneration policy that provides a governance framework for the structure and operation of remuneration systems, within the context of the Company's financial and risk management framework.

It provides for both fixed and performance based remuneration for all employees, and permits Senex to offer a component of performance based remuneration as equity remuneration.

Board of Directors

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 has also been a Non-executive Director of Orca Energy Limited since March 2012. He chairs 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 (QGC) since 2007. Previously, Mr Davies was an investment banker in Melbourne with Austock Corporate Finance and in London with Barclays Capital. Mr Davies commenced his career in the Energy and Mining Division of PricewaterhouseCoopers (pwc) 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 ASX listed company Drill Torque Ltd (appointed July 2011) and Non-executive Director of Windlab Systems Pty Ltd. His previous roles include Chairman and Non-executive Director of Ergon Energy Corporation Limited, Chairman of Tully Sugar Limited and 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 chairs the Senex Audit and Risk Committee and is 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 Non-executive Chairman 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 and Risk 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' 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, whose funds are shareholders in Senex. Mr McKeown serves on a number of boards in the natural resources sector. He is currently Acting Chairman of Ferrous Resources Ltd and was previously Chairman of Rincon Lithium Ltd. Mr McKeown is a member of the Senex Remuneration and Nominations Committee.

Yanina A Barilá Alternate Non-executive Director *BAcc, Mfin*

Ms Barilá was appointed as an Alternate Director for Mr McKeown in March 2011. She is an investment manager with The Sentient Group and brings international experience in the review and evaluation of mining and energy projects. Ms Barilá'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, Thomson-Reuters, and Ernst & Young. Ms Barilá is also an alternate director of ASX-listed Silver City Minerals (appointed August 2011) and TSX.V-listed Darwin Resources (appointed May 2013). Ms Barilá is an alternate member of the Senex Remuneration and Nominations Committee.

Executive leadership team

Andrew J Price **Chief Financial Officer**

BCom, HDipAcc, CA, CA(SA)

Mr Price joined Senex as Chief Financial Officer in September 2012. He has a wealth of experience in the energy and resources sectors, and was previously Business Development Manager for Anglo American plc, responsible for global growth. Before joining Anglo American, Mr Price spent almost 10 years with pwc in its Transaction Advisory and Project Finance Advisory businesses. He is a Chartered Accountant and holds a Bachelor of Commerce from Rhodes University.

Julie A Whitcombe **General Manager Planning**

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 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. Mrs Whitcombe is currently on maternity leave.

Francis L Connolly **Legal Counsel and Corporate Secretary**

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.

Andrew (James) Crowley **General Manager Exploration and Development**

BSc (Hons) Geology

Mr Crowley joined Senex in September 2012 and assumed the role of General Manager Exploration in January 2013. His career in the oil and gas industry spans 28 years and includes the successful identification and development of onshore and offshore oil and gas prospects in diverse geological settings. Before joining Senex, Mr Crowley was Exploration Manager New Ventures with Origin Energy.

In this role, he oversaw the evaluation of tight sand and shale gas prospectivity in Australia and New Zealand. Previously, Mr Crowley was with Apache Corporation for 18 years where he held senior executive roles in Egypt and the North Sea. His experience during this time included the discovery of new fields and the exploitation of mature oil fields to deliver significant increases in daily oil production and reserves.

Darren B Stevenson **General Manager Operations**

BEng (Mech), MBA

Mr Stevenson joined Senex in mid-2012, bringing a proven track record in developing the operational capabilities of growing oil and gas business. He previously held a number of senior operational roles within Arrow Energy during its growth from early production to a high profile player in the Australian oil and gas industry. This included overseeing significant growth in production, major capital expenditure programs, and business, health, safety, environment and compliance improvement initiatives. Prior to that, Mr Stevenson held a number of technical and operational roles with AGL Energy, after commencing his career as a pipeline engineer on the Roma Brisbane pipeline.

Susan L Mallan **General Manager Operational Services and Compliance**

B.Eng (Mech), Grad Dip (Pet Eng) MBA GAICD

Mrs Mallan joined Senex in January 2012. As General Manager, Operational Services and Compliance, Mrs Mallan is responsible for the provision of strategic operational and compliance support services to ensure delivery of operational targets. With a background in petroleum engineering, Mrs Mallan has held technical roles and senior leadership positions in commercial, operations and project management across Australia, the Middle East and Indonesia. She spent ten years internationally with Schlumberger Ltd and has held General Management and COO roles with Australian operators, consulting companies and a downstream Government Owned Corporation. Mrs Mallan is currently on maternity leave.

Gary Proctor **General Manager HSSEQ and Drilling**

Mr Proctor joined Senex in November 2012. He has extensive experience in the drilling industry both in Australia and overseas working in the offshore and land based drilling environments. He also has considerable experience in developing and implementing management systems and risk management frameworks within the oil and gas industry both in Australia and overseas. Mr Proctor joined Senex from International Safety and Risk Management, where he was a key member of the senior management team. Before this, Mr Proctor was an independent oilfield risk consultant for six years and the HSSE Manager Western Hemisphere for Pride International based in Houston, Texas.

Directors' report and remuneration report

Your Directors submit their Annual Report for the year ended 30 June 2013.

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
Ralph H Craven
Timothy BI Crommelin
Benedict M McKeown
Yanina A Barilá

Details of the Directors' qualifications and experience are set out on page 26 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	1,819,616	-
Ian R Davies	1,973,953	6,000,000
Ralph H Craven	160,000	-
Timothy BI Crommelin	3,546,812	-
Benedict M McKeown*	-	-
Yanina A Barilá*	-	-

* Mr McKeown and Ms Barilá are executives of the Sentient Group which held relevant interests in 188,212,276 fully paid shares (16.5% 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 27 of this Annual Report.

Mr David A Pegg, Senior Lawyer with Senex, was appointed as an additional secretary from 8 March 2013 for each Group company. Mr Pegg joined Senex on 1 February 2013, bringing his considerable experience as a senior executive in the energy and resources sector, primarily with legal and corporate governance responsibilities, but also in development, project oversight and government relations. He has completed a Graduate Diploma in Applied Corporate Governance with the Institute of Chartered Secretaries Australia. Prior to joining Senex, Mr Pegg worked as General Counsel and Company Secretary at Ergon Energy and QER for 10 years and as a senior associate at Blake Dawson in the Corporate and Resources group for 10 years.

Dividends

No dividends have been paid or declared by Senex 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 (2012: \$6,100,000).

Directors' report and remuneration 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-Eromanga Basin, the exploration and appraisal of unconventional gas prospects in the Cooper-Eromanga Basin 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 \$147,878,000 (2012: \$70,411,000). The Group's net profit for the year was \$61,004,000 (2012: Net profit \$8,860,000).

A detailed operating and financial review is included on pages 1 to 21 of this Annual Report. Detailed information on Senex's business strategies and prospects and material business risks is included on pages 8 to 10 of this Annual Report.

Ordinary fully paid shares issued during the year

	Parent Entity			
	2013 Number of shares	\$'000	2012 Number of shares	\$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,032,094,191	374,251	758,280,547	241,402
Issues of share during the period:				
Equity raising	104,111,540	77,043	258,883,633	131,929
Exercise of unlisted options	1,930,000	568	14,103,343	3,957
Performance rights (nil consideration)	2,669,106	-	826,668	-
Transaction costs on shares issued (net of tax)		(1,798)		(3,037)
Balance at the end of the period	1,140,804,837	450,064	1,032,094,191	374,251

On 19 July 2012, Senex issued 104,111,540 ordinary fully paid shares at 74 cents each, to raise \$77,042,540 before costs. An additional \$568,100 was raised through the exercise of options against which 1,930,000 shares were issued during the financial year. 2,669,106 ordinary fully paid shares were issued during the period as a result of the vesting of performance rights.

Significant changes in the state of affairs

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

Significant events after the reporting date

Acquisition of additional interest in PEL 514

On 14 May 2013, Senex entered into an agreement with Planet Gas Limited whereby Senex agreed to acquire an additional interest in PEL 514 to give Senex an 80% interest in PEL 514 (northern and southern). This transaction was registered and approved on 16 July 2013, resulting in an increase in exploration assets and decrease in cash of \$5,000,000.

Acquisition of additional interest in PEL 115

On 12 June 2013, Senex Energy entered into an agreement with Orca Energy Limited (and its subsidiary, Komodo Energy Pty Ltd) for the acquisition by Senex of a 20% interest in PEL 115, which included the cancellation of 115 million ordinary shares in Orca Energy Limited. The transaction received Orca Energy Limited shareholder approval on 7 August 2013, but remains subject to standard regulatory and third party approvals and is expected to complete in 2013/14, giving Senex a 100% interest in PEL 115.

Senex agreement with South Australia for 15 year tenure retention deal

On 19 August 2013, Senex Energy entered into an agreement with the South Australian Government for a 15 year petroleum retention licence scheme to enable efficient investment in exploration and appraisal across Senex's operated oil permits in the South Australian Cooper-Eromanga Basin. The agreement replaces tenure specific obligations with a portfolio-wide oil exploration and appraisal expenditure target of approximately \$30 million per year, net to Senex.

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' report and remuneration report

Likely developments and expected results

During the next financial year, the Group will continue to focus on its key projects: Cooper-Eromanga Basin oil and gas projects in South Australia and Queensland, exploration for gas resources in the Cooper-Eromanga 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 21 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 Senex. No significant environmental breaches or infringements have been notified by any government agency during the year ended 30 June 2013.

A summary of Senex's environmental activities and performance is included on pages 13 and 15 of this Annual Report.

Share options

Unissued shares

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

Class of security	Number	Exercise Price	Expiry Date
Unlisted options	1,600,000	25.5 cents	2 February 2014
Unlisted options	1,410,000	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	666,000	40.0 cents	1 July 2016
Unlisted options	1,200,000	25.5 cents	9 September 2015
Unlisted options	800,000	25.5 cents	19 July 2016
Unlisted options	1,000,000	25.5 cents	19 July 2017
Unlisted options	1,000,000	25.5 cents	19 July 2018
Vesting date			
Performance rights (2010/11)	233,333	-	1 July 2013
Performance rights (2011/12)	1,431,700	-	1 July 2014
Performance rights (2012/13)	6,036,103	-	1 July 2015

Options issued from 1 July 2012 to the date of this report

There were no options issues during the period. Option holders do not have any right, by virtue of the option, to participate in any share issue of Senex or any related body corporate.

Performance rights issued from 1 July 2012 to the date of this report

On 1 July 2012, Senex granted 5,030,610 performance rights to senior employees. These rights vest on 1 July 2015 subject to certain performance hurdles.

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

On 1 September 2012, Senex granted 284,643 performance rights to a senior employee. These rights vest on 1 July 2015 subject to certain performance hurdles.

On 17 September 2012, Senex granted 30,000 performance rights to a senior employee. These rights vested immediately.

On 1 November 2012, Senex granted 554,500 performance rights to senior employees. These rights vest on 1 July 2015 subject to certain performance hurdles.

On 1 January 2013, Senex granted 166,350 performance rights to a senior employee. These rights vest on 1 July 2015 subject to certain performance hurdles.

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

Directors' report and remuneration report

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

Shares issued by Senex as a result of the exercise of options or performance rights from 1 July 2012 to the date of this report include:

Date issued	Number of Shares	Price per share (\$)
27 July 2012	2,529,106	-
6 September 2012	1,000,000	0.270
2 November 2012	400,000	0.255
26 November 2012	30,000	0.370
4 December 2012	30,000	-
11 January 2013	110,000	-
1 February 2013	500,000	0.370
26 July 2013	505,513	-

Indemnification and insurance of Directors and officers

During the current year, Senex incurred a premium of \$45,687 (2012: \$34,121) 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.

Directors' meetings

The numbers of meetings of Senex's Board of Directors and of each Board Committee held during the year ended 30 June 2013, and the number of meetings attended by each Director were:

	Meetings of committees					
	Board meetings		Audit and Risk		Remuneration and Nominations	
	A	B	A	B	A	B
Denis F Patten	7	7	4	4	1	1
Ian R Davies	7	7	2	*	*	*
Ralph H Craven	6	7	4	4	1	1
Timothy BI Crommelin	6	7	4	4	1	1
Benedict M McKeown	7	7	2	*	1	1
Yanina A Barilá	6	7	4	*	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

***** = Not a member of the relevant Committee

Non-audit services

The Company's auditor, Ernst & Young (Australia), did not undertake any non-audit services for Senex during the current or prior year.

Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 50 of this Annual Report.

Rounding

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company. Accordingly, amounts have been rounded off in accordance with that Class Order, unless otherwise indicated.

Directors' report and remuneration report

Remuneration report (audited)

The Directors of Senex Energy Limited present this Remuneration Report for the consolidated entity for the year ended 30 June 2013. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth) (Corporations Act) and forms part of the Directors' Report.

It outlines the Senex's key remuneration activities in 2013 and remuneration information pertaining to the Company's Directors, Chief Executive Officer and Managing Director (CEO) and Senior Executives who are the key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act and the Accounting Standards.

At the 2012 annual general meeting, the Company's 2011/12 Remuneration Report was approved without dissent on a show of hands, and more than 93% of the proxies were voted in favour.

2012/13 Remuneration snapshot

Fixed remuneration	• The CEO's total fixed remuneration of \$550,000 for 2012/13 did not change. • The average fixed remuneration of Senior Executives increased by 35% from \$272,500 to \$367,778. The number of Senior Executives at period end increased from four to eight. • The average total fixed remuneration of the Company's workforce increased by 3.0%.
Short term Incentive (STI)	• The Board awarded 70% of maximum STI for the Senior Executives (representing an uplift of 49% of their fixed remuneration) and 75% of maximum STI for the CEO (representing an uplift of 40.9% of his fixed remuneration). • Senex exceeded its stretch target for oil production and its announced target for 2P oil reserves in 2012/13, however the Company did not achieve its safety performance targets following three lost time injuries suffered by contractors to the Company.
STI program changes from previous year	• STI for the CEO and Senior Executives for 2012/13 was awarded as a cash bonus. • In 2011/12, Senex offered the Senior Executives' STI as a grant of contingent performance rights, subject to similar 12 month performance conditions (total shareholder return (TSR), production of oil, increased 2P reserves and safety) but vesting over three years.
Long term Incentive (LTI)	• LTI for the CEO and Senior Executives for 2012/13 was a grant of performance rights subject to a three year TSR performance condition and a three year vesting condition. • The performance condition is absolute TSR from 30 June 2012 to 30 June 2015 with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. • The vesting condition requires the executive to be an employee of Senex group on 1 July 2015 • No LTI rights granted in 2012/13 vested in 2012/13
LTI program changes from previous year	• LTI for the CEO for 2011/12 was a grant of options vesting in three tranches up to 1 July 2013. • No LTI was granted to the Senior Executives for 2011/12.
Non-executive Directors	• Fees paid to Non-executive Directors increased in 2012/13 in line with advice from the Board's remuneration consultant and following shareholder approval in 2012 to increase the maximum aggregate annual remuneration allowance for Non-executive Directors. • The Board is in the process of recruiting a suitably qualified and experienced person to join the board as an additional Non-executive Director.

Directors' report and remuneration report

Realised remuneration

The following table shows the remuneration "actually realised" by the CEO and Senior Executives (who were KMP at 30 June 2013) in respect of 2012/13 performance. This is additional and different to the disclosures required by the Corporations Act and Accounting Standards, particularly in relation to LTI. Total remuneration amounts determined in accordance with the requirements of the Corporations Act are set out in Tables 13 and 14 on pages 45 and 46 of this Annual Report.

As a general principle, the Accounting Standards require a value to be placed on LTI based on probabilistic calculations at the time of grant. By contrast, this table values the LTI rights on the basis of the closing price of Senex shares on the date of vesting. In the case of Options, a value is attributed only if the Options vest and are exercised resulting in the issue of shares to the executive, calculated on the basis of the difference between the exercise price and the market price of Senex shares on the date of exercise of the Options.

The Company believes that the additional information provided in Table 1 is useful to investors as recognised by the Productivity Commission in its Report on Executive Remuneration in Australia. The Commission noted that the usefulness of remuneration reports to investors was diminished by complexity and omissions and in particular recommended that the report should include reporting of pay "actually realised" by the executives named in the report.

Table 1: Realised remuneration (non-IFRS)

	Year	Fixed ¹ \$	STI ² \$	LTI ³ \$	Other ⁴ \$	Total \$
Ian R Davies	2013	550,000	225,000	-	19,498	794,498 ¹²
<i>Managing Director and CEO</i>	2012	550,000	416,956 ¹¹	-	13,158	980,114
Andrew J Price	2013	321,040	157,208	-	10,793	489,041
<i>Chief Financial Officer⁵</i>	2012	-	-	-	-	-
Julie A Whitcombe ⁶	2013	270,304	117,600	173,988	13,948	575,840
<i>General Manager Planning</i>	2012	188,623	-	35,520	12,032	236,175
Francis L Connolly	2013	351,129	171,500	143,960	13,949	680,538
<i>Company Secretary and Legal Counsel</i>	2012	234,999	-	23,680	12,032	270,711
Andrew J Crowley ⁷	2013	279,268	91,875	-	27,790	398,933
<i>General Manager Exploration and Development</i>	2012	-	-	-	-	-
Darren B Stevenson ⁸	2013	397,983	122,500	-	8,917	529,400
<i>General Manager Operations</i>	2012	-	-	-	-	-
Susan L Mallan ⁹	2013	347,430	183,750	64,200	13,948	609,328
<i>General Manager Operational Services and Compliance</i>	2012	-	-	-	-	-
Gary J Proctor ¹⁰	2013	252,689	122,500	-	8,801	383,990
<i>General Manager Health, Safety, Security, Environment and Drilling</i>	2012	-	-	-	-	-

¹ "Fixed remuneration" comprises base salary and superannuation. Fixed remuneration is stated for the entire year (or part year if employment commenced during the period) regardless of when the Executive became a KMP.

² "STI" represents the amount of the STI or bonus that will be paid to the executive for 2012/13 performance.

³ The figures in the LTI column are based on the pre-tax vested value of performance rights or the pre-tax value of options exercised in the year measured by the difference between the share price on the date of exercise less the exercise price. The figures relate to performance rights granted to Mrs Whitcombe, Mr Connolly and Mrs Mallan in prior years that vested in the current year. For the value of share-based payments calculated in accordance with the Accounting Standards see Table 14 on page 46.

⁴ "Other" comprises ad hoc payments treated as remuneration, such as car parking (including FBT).

⁵ Mr Price became a KMP on 24 September 2012 when he was appointed to the role of Chief Financial Officer.

⁶ Mrs Whitcombe was Chief Financial Officer until 24 September 2012 when she was appointed as General Manager Planning.

⁷ Mr Crowley became a KMP on 1 January 2013 when he was appointed General Manager Exploration and Development. Mr Crowley's other benefits include an amount of \$21,750 in respect of 30,000 performance rights granted and vested upon his commencement with the Company.

⁸ Mr Stevenson became a KMP on 1 November 2012 when he was appointed General Manager Operations.

⁹ Mrs Mallan was on maternity leave from 10 May 2013.

¹⁰ Mr Proctor became a KMP on 1 November 2012 when he was appointed General Manager Health Safety Security Environment and Drilling.

¹¹ Mr Davies was awarded 70% of a maximum bonus of \$300,000 (ie \$210,000) for the period ended 30 June 2012. The bonus was paid as a cash-settled share-based payment based on the 20-day VWAP price at 30 June 2011 per the Chief Executive's employment contract.

¹² Total realised remuneration for Mr Davies for 2012/13 reflects the structure of his employment agreement, whereby his fixed remuneration and STI are capped at levels agreed in July 2011. The Board will negotiate an employment agreement with the CEO to offer market comparable levels of fixed remuneration, STI and LTI for 2013/14.

Directors' report and remuneration report

Remuneration philosophy

The performance of Senex depends upon the quality and performance of its Non-executive Directors, the CEO, Senior Executives and all staff. To be successful and maximise shareholder wealth, Senex must attract, motivate and retain highly skilled individuals.

The Company's remuneration philosophy is focused on promoting long term growth in shareholder returns by:

- aligning remuneration outcomes with strategic, operational and financial goals;
- rewarding performance fairly and reasonably; and
- striking a balance between short term and long term growth-related objectives, and providing an incentive for superior performance without encouraging irresponsible risk taking.

Senex recognises that people are a major asset and that remuneration is part of an integrated approach to people management. The Company remunerates all people based on performance by having a part of their "opportunity to earn" at risk, with this being more material for the CEO and Senior Executives. In accordance with best practice corporate governance, the structure of Non-executive Director remuneration is separate and distinct from the structure of executive remuneration.

Senex Employee Incentive Plan

In 2012/13, the Company adopted the Senex Employee Incentive Plan (EIP) to help achieve the remuneration policy goals by:

- focusing Senex people on performance outcomes
- rewarding Senex people for creating superior value for shareholders

Every permanent salaried employee of Senex (other than a member of KMP) who completed employment probation in 2012/13 was eligible to participate in the EIP for 2012/13. Subject to the corporate performance rating determined by the Board for a financial year, and the employee's individual performance rating, the participant is offered performance rights under the Senex employee performance rights plan which convert into Senex shares on vesting.

Under the EIP, the Board sets and communicates to all staff corporate targets for each financial year, and at the end of the financial year, the Board determines the extent to which those targets have been met.

The Board determines the corporate performance rating for the financial year as a percentage (0-100%). The rating sets the maximum proportion of performance rights that Senex can offer to eligible employees for that financial year.

If the Board determines that Senex has achieved a corporate performance rating below 50%, the Company will not offer any eligible employee participation in the EIP for that financial year.

Each eligible employee's individual performance rating is determined in accordance with the documented Senex employee performance review process, and an employee's participation ranges from 0% to 30% based on that rating.

The Board set corporate targets for 2012/13 with respect to:

- safety
- oil production
- reserves growth
- total shareholder return

The Board has determined that the corporate performance rating of the Company for 2012/13 was 70%, reflecting achievement in full of oil production and reserves growth targets but not safety and TSR targets.

Accordingly, about 130 Senex employees will be offered performance rights under the EIP, 50% of which will vest immediately and the other 50% of which will vest on 1 July 2015, subject to the employee being a Senex employee at that time.

The number of performance rights (if any) that each eligible employee will be offered for 2012/13 performance will be determined by:

$$\left[\begin{array}{c} \text{Corporate Performance} \\ \text{rating for 2012/13} \\ (\%) \end{array} \right] \times \left[\begin{array}{c} \text{Individual Performance rating} \\ \text{for 2012/13} \\ (\%) \end{array} \right] \times \left[\begin{array}{c} \text{Individual remuneration for} \\ \text{eligible period} \\ (\$) \end{array} \right] \div \text{participation price } (\$)$$

The participation price for performance rights offered for 2012/13 performance is the 20-day VWAP to end June 2013, namely \$0.544 per share.

Directors' report and remuneration report

Remuneration framework

Framework for CEO and Senior Executive remuneration

The diagram below shows the key objectives of Senex's remuneration policy for the CEO and Senior Executives and how these are implemented through the Company's remuneration framework.



Framework for Non-executive Director remuneration

The diagram below shows the key objectives of Senex's remuneration policy for Non-executive Directors' and how these are implemented through the Company's remuneration framework.



Directors' report and remuneration report

Remuneration governance

Remuneration and Nominations Committee

The Remuneration and Nominations Committee (Committee) oversees and formulates recommendations to the Board on Senex's remuneration policies and practices, including the remuneration of Non-executive Directors, the CEO and Senior Executives. In all of its activities, the Committee aims to promote investor understanding and confidence in Senex's remuneration and nomination processes by ensuring formal and transparent processes.

The Committee has 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 Board and advise the Board in these matters.

The Committee's Charter can be viewed or downloaded from the Senex website.

In 2012/13, all Non-executive Directors were members of the Committee, with Senex Chairman, Mr Denis Patten, serving as its Chair. The CEO attends parts of Committee meetings that do not involve discussion of his own arrangements. Other Senior Executives may also attend Committee meetings to provide management support.

The Board has approved a remuneration policy that provides for fixed and performance-based remuneration, and permits the offer of a proportion of performance-based remuneration to employees in the form of equity. Remuneration incentives are considered annually and aligned with prevailing market conditions to ensure attraction and retention of appropriately skilled Senior Executives.

The Board will continue to assess its policy and practices with regards to remuneration incentives for Senior Executives to ensure that it is appropriate for the Company in future years. Senex has a policy in place relating to the Non-executive Directors and Senior Executives limiting their exposure to risk in relation to the Company's equity instruments held by the Directors and Senior Executives.

External advisors and remuneration advice

In performing their roles, the Board and the Committee directly commission and receive information, advice and recommendations from independent external advisors. This assists the Directors to make informed decisions when considering Senex's remuneration policies and practices.

The Board has adopted a protocol to formally record the process for engaging and seeking advice from remuneration consultants, which ensures remuneration recommendations in relation to KMP are free from undue influence by the KMP.

During 2012/13, the Committee engaged Godfrey Remuneration Group Pty Ltd (GRG) in accordance with the Board approved protocol to provide remuneration recommendations in relation to the KMP for the consolidated entity for the financial year. Table 2 shows the fees payable to GRG in respect of 2012/13.

Table 2: Remuneration consultants

Remuneration consultant	Advice and/or service provided	Fees
Godfrey Remuneration Group Pty Ltd	Remuneration recommendations	\$28,000

Senex made the following arrangements to ensure that the remuneration recommendations would be free from undue influence by the member or members of KMP to whom the recommendations relate:

- The Board approved GRG as an external remuneration consultant under paragraph 206K(2)(a) of the Corporations Act to provide remuneration recommendations in relation to KMP of the Company.
- The terms of GRG's appointment included:
 - that the Board or Committee will from time to time commission specific projects related to KMP remuneration;
 - that GRG may only provide KMP remuneration recommendations to non-executive Directors of Senex;
 - 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 Senex;
 - that if GRG is approached by a Senex executive or executives to perform work that will not give rise to KMP 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 recommendations were made free from undue influence.

Directors' report and remuneration report

Link between performance and remuneration

Short term incentives (STI)

Each year, Senex sets stretch performance targets to be achieved within the year. These short term targets are chosen to encourage outcomes and behaviours that support the safe operation and delivery of the base business while pursuing long-term growth in shareholder value. Table 3 presents the targets used in 2012/13 to measure performance for the purposes of STI and the rationale for their selection.

Table 3: STI stretch targets

Strategic driver	STI stretch target	Rationale
Safety	Senex "strives for zero" as measured in 2012/13 by the total recordable injury frequency rate (TRIFR)	Safety was chosen as a measure as safety is paramount in all Senex operations and is key to the Company's licence to operate.
Production	Measured in 2012/13 by oil production of 1.2 million barrels net to Senex	Production of oil was chosen as it generates profitable and sustaining cashflow for Senex and provides a ready demonstration of the Company's value to investment markets.
Growth	Measured in 2012/13 by the increase in proved and probable (2P) oil reserves by 5.0 million barrels net to Senex	Increase in 2P reserves of oil was chosen as it is the key metric of value created by the Company's investment in exploration and appraisal activities, and because 2P reserves provide assurance that the Company can continue to generate sustaining cashflow from production of oil in future years.

Long term incentives (LTI)

Absolute TSR was chosen as the LTI measure as share price performance over the long term is the primary measure of the increase in the value of a shareholder's investment in Senex, and the achievement of long term shareholder value aligns the interests of the CEO and Senior Executives with the interests of shareholders.

The Board did not adopt a test of relative TSR or relative share price performance. This is because it did not believe the peer group provided suitable comparison or a sufficient benchmark for this purpose, and because it wished to retain a discretion to determine whether (and to what extent) any LTI rights vest if shareholders do not receive the TSR over the performance period that the performance test requires.

Prior to any future grant of performance rights, the Board proposes to amend the terms of the Senex Performance Rights Plan so that for any future grant of rights:

- in the event of change of control of the Company, the vesting of any unvested performance rights on change of control will be subject to satisfaction of the performance test applicable to those rights (with the Board having an overriding discretion); and
- in the event that any measure of the Company's performance against a key performance indicator is subsequently discovered to have been misstated, the Board will have a right at its discretion to clawback out of any unvested performance rights subsequently held by the CEO or any Senior Executive the number of rights (if any) that vested incorrectly in reliance on the misstated level of performance.

2012/13 Performance measures, targets and potential remuneration uplift

Table 4 illustrates the potential remuneration uplift (as a percentage of fixed remuneration) offered to the Senior Executives in 2012/13 for achieving STI performance targets.

Table 4: STI remuneration measures, targets and potential uplift for Senior Executives for 2012/13

STI performance measures	Target performance	Stretch performance	Uplift as % of fixed remuneration (Below Target)	Uplift as % of fixed remuneration (at Target)	Uplift as % of fixed remuneration (at Stretch)
Safety	“Strive for zero” incidents ¹		To be awarded at the discretion of the Board	5%	10%
Production	> 1.0 mmbbbls	> 1.2 mmbbbls		15%	30%
2P reserves additions	> 3.5 mmbbbls	> 5.0 mmbbbls		15%	30%
				35%	70%

¹ As measured in 2012/13 by TRIFR

Directors' report and remuneration report

Table 5 illustrates the potential remuneration uplift (as a percentage of fixed remuneration) offered to the Senior Executives in 2012/13 for achieving LTI performance targets.

Table 5: LTI remuneration measures, targets and potential uplift for Senior Executives for 2012/13

LTI performance measures	Below Target		Target		Stretch	
Senex compound annual growth rate in absolute TSR	< 10% pa	10% pa	> 10% and < 15%	15% pa	> 15% and < 20% pa	> 20%
TSR over three year measurement period	< 33.1%	33.1%	> 33.1% and < 52.1%	52.1%	> 52.1% and < 72.8%	72.8%
Percentage of fixed remuneration	0%	10%	Pro-rata	35%	Pro-rata	70%

2012/13 Performance

In 2012/13, Senex exceeded both its announced target and its stretch target for oil production, and exceeded its announced target for 2P oil reserves, however the Company did not achieve its safety performance targets following three lost time injuries suffered by contractors to the Company. This resulted in an STI award of 70% of maximum for the Senior Executives (representing an uplift of 49% of their fixed remuneration) and, at the Board's discretion, 75% for the CEO (representing an uplift of 40.9% of his fixed remuneration).

Table 6 details the components of STI for Senior Executives awarded for 2012/13 performance.

Table 6: Actual STI performance, award recommendation and uplift for Senior Executives

STI performance measures	Actual performance	Award recommendation	Uplift as % of fixed remuneration
Safety	TRIFR of 8.62 (2011/12: 8.44)	Nil	0%
Production	1.25 mmbbls	Stretch	30%
2P reserves additions	3.9 mmbbls	Pro-rata	19% ¹
	(between Target and Stretch)		
	Total		49%

¹ Calculated as $15\% + ((0.4 \text{ mmbbls} / 1.5 \text{ mmbbls}) * 15\%)$

The LTI for the CEO and Senior Executives for 2012/13 was a grant of performance rights subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2012 to 30 June 2015, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the executive to be an employee of the Group on 1 July 2015. No LTI rights granted in 2012/13 vested in 2012/13.

The Board believes that Senex's performance has been strong and its achievements have been significant over the three years since the Company hired new management, adopted a new strategy to grow the oil and gas business and moved its head office to Brisbane. Table 6 sets out the Company's performance since 2008/09 in respect of several key financial and non-financial indicators, including the STI and LTI measures.

Strong performance is also demonstrated by the Company's share price performance relative to the share price performance of its Cooper-Eromanga Basin peers and the S&P/ASX 200 index over that period, as shown in Figure 1.

Directors' report and remuneration report

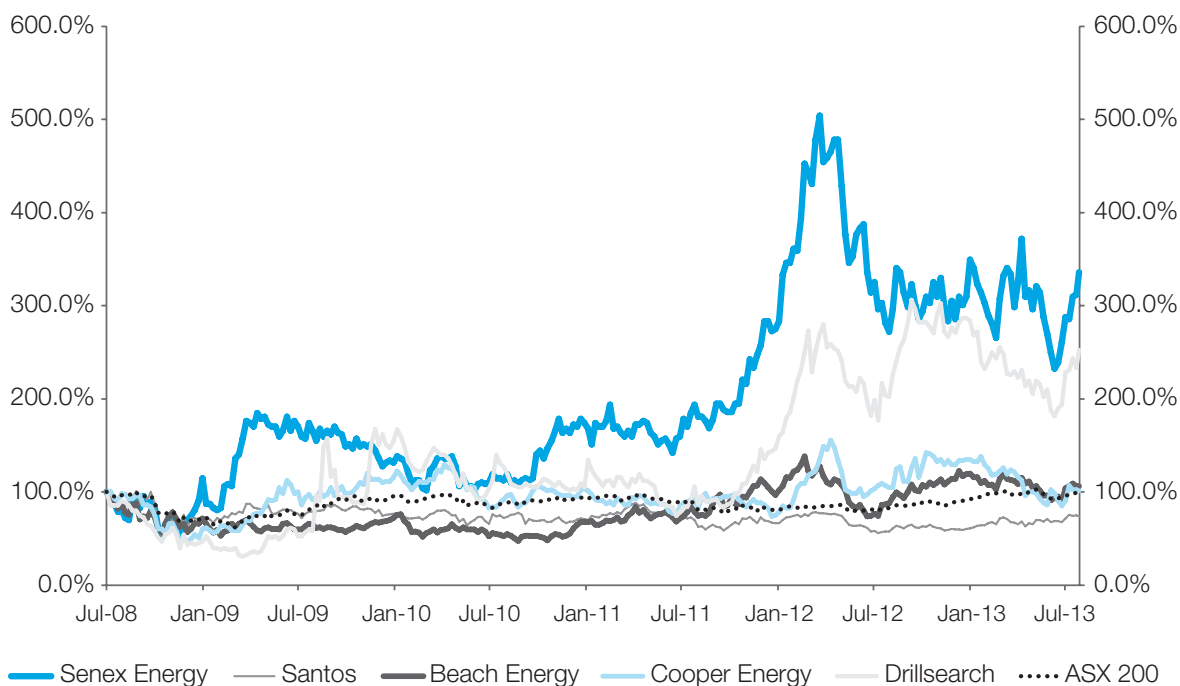
Table 7: Company performance since 2008/09

	2012/13	2011/12	2010/11	2009/10	2008/09
Safety					
Total recordable injury frequency rate (per million hours worked)	8.62	8.44	10.29	- ¹	- ¹
Exposure hours worked	1,043,528	420,271	398,551	97,157	- ¹
Financial					
Net profit after tax (\$'000)	61,004	8,860	(3,516)	2,589	(8,629)
Basic earnings per share (cents)	5.38	0.96	(0.55)	1.14	(2.59)
Share price (\$) at end of year	0.59	0.71	0.36	0.24	0.39
Production					
Operated oil fields	14	11	11	4	4
Oil production (barrels) ²	1.25	0.60	0.17	0.14	0.12
Growth					
2P oil reserves (million barrels) ²	10.8	8.1	6.9	1.6	-
2P gas reserves (mmboe) ²	26.6	23.5	13.4	7.7	3.2
2C contingent gas resources (mmboe) ²	365.9	34.9	-	-	-
Number of employees	160	79	32	4	4
Acreage position (km ²) ²	72,301	72,891	64,847	22,351	17,188

¹ Not recorded

² Net to Senex

Figure 1: Relative share price performance since 1 July 2008¹



¹ Prior to 14 February 2011 Senex was known as Victoria Petroleum NL (ASX: VPE).

Source: IRESS and Senex Analysis

Directors' report and remuneration report

CEO remuneration

The non-executive Directors directly engaged and received independent external advice on Mr Davies' remuneration package, which is benchmarked against the remuneration paid to CEOs of two comparator groups – a group of 20 ASX-listed companies with similar market capitalisation to Senex (10 larger and 10 smaller) and a group of eight ASX-listed companies identified as the most direct competitors of Senex in the oil and gas sector. This advice was received and considered by the Committee and the Board without management being present.

Overview of earnings

Fixed remuneration

What was the increase in the CEO's fixed remuneration?	The CEO's total fixed remuneration of \$550,000 did not increase in 2012/13.
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Short term incentives

What was the maximum STI that the CEO could achieve in 2012/13?	The maximum STI for the CEO was fixed at \$300,000 per annum.
How much STI did the CEO receive for 2012/13 performance?	A cash payment of \$225,000, representing 75% of the maximum STI, and an uplift of 40.9% of his base remuneration for 2012/13.
How is overall performance assessed for STI purposes?	There were three performance measures for STI for the CEO and Senior Executives in 2012/13. The Company exceeded both its announced target and its stretch target for production of oil, and exceeded its announced target for increased 2P reserves of oil in 2012/13, however the Company did not achieve its safety performance targets following three lost time injuries suffered by contractors to the Company. This resulted in an STI award, at the Board's discretion, of 75% of maximum for the CEO.

Long term incentives

How much annual LTI was granted to the CEO in 2012/13?	Senex granted 3,000,000 contingent performance rights to the CEO as LTI for 2012/13
What are the applicable performance conditions?	The contingent performance rights are subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2012 to 30 June 2015, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the CEO to be an employee of Senex group on the vesting date, 1 July 2015.
What proportion of prior year LTI grants vested in 2012/13?	1,000,000 options, being 25% of the options granted to the CEO as his LTI for 2010/11 and 667,000 options, being 33.3% of the options granted to the CEO as his LTI for 2011/12, vested in 2012/13. The CEO did not exercise any of these options in 2012/13.

Outlook

Will the CEO's remuneration increase in 2013/14?	Under the CEO's employment agreement his fixed remuneration is fixed at \$550,000 per annum for three years up to 30 June 2014. However, the Board considers that after two years of this term, the level of fixed remuneration is materially below the level offered to CEO's of industry peers and other listed companies of comparable size and complexity. This is not in accordance with the key objectives of Senex's remuneration policy for the CEO. The Board will renegotiate the employment agreement with the CEO to offer market comparable levels of fixed remuneration, STI and LTI for 2013/14 and an evergreen contract subject to annual review.
What is the outlook for the CEO's remuneration beyond 2013/14?	The Board expects to review the CEO's remuneration annually in accordance with the key objectives of Senex's remuneration policy for the remuneration of the CEO.

Directors' report and remuneration report

At risk remuneration

For 2012/13, 82.9% of the CEO's total potential remuneration was at risk.

This is a much higher proportion of 'at risk' remuneration relative to other Senior Executives because of the structure of the CEO's employment agreement, whereby his fixed remuneration and STI are capped at levels agreed in July 2011, and because the Board considers that the CEO has greater scope to personally influence the Company's performance.

Table 8: Relative weightings of remuneration components for CEO¹

	Fixed remuneration	Maximum potential STI	Maximum potential LTI valued at grant date
2012/13	17.1%	9.3%	73.6%
2011/12	47.0%	25.6%	27.4%

¹ These figures do not reflect the actual relative value derived by the CEO from each of the components, which is dependent on actual performance against targets for the 'at risk' components. The figures represent the maximum potential of each component.

Employment agreement and termination entitlements

Senex engaged Mr Davies under an employment agreement as CEO for a three year term that commenced 1 July 2011. Under the agreement, the Company agreed to provide remuneration consisting of:

- fixed remuneration including 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 or rights (subject to shareholder approval) as 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' agreement are shown in Table 9.

Table 9: Termination provisions for the CEO

	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

The Board will renegotiate the employment agreement with the CEO to offer market comparable levels of fixed remuneration, STI and LTI for 2013/14 and an evergreen contract subject to annual review.

Directors' report and remuneration report

Senior Executive remuneration

Overview of earnings

Fixed remuneration

What was the increase in fixed remuneration for Senior Executives in 2012/13?	The average fixed remuneration of Senior Executives increased by 35% from \$272,500 to \$367,778. The number of Senior Executives at period end increased from four to eight.
How were remuneration increases determined?	The Non-executive Directors directly engaged and received independent external advice on the remuneration package for each Senior Executive, which was benchmarked against the remuneration paid to the incumbents of similar positions at two comparator groups – a group of 20 ASX listed companies with similar market capitalisation to Senex (10 larger and 10 smaller) and a group of 8 ASX listed companies identified as the most direct competitors of Senex in the oil and gas sector. Where comparator group samples were insufficient to produce robust results, the comparator group was supplemented with broad market data from the resources sector or, where appropriate, from other industries. This advice was received and considered by the Committee and the Board without management present.

Short term incentives

What was the maximum STI that the Senior Executives could achieve in 2012/13?	The STI offered each Senior Executive an uplift of up to 70% of their fixed remuneration for the year.
How were STI payments calculated?	To promote collaboration, 100% of the Senior Executives' STI was based on achievement of corporate performance objectives for 2012/13.
How was performance assessed for STI purposes?	The performance measures for STI for the Senior Executives were the same as the three performance measures for STI for the CEO in 2012/13.
How much STI did Senior Executives receive for 2012/13 performance?	The Company exceeded both its announced target and its stretch target for oil production, and exceeded its announced target for 2P oil reserves in 2012/13, however the Company did not achieve its safety performance targets following three lost time injuries suffered by contractors to the Company. This resulted in an STI award of 70% of maximum for the Senior Executives, representing an uplift of 49% of their fixed remuneration for the year.
What proportion of prior year STI grants vested in 2012/13?	The performance condition related to key elements of corporate performance in 2011/12. 30% of those rights lapsed in 2012/13 due to the Board's determination that the applicable performance targets had been achieved to the extent of only 70%. Of the remaining 70%, one third (23.3%) vested and were exercised in 2012/13, another one third are due to vest in 2013/14, and the remaining one third are due to vest in 2014/15. The vesting condition applicable to those rights requires the executive to be an employee of Senex group on the vesting date.

Long term incentives

How much annual LTI was granted in 2012/13?	The LTI for each Senior Executive was a grant of contingent performance rights valued at grant date at 70% of their fixed remuneration for the year.
What are the applicable performance conditions?	The contingent performance rights are subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2012 to 30 June 2015, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the executive to be an employee of Senex group on 1 July 2015.

Outlook

Will the Senior Executives' remuneration increase in 2013/14?	Senex has offered an increase in the level of fixed and total remuneration for the Senior Executives for 2013/14 to be competitive with industry peers and other listed companies of comparable size and complexity.
What is the outlook for the Senior Executives' remuneration beyond 2013/14?	The Board expects to review the Senior Executives' remuneration annually in accordance with the key objectives of Senex's remuneration policy for the remuneration of the Senior Executives.

Directors' report and remuneration report

At risk remuneration

In 2012/13, the 'at risk' portion of the remuneration of Senior Executives increased from 50% in the previous year to 58.4%.

Table 10: Relative weightings of remuneration components for Senior Executives¹

	Fixed remuneration	Maximum potential STI	Maximum potential LTI valued at grant date
2012/13	41.7%	29.2%	29.1%
2011/12	50.0%	50.0%	0.0%

¹ These figures do not reflect the actual relative value derived by the Senior Executives from each of the components, which is dependent on actual performance against targets for the 'at risk' components. The figures represent the maximum potential of each component.

Employment agreements and termination entitlements

The Company entered into employment agreements with the Senior Executives listed in Table 1 on page 33.

There is no fixed term of employment under any of the contracts and the applicable termination provisions are shown in Table 11.

Table 11 Termination provisions for Senior Executives

	Notice period	Payment in lieu of notice
All other Senior Executives		
Employer-initiated termination	3 months	3 months
Termination for serious misconduct	None	None
Employee-initiated termination	3 months	3 months
Mrs Mallan		
Employer-initiated termination	2 months	2 months
Termination for serious misconduct	None	None
Employee-initiated termination	2 months	2 months
Mr Connolly and Mrs Whitcombe		
Employer-initiated termination	4 weeks	4 weeks
Termination for serious misconduct	None	None
Employee-initiated termination	4 weeks	4 weeks

Non-executive Director remuneration

The Board seeks to set aggregate remuneration for Non-executive directors at a level that gives the Company the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is reasonable, competitive and acceptable to shareholders.

Maximum aggregate amount

The maximum aggregate annual remuneration of Non-executive Directors must not exceed the amount determined by Senex shareholders in general meeting from time to time under ASX Listing Rules and the Senex Constitution. The Directors agree the amount of remuneration for non-executive Directors each year (which cannot exceed the maximum amount determined by shareholders) and the manner in which it is divided between directors.

Each year, the Remuneration and Nominations Committee reviews the amount of the maximum aggregate annual remuneration approved by shareholders and the manner in which it is apportioned amongst Directors. The Board's current practice is to apportion a higher fee to the Chairman than to the other Non-executive Directors. 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.

The Board encourages non-executive directors to hold shares in the Company (purchased by Directors on market). It is considered good governance for a Director to have a stake in the company in which they serve as a Board member.

Directors' report and remuneration report

Remuneration

The remuneration of Non-executive Directors for the years ended 30 June 2013 and 30 June 2012 is detailed Table 13 on page 45.

At the annual general meeting held on 21 November 2012, shareholders agreed to increase in the maximum aggregate annual remuneration available to Non-executive Directors to \$750,000 per annum.

The Board is actively seeking the recruitment of a suitably qualified and experienced person to join the Board as an additional Non-executive Director. The results of recent enquiries for this recruitment, and the advice received from the Board's remuneration consultant, indicate that the Board needs to increase the level of remuneration offered to all Non-executive Directors to be competitive with industry peers and with other listed companies of comparable size and complexity. The Remuneration and Nominations Committee believes this will be achieved without asking shareholders to increase the amount approved at the 2013 annual general meeting.

Fee structure

Table 12: Annual fees for Non-executive Directors in 2012/13¹

	Chair ²	Member
From 1 July to 30 November 2012:		
Board	\$150,000 pa	\$75,000 pa
Audit and Risk Committee	\$10,000 pa	\$5,000 pa
Remuneration and Nominations Committee	\$5,000 pa	\$2,500 pa
From 1 December 2012 to 30 June 2013:		
Board	\$180,000 pa	\$90,000 pa
Audit and Risk Committee	\$15,000 pa	\$7,500 pa
Remuneration and Nominations Committee	\$5,000 pa	\$2,500 pa

¹ Fees are shown exclusive of superannuation.

² The Chair of the Board is the Chair of the Remuneration and Nominations Committee, in accordance with its Charter. An independent non-executive director, other than the Chair of the Board, is the Chair of the Audit and Risk Committee in accordance with its charter.

Superannuation and retirement benefits

Superannuation contributions are made on behalf of Non-executive Directors in accordance with the Company's statutory superannuation obligations. Non-executive Directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

Directors' report and remuneration report

Detailed remuneration information

Table 13 presents summarised details of the remuneration for the CEO and Non-executive Directors in 2011/12 and 2012/13 as required under the Corporations Act.

Table 13: CEO and Non-executive Directors' 2011/12 and 2012/13 remuneration details

	Year	Short term		Post employment			% of total remuneration at risk subject to:	
		Salary & directors fees	Bonus	Non-monetary benefits*	Superannuation	Termination	Share-based payment ¹	Performance Options
		\$	\$	\$	\$	\$	\$	% %
Directors								
Denis F Patten	2013	178,958	-	3,474	15,964	-	-	198,396 -
	2012	130,015	-	3,295	6,301	-	-	139,611 -
Ian R Davies	2013	533,878	225,000	19,498	16,122	-	409,143	1,203,641 42% 10%
	2012	533,877	-	13,158	16,123	-	832,712	1,395,870 31% 30%
Ralph H Craven	2013	99,167	-	3,474	8,925	-	-	111,566 -
	2012	53,341	-	2,485	3,450	-	-	59,276 -
Timothy BI Crommelin	2013	92,708	-	3,474	8,344	-	-	104,526 -
	2012	66,674	-	3,295	3,300	-	-	73,269 -
Benedict M McKeown ²	2013	-	-	3,474	-	-	-	3,474 -
	2012	-	-	3,295	-	-	-	3,295 -
Yanina A Barilá ²	2013	-	-	3,474	-	-	-	3,474 -
	2012	-	-	3,295	-	-	-	3,295 -
Robert J Pett	2013	-	-	-	-	-	-	- -
	2012	13,696	-	792	-	-	-	14,488 -
Subtotal Directors	2013	904,711	225,000	36,868	49,355	-	409,143	1,625,077 -
	2012	797,603	-	29,615	29,174	-	832,712	1,689,104 -

¹ 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 and performance rights are calculated using a Monte-Carlo valuation model. Although a value is ascribed and included in the total key management personnel compensation, it should be noted that the Directors and Senior Executives have not received this amount in cash.

² \$98,987 (2012: \$65,000) was paid to Sentient Asset Management Australia Pty Ltd for the provision of Directors' services.

* 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.

Directors' report and remuneration report

Detailed remuneration information (continued)

Table 14 presents summarised details of the remuneration for Senior Executives in 2011/12 and 2012/13 as required under the Corporations Act.

Table 14: Senior Executives' 2011/12 and 2012/13 remuneration details

	Year	Short term		Post employment			Share-based payment ¹	Total	% of total remuneration at risk subject to:	
		Salary & directors fees	Bonus	Non-monetary benefits*	Superannuation	Termination			Performance	Options
		\$	\$	\$	\$	\$	\$	\$	%	%
Executives										
Andrew J Price ²	2013	304,745	157,208	10,793	16,295	-	27,014	516,055	36%	-
	2012	-	-	-	-	-	-	-	-	-
Julie A Whitcombe ³	2013	253,530	117,600	13,948	16,774	-	171,521	573,373	50%	-
	2012	174,046	-	12,032	14,577	-	150,728	351,383	43%	-
Francis L Connolly	2013	333,530	171,500	13,949	17,599	-	154,435	691,013	47%	-
	2012	219,224	-	12,032	15,775	-	127,930	374,961	34%	-
Andrew J Crowley ⁴	2013	149,387	91,875	6,040	9,551	-	37,553	294,406	44%	-
	2012	-	-	-	-	-	-	-	-	-
Darren B Stevenson ⁵	2013	239,020	122,500	8,917	15,510	-	21,071	407,018	35%	-
	2012	-	-	-	-	-	-	-	-	-
Susan L Mallan ⁶	2013	327,613	183,750	13,948	19,817	-	31,606	576,734	37%	-
	2012	-	-	-	-	-	-	-	-	-
Gary J Proctor ⁷	2013	239,020	122,500	8,801	13,669	-	31,606	415,596	37%	-
	2012	-	-	-	-	-	-	-	-	-
Steven G Scott ⁸	2013	191,765	98,000	12,458	8,987	-	87,495	398,705	45%	2%
	2012	284,224	-	16,277	15,775	-	165,743	482,019	26%	8%
Timothy J Wyatt ⁹	2013	179,408	91,875	7,967	8,235	-	142,546	430,031	55%	-
	2012	194,949	-	8,243	11,831	-	126,743	341,766	37%	-
John T Kopcheff	2013	-	-	-	-	-	-	-	-	-
	2012	56,423	-	855	2,750	137,500	-	197,528	-	-
Michael R Herrington	2013	-	-	-	-	-	-	-	-	-
	2012	94,741	-	5,418	5,258	111,175	39,000	255,592	-	15%
Ian D MacDougall	2013	-	-	-	-	-	-	-	-	-
	2012	112,115	-	891	4,409	-	-	117,415	-	-
Subtotal Executives	2013	2,218,018	1,156,808	96,821	126,437	-	704,847	4,302,931		
	2012	1,135,722	-	55,748	70,375	248,675	610,144	2,120,664		
Total - Directors and Executives	2013	3,122,729	1,381,808	133,689	175,792	-	1,113,990	5,928,008		
	2012	1,933,325	-	85,363	99,549	248,675	1,442,856	3,809,768		

¹ 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 and performance rights are calculated using a Monte-Carlo valuation 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.

² Mr Price became a KMP on 24 September 2012 when he was appointed to the role of Chief Financial Officer.

³ Mrs Whitcombe was Chief Financial Officer until 24 September 2012 when she was appointed as General Manager Planning.

⁴ Mr Crowley became a KMP on 1 January 2013 when he was appointed General Manager Exploration and Development.

⁵ Mr Stevenson became a KMP on 25 October 2012 when he was appointed General Manager Operations.

⁶ Mrs Mallan was on maternity leave from 10 May 2013.

⁷ Mr Proctor became a KMP on 1 November 2012 when he was appointed to the role of General Manager Health, Safety, Security, Environment and Drilling.

⁸ Dr Scott was General Manager Exploration until 31 December 2012. Dr Scott ceased being a KMP on 1 January 2013 when he was appointed General Manager New Ventures.

⁹ Mr Wyatt ceased being a KMP on 25 October 2012. Until that date, Mr Wyatt was General Manager Production and Facilities.

* 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.

Directors' report and remuneration report

Contingent performance rights and options outcomes for CEO

As LTI for 2012/13, the Company granted 3,000,000 unlisted contingent performance rights to Mr Davies on 1 July 2012, all subject to a performance condition based on total shareholder return over the three years to 30 June 2015 and a vesting condition that requires Mr Davies to be an employee on 1 July 2015. The 2012/13 contingent performance rights were issued 30 November 2012 with shareholder approval.

As LTI for 2011/12, the Company granted 2,000,000 unlisted options to Mr Davies on 1 July 2011, exercisable at \$0.40 each, in three tranches:

- 667,000 options vesting 23 November 2011, expiring 1 July 2014
- 667,000 options vesting 1 July 2012, expiring 1 July 2015
- 666,000 options vesting 1 July 2013, expiring 1 July 2016

The 2011/12 options were issued on 23 December 2011, with shareholder approval.

As LTI for 2010/11, the Company granted 4,000,000 unlisted options to Mr Davies on commencement of employment to compensate for loss of contingent bonus payments of equity foregone on leaving QGC Pty Ltd. The options are exercisable at \$0.255 each, in four tranches:

- 1,200,000 options vesting 9 September 2010, expiring 9 September 2015
- 800,000 options vesting 19 July 2011, expiring 19 July 2016
- 1,000,000 options vesting 19 July 2012, expiring 19 July 2017
- 1,000,000 options vesting 19 July 2013, expiring 19 July 2018

The 2010/11 options were issued on 9 September 2010, with shareholder approval.

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

The purpose of the issue of contingent performance rights and unlisted options to Mr Davies as CEO 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 contingent performance rights and options form part of Mr Davies' remuneration package.

2012/13 contingent performance rights for Senior Executives

During 2012/13, Senex granted 2012/13 performance rights to Senior Executives subject to the same performance condition and vesting condition as the CEO's 2012/13 performance rights. The numbers of 2012/13 performance rights granted are listed in Table 15.

Table 15: 2012/13 performance rights granted

Holder	Date rights granted	Number of rights granted
Andrew J Price	1 September 2012	284,643
Julie A Whitcombe	1 July 2012	266,160
Francis L Connolly	1 July 2012	310,520
Andrew J Crowley	1 January 2013	166,350
Darren B Stevenson	1 November 2012	221,800
Susan L Mallan	1 July 2012	332,700
Gary J Proctor	1 November 2012	332,700
Steven G Scott	1 July 2012	354,880
Timothy J Wyatt	1 July 2012	166,350

In addition, 100,000 rights that the Company granted to Mrs Mallan on 24 February 2012 vested in full on 1 January 2013, and 30,000 rights that the Company granted to Mr Crowley on 17 September 2012 vested immediately on grant.

Apart from these, none of the rights granted to Senior Executives 2012/13 have vested or lapsed. Senior Executives' rights lapse if they cease to be an employee of the group before vesting. All unvested 2012/13 rights will immediately vest in the event of change of control of the Company.

The purpose of the grant of performance rights to Senior Executives in 2012/13 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 2012/13 performance rights formed part of the remuneration package for each of them.

2011/12 contingent performance rights for Senior Executives

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 2011/12 performance rights granted, lapsed, vested and still to vest are shown in Table 16.

Directors' report and remuneration report

Table 16: 2011/12 performance rights

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

All unvested 2011/12 rights will immediately vest in the event of change of control of the Company.

The purpose of the grant of 2011/12 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 2011/12 performance rights formed part of the remuneration package for each of them.

2010/11 contingent performance rights

During the year ending 2011, the Company granted Mrs Whitcombe and Mr Connolly contingent performance rights for 2010/11 to vest in three tranches at 1 July in 2011, 2012 and 2013 respectively, subject to achievement of certain performance hurdles during 2010/11. The numbers of 2010/11 performance rights granted, lapsed and vested are shown in Table 17.

Table 17: 2010/11 performance rights

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

The purpose of the grant of 2010/11 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 2010/11 performance rights formed part of the remuneration package for each of them.

Options

The Company did not grant options to KMP in the year ended 30 June 2013 or the year ended 30 June 2012, apart from the 2011/12 options granted to Mr Davies, as disclosed above.

Partly paid shares

The Company did not issue partly paid shares to KMP in the year ended 30 June 2013 or the year ended 30 June 2012.

Options and contingent performance rights

Grants

During the year ended 30 June 2013, contingent performance rights were granted to KMP as detailed in Table 18.

Table 18: Unlisted 2012/13 contingent performance rights granted as part of remuneration

	Grant date	Performance rights granted during the year		Value per right at grant date (\$)
		Number	Value (\$)	
Directors				
Denis F Patten		-	-	
Ian R Davies	1 July 2012	3,000,000	1,140,000	0.38
Timothy BI Crommelin		-	-	-
Ralph H Craven		-	-	-
Benedict M McKeown		-	-	-
Yanina A Barilá		-	-	-
Executives				
Andrew J Price	1 September 2012	284,643	108,164	0.38
Julie A Whitcombe	1 July 2012	266,160	101,141	0.38
Francis L Connolly	1 July 2012	310,520	117,998	0.38
Andrew J Crowley	17 September 2012	30,000	21,750	0.73
Andrew J Crowley	1 January 2013	166,350	63,213	0.38
Darren B Stevenson	1 November 2012	221,800	84,284	0.38
Susan L Mallan	1 July 2012	332,700	126,426	0.38
Gary J Proctor	1 November 2012	332,700	126,426	0.38
Steven G Scott	1 July 2012	354,880	134,854	0.38
Timothy J Wyatt	1 July 2012	166,350	63,213	0.38
Total		5,466,103	2,087,469	

Directors' report and remuneration report

Vesting

During the year ended 30 June 2013, options and performance rights vested as shown in Table 19.

Table 19: Options and performance rights vested in 2012/13

Name	Vesting date	Instrument	Number	Value at vesting
Ian R Davies	19 July 2012	2010/11 options	1,000,000	\$160,000
	1 July 2012	2011/12 options	667,000	\$106,428
Julie A Whitcombe	20 July 2012	2010/11 contingent performance rights	100,000	\$38,500
	20 July 2012	2011/12 contingent performance rights	171,010	\$107,736
Francis L Connolly	20 July 2012	2010/11 contingent performance rights	66,667	\$25,667
	20 July 2012	2011/12 contingent performance rights	157,570	\$99,269
Andrew J Crowley	17 September 2012	2012/13 contingent performance rights	30,000	\$21,750
Susan L Mallan	1 January 2013	2011/12 contingent performance rights	100,000	\$105,000
Steven G Scott	26 July 2012	2010/11 options	300,000	\$39,000
	20 July 2012	2011/12 contingent performance rights	201,180	\$126,743
Timothy J Wyatt	20 July 2012	2011/12 contingent performance rights	201,180	\$126,743

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

Signed in accordance with a resolution of the Directors.



Denis F Patten
Chairman

Brisbane, Queensland
27 August 2013



Ian R Davies
Managing Director

Auditor's independence declaration



Building a better
working world

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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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Consolidated statement of financial position

for the year ended 30 June 2013

	Note	As at 30 June 2013 \$'000	As at 30 June 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	126,775	123,951
Prepayments	12	3,420	2,513
Trade and other receivables	13	52,689	19,122
Inventory		4,297	1,501
Oil inventory		751	-
		187,932	147,087
Asset held for sale	14	-	2,206
Total Current Assets		187,932	149,293
Non-current Assets			
Trade and other receivables	15	25	975
Available-for-sale assets	16	1,725	2,760
Property, plant and equipment	17	41,583	25,467
Intangibles	18	1,243	183
Exploration assets	19	166,117	74,309
Oil and gas properties	20	100,241	93,374
Total Non-current Assets		310,934	197,068
TOTAL ASSETS		498,866	346,361
LIABILITIES			
Current Liabilities			
Trade and other payables	21	31,736	27,805
Provisions	22	694	453
Total Current Liabilities		32,430	28,258
Non-current Liabilities			
Provisions	23	26,351	18,162
Total Non-current Liabilities		26,351	18,162
TOTAL LIABILITIES		58,781	46,420
NET ASSETS		440,085	299,941
EQUITY			
Contributed equity	24	450,064	374,251
Reserves	25	8,010	4,683
Accumulated losses	26	(17,989)	(78,993)
TOTAL EQUITY		440,085	299,941

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 2013

		Consolidated	
	Note	2013 \$'000	2012 \$'000
Revenue	6(a)	147,878	70,411
Cost of sales	6(b)	(67,345)	(39,434)
Gross profit		80,533	30,977
Net gain on asset held for sale	6(c)	3,644	-
Other income	6(d)	18,038	85
Oil and gas exploration expenses		(12,843)	(5,222)
General and administrative expenses	7(a)	(26,549)	(14,890)
Finance expense		(1,428)	(409)
Profit / (loss) before tax		61,395	10,541
Income tax expense	8	(391)	(1,681)
Profit / (loss) after tax		61,004	8,860
Net profit for the period attributable to owners of the parent entity		61,004	8,860
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Movements in fair value of available-for-sale financial assets		1,266	(1,266)
Income tax effect		(380)	380
		886	(886)
Items that will not be subsequently reclassified to profit or loss			
		-	-
Total comprehensive income for the period attributable to owners of the parent entity		61,890	7,974
Earnings per share attributable to the ordinary equity holders of the parent entity:			
		cents	cents
Basic earnings per share	10	5.38	0.96
Diluted earnings per share	10	5.32	0.95

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

Consolidated statement of cash flows

for the year ended 30 June 2013

		Consolidated	
	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from customers		123,820	59,008
Payments to suppliers and employees		(72,551)	(42,704)
Payments for exploration expenditure		(9,304)	(6,808)
Interest received		4,960	3,368
Fees received for technical services		8,089	1,427
Income tax paid		-	338
Other receipts		681	-
Net cash flows from operating activities	27	55,695	14,629
Cash flows from investing activities			
Payments for oil and gas properties		(21,169)	(15,152)
Purchase of property, plant and equipment & intangibles		(28,887)	(18,209)
Purchase of available-for-sale financial assets		(11,078)	(4,025)
Payments for exploration assets		(87,240)	(27,916)
Proceeds from sale of fixed assets and investments		17,644	-
Net cash flows from investing activities		(130,730)	(65,302)
Cash flows from financing activities			
Proceeds from share issues		77,611	135,886
Payments of transaction costs of issue of shares		(2,568)	(4,338)
Net cash flows from financing activities		75,043	131,548
Net (decrease) / increase in cash and cash equivalents		8	80,875
Net foreign exchange differences		2,816	797
Cash and cash equivalents at the beginning of the year		123,951	42,279
Cash and cash equivalents at the end of the year	11	126,775	123,951

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 2013

The following table presents the Consolidated Statement of Changes in Equity for the year ended 30 June 2013:

	Contributed equity	Accumulated losses	Consolidated Share based payments reserve	Other reserve	Net unrealised gain / (loss) reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	374,251	(78,993)	5,752	(183)	(886)	299,941
Profit / (Loss) for the year	-	61,004	-	-	-	61,004
Other comprehensive income	-	-	-	-	886	886
Total comprehensive income	-	61,004	-	-	886	61,890
Transactions with owners, recorded directly in equity:						
Shares issued	77,611	-	-	-	-	77,611
Transaction costs on share issue	(1,798)	-	-	-	-	(1,798)
Share based payments	-	-	2,441	-	-	2,441
Balance at 30 June 2013	450,064	(17,989)	8,193	(183)	-	440,085

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

	Contributed equity	Accumulated losses	Consolidated Share based payments reserve	Other reserve	Net unrealised gain / (loss) reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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

Notes to the financial statements

for the year ended 30 June 2013

Note 1: Corporate information

The financial statements of Senex Energy Limited and its controlled entities / subsidiaries for the year ended 30 June 2013 were authorised for issue on 27 August 2013 in accordance with a resolution of the Directors.

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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of AASB 2011-9 has resulted in a change in presentation of the consolidated statement of comprehensive income.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title (summarised)	Summary	Application date for Senex
AASB 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.	30 June 2014
AASB 2011-6 (applicable to annual reporting periods beginning on or after 1 July 2013)	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.	
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	The new standard is applicable to annual reporting periods beginning on or after 1 January 2013. This standard is not expected to have any impact on the Group's financial statements.	

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

Reference	Title (summarised)	Summary	Application date for Senex
AASB 11	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. The new standard is applicable to annual reporting periods beginning on or after 1 January 2013. This standard is not expected to have any impact on the Senex Group, as all its joint venture interests will be classified as joint operations and as such the accounting treatment will not change.	30 June 2014
AASB 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The new standard is applicable to annual reporting periods beginning on or after 1 January 2013. This standard is not expected to have any impact on the Group as all of its subsidiaries are currently 100% owned.	30 June 2014
AASB 13 AASB 2011-8	Fair Value Measurement Amendments to Australian Accounting Standards arising from AASB 13 (September 2011) [AASB 1,2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118,119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12 13, 14, 17, 19, 131 & 132]	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The new standard is applicable to annual reporting periods beginning on or after 1 January 2013. This standard is not expected to have any impact on the Group.	30 June 2014

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

Reference	Title (summarised)	Summary	Application date for Senex
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. Applicable for annual reporting periods beginning on or after 1 January 2013. Early adoption is permitted. This standard will have no impact on the financial statements of the Group.	30 June 2014
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124. This Standard applies to annual reporting periods beginning on or after 1 July 2013. Early adoption of this Standard is not permitted. This standard will result in the removal of a duplication in disclosures required.	30 June 2014
AASB 9 AASB 2010-7	Financial Instruments Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] [supersedes AASB 2009-11 which was issued in December 2009]	Simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The new standard also: • simplifies requirements for embedded derivatives; • removes the tainting rules associated with held-to-maturity assets; • provides an opportunity to fair value investments in equity instruments to other comprehensive income, with no separate impairment test, whilst taking dividends to income; and • requires entities to reclassify their financial assets when there is a change in the entity's business model. The new standard is applicable to annual reporting periods beginning on or after 1 January 2015, with early application permitted. This standard is not expected to have a significant impact on the Group's financial statements, however, this will be reassessed closer to the application date of the standard.	30 June 2016

Notes to the financial statements

for the year ended 30 June 2013

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 at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange 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 cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

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

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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(i) Inventories

Inventories include 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) Oil inventories

Oil inventories represent the value at balance date of hydrocarbons in storage tanks or pipelines. Oil inventories are stated at the lower of cost and net realisable value. Net realisable value is calculated based on the current oil price less estimated processing, transport and selling costs.

(k) 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 preceding categories. After initial recognition at transaction date, 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.

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 recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. 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.

(l) 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(l) Earnings per share (continued)

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

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

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

(m) Interest in jointly controlled operations

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

(n) Property, plant and equipment

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 5 to 20 years

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

Derecognition

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

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

(o) Intangible assets

Software

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

(p) 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 of the carrying value of oil and gas properties is assessed based on Proved and Probable (2P) reserves and is assessed on a cash-generating unit basis.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(q) 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 the profit or loss on a 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.

(r) 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).

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.

(s) 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.

(t) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(t) Provisions and employee benefits (continued)

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.

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.

(u) 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 or with reference to the value of the services received. The fair value is determined by reference to the current share price in relation to fully paid shares and with the use of various pricing models in relation to options 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(u) Share-based payment transactions (continued)

Equity-settled transactions (continued)

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.

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.

(v) 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.

(w) 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 to have passed to the buyer at the time of delivery of the product to the customer. For oil sales this is generally when crude is delivered by truck or pipeline to the Moomba processing facility.

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.

(x) 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(x) Oil and gas exploration costs (continued)

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.

(y) 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(y) Income tax and other taxes (continued)

Income tax consolidation legislation

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

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.

(z) 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.

(aa) 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 2: Summary of significant accounting policies (continued)

(ab) 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.

(ac) 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.

(ad) 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.

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.

	Consolidated	
	2013	2012
	\$'000	\$'000
Financial assets		
Financial assets at fair value through profit and loss	126,775	123,951
Loans and receivables	52,714	20,097
Available-for-sale financial assets	1,725	2,760
	181,214	146,808
Financial liabilities		
Financial liabilities at amortised cost	31,736	27,805
	31,736	27,805

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.

Notes to the financial statements

for the year ended 30 June 2013

Note 3: Financial risk management objectives and policies (continued)

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 at this time.

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. The Group seeks to achieve a balance between interest income and liquidity by investing surplus funds on term deposit with maturities generally between two to four months.

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

	Consolidated	
	2013	2012
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	126,775	123,951

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 2013, 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)	
	2013	2012
	\$'000	\$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
+1.0% (100 basis points)	887	868
-1.0% (100 basis points)	(887)	(868)

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.

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. Funds are converted to Australian dollars on a regular basis to take advantage of the higher interest rates available compared to US Dollar ("USD").

The Group constantly analyses its transactional currency exposures. Within this analysis, consideration is given to existing positions and alternative products.

Notes to the financial statements

for the year ended 30 June 2013

Note 3: Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

Foreign currency risk (continued)

At reporting date, the Group had the following exposure to USD foreign currency risk from its continuing operations:

	Consolidated	
	2013	2012
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	20,672	11,184
Trade and other receivables	29,729	16,770
Net exposure	50,401	27,954

The following sensitivity is based on the foreign currency 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 rates for the preceding five year period.

At 30 June 2013, 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)	
	2013	2012
	\$'000	\$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
AUD / USD +10%	(3,528)	(1,957)
AUD / USD -10%	3,528	1,957

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.

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. Equity securities are generally purchased for strategic purposes therefore price risk is not considered to be a material issue.

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

		Consolidated	
	Note	2013	2012
		\$'000	\$'000
Financial assets			
Available-for-sale financial assets	16	1,725	2,760
Net exposure		1,725	2,760

The following sensitivity is based on the equity securities price risk exposures in existence at the reporting date. The 20% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical prices over a one year period.

Notes to the financial statements

for the year ended 30 June 2013

Note 3: Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

Equity securities price risk (continued)

At 30 June 2013, 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)	
	2013 \$'000	2012 \$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
Price +20%	242	-
Price -20%	(242)	-
Net unrealised gain / (loss) reserve		
Price +20%	-	386
Price -20%	-	(386)

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.

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.

Cash balances are held with reputable Australian financial institutions, which are considered to have a low 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:

		Consolidated	
	Note	2013 \$'000	2012 \$'000
Financial liabilities			
6 months or less	21	31,736	27,805
		31,736	27,805

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 2013

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 2013 or 30 June 2012.

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			
	2013		2012	
	Level 1 \$'000	Total \$'000	Level 1 \$'000	Total \$'000
Available-for-sale financial assets (listed investments)	1,725	1,725	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.

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, and quantifying the effect of possible future changes is not practicable.

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(x). 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 various pricing models.

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 18.1% (2012: 18.5%).

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

Notes to the financial statements

for the year ended 30 June 2013

Note 4: Significant accounting judgments, estimates and assumptions (continued)

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.

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. Reserves were restated as at 1 July 2012 in line with an independent review, resulting in a decrease in amortisation expense in the current year of \$2,820,000.

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(t).

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.

Petroleum Resource Rent Tax (PRRT)

The PRRT regime applies to all Australian onshore and offshore oil and gas projects from 1 July 2012.

Under the regime, it is possible to seek to combine tenements and report for PRRT purposes on the combined PRRT taxable position. Senex Energy Limited and its controlled entities impacted by the PRRT regime have obtained a Combination Certificate enabling these entities to combine a number of tenements for PRRT purposes. The current and deferred PRRT calculations prepared for the purposes of these financial statements have been prepared on this basis.

Notes to the financial statements

for the year ended 30 June 2013

Note 4: Significant accounting judgments, estimates and assumptions (continued)

Petroleum Resource Rent Tax (PRRT) (continued)

Under the PRRT, the Group is eligible for a starting base deduction for projects existing at 1 May 2010, assuming a valid starting base return is lodged. The due date for lodgement of starting base returns for the Group is in the 2014 financial year, and PRRT calculations have been prepared on the basis that starting base returns will be appropriately lodged. 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 in relation to PRRT. As a result, no PRRT deferred tax asset has been recognised in the financial statements for the period ended 30 June 2013. If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$108,000,000 would have been recognised in the financial statements at 30 June 2013 (2012: \$83,000,000).

The key assumptions and estimates for determining whether the Group has any future PRRT taxable profits have been applied consistently with those in other areas of the financial statements.

Acquisition and disposal of tenement interests

The Group accounts for changes in tenement interests on an accruals basis when the risks and rewards of ownership have substantively passed from the seller to acquirer.

On 24 June 2013 the current Joint Venture participants of ATP 752P, PL 137 & PL 303 ('Cuisinier'), Santos QNT Pty Ltd and Bengal Energy (Australia) Pty Ltd, exercised their pre-emptive rights for the purchase of the Group's remaining interest in Cuisinier for a total cash consideration of \$20,000,000. The Group assessed the risks and rewards of Senex's interest in Cuisinier had transferred to the purchasers at 30 June 2013.

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 geographical location of the resources which correspond to the Group's strategy. Discrete financial information for each of these segments is reported to the executive management team on at least a monthly basis. This has changed from the prior year, where operating segments were determined by the nature of the resources.

Geographical segments

Cooper/Eromanga Basins

The Cooper/Eromanga Basins are sedimentary geological basins located mainly in the north east part of South Australia and extend into south west Queensland.

Surat/Bowen Basins

The Surat/Bowen Basins are geological basins in eastern Australia.

Major customers

Revenue is predominantly derived from the sale of crude oil to the South Australian Cooper Basin Joint Venture (SACBJV), a consortium of buyers consisting of Santos Limited and its subsidiaries; Delhi Petroleum Pty Ltd (Beach Energy) and Origin Energy Resources Limited.

Accounting policies

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

Certain revenues, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

Notes to the financial statements

for the year ended 30 June 2013

Note 5: Operating segments (continued)

Accounting policies (continued)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2013 and 30 June 2012:

	Surat Basin		Consolidated Cooper/Eromanga Basins		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue						
Sales	-	-	137,287	64,391	137,287	64,391
Technical service fees	428	206	4,742	2,478	5,170	2,684
Total segment revenue	428	206	142,029	66,869	142,457	67,075
<i>Unallocated item:</i>						
Interest income					5,421	3,336
Total revenue per statement of comprehensive income					147,878	70,411

	Surat Basin		Consolidated Cooper/Eromanga Basins		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Results						
Segment profit / (loss)	(1,258)	192	63,527	22,227	62,269	22,419
Reconciliation of segment net profit / (loss) after tax to net profit / (loss) from continuing operations before tax						
<i>Unallocated items:</i>						
Interest income					5,421	3,336
Net gain on asset held for sale					3,644	-
Other income					18,038	85
Foreign exchange gain / (loss)					2,816	798
Corporate expenses					(30,793)	(16,097)
Net profit / (loss) before tax per the statement of comprehensive income					61,395	10,541

Notes to the financial statements

for the year ended 30 June 2013

Note 5: Operating segments (continued)

Accounting policies (continued)

Segment assets and segment liabilities at 30 June 2013 and 30 June 2012 are as follows:

	Surat Basin		Consolidated Cooper/Eromanga Basins		Total	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Segment assets						
Segment operating assets	9,498	8,045	355,978	206,928	365,476	214,973
Asset held for sale					-	2,206
Available-for-sale assets					1,725	2,760
Unallocated assets ¹					131,665	126,422
Total assets per the statement of financial position					498,866	346,361
Segment liabilities	3,113	3,392	48,776	40,638	51,889	44,030
Unallocated liabilities ²					6,892	2,390
Total liabilities per the statement of financial position					58,781	46,420
Additions and acquisitions of non current assets (other than financial assets and deferred tax assets):						
Property, plant and equipment and intangibles	-	-	14,649	24,136	14,649	24,136
Exploration assets	523	4,938	95,274	31,100	95,797	36,038
Oil and gas properties	-	-	24,597	23,859	24,597	23,859
	523	4,938	134,520	79,095	135,043	84,033
Unallocated additions ³					5,481	1,287
Total Additions					140,524	85,320

¹ The unallocated assets include cash and cash equivalents of \$126,775,000 (2012: \$123,951,000), accrued interest on term deposits of \$557,000 (2012: \$95,000), prepayments of \$937,000 (2012: \$30,000), receivables of \$53,000 (2012: \$983,000) and property, plant, equipment and intangibles of \$3,343,000 (2012: \$1,363,000).

² The unallocated liabilities include trade and other payables of \$6,032,000 (2012: \$1,841,000) and provisions of \$860,000 (2012: \$549,000).

³ The unallocated additions include chargeable plant and equipment of \$512,000 (2012: \$312,000), furniture, fixtures and fittings of \$239,000 (2012: \$278,000), computer equipment of \$922,000 (2012: \$473,000), motor vehicles of \$86,000 (2012: \$nil), intangibles of \$1,433,000 (2012: \$224,000) and other corporate assets under construction of \$2,289,000 (2012: \$nil).

Notes to the financial statements

for the year ended 30 June 2013

Note 6: Revenue

	Consolidated	
	2013 \$'000	2012 \$'000
Revenue and expenses		
(a) Revenue		
Oil sales	137,287	64,391
Interest income	5,421	3,336
Technical service fees	5,170	2,684
	147,878	70,411
(b) Cost of sales		
Operating costs	(49,023)	(27,619)
Amortisation of oil and gas properties	(16,882)	(11,815)
Amortisation of facilities	(1,440)	-
	(67,345)	(39,434)
(c) Net gain on asset held for sale		
Property, plant and equipment held for sale	3,644	-
Income tax effect	-	-
	3,644	-
(d) Other income		
Net gain on sale of fixed assets and investments	16,239	-
Other income	1,799	85
	18,038	85

Notes to the financial statements

for the year ended 30 June 2013

Note 7: Expenses

		Consolidated	
		2013	2012
		\$'000	\$'000
Note			
(a) General and administrative expenses			
	Employee expenses	(18,827)	(9,136)
	Public company and office administration expenses	(2,175)	(1,834)
	Travel and insurance	(1,049)	(866)
	Consultants, accounting and legal fees	(3,155)	(3,142)
	Depreciation, amortisation and write-offs	(1,513)	(680)
7(c)	Impairment of available for sale asset	(2,300)	-
	Other expenses	2,470	768
		(26,549)	(14,890)
(b) Depreciation, amortisation and write offs			
	<i>Included in cost of sales:</i>		
20	Amortisation of oil and gas properties	(16,882)	(11,815)
17	Amortisation of facilities	(1,440)	-
		(18,322)	(11,815)
	<i>Not included in cost of sales:</i>		
17	Depreciation expense	(626)	(639)
18	Amortisation of intangibles	(382)	(41)
17	Write off fixed assets	(505)	-
		(1,513)	(680)
(c) Impairment			
	<i>Reclassified from other comprehensive income</i>		
	Listed shares carried at fair value	(886)	-
	<i>Not reclassified from other comprehensive income</i>		
	Listed shares carried at fair value	(1,414)	-
		(2,300)	-
(d) Employee costs			
	Wages, salaries and bonuses	(23,586)	(9,796)
	Share based payments	(2,441)	(1,802)
	Employee admin expenses	(3,380)	(1,972)
		(29,407)	(13,570)
(e) Rental expense relating to operating leases			
	<i>Included in general and administrative expenses:</i>		
	Operating lease expenses	(1,166)	(810)
		(1,166)	(810)
(f) Net foreign exchange gains recognised in profit before income tax for the year			
	<i>Included in general and administrative expenses:</i>		
	Foreign exchange gains	2,816	797
		2,816	797

for the year ended 30 June 2013

Income tax expense

Income statement

Current income tax benefit

Adjustments in respect of current income tax of previous years

Relating to origination and reversal of temporary differences
Net tax assets not brought to account

Amounts charged or credited directly to equity

Consolidated	
2013	2012
\$'000	\$'000
-	-
-	-
(14,113)	(3,709)
13,722	2,028
(391)	(1,681)

Unrealised (gain) / loss on available-for-sale investments
Transaction and acquisition costs recorded in equity

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:

At the Group's statutory income tax rate of 30% (2012: 30%)

Share-based payments
Impairment
Research and development benefit
Other
Utilisation and recognition of deferred tax on losses

Consolidated	
2013	2012
\$'000	\$'000
61,395	10,541
(18,419)	(3,162)
(732)	(541)
(690)	-
6,177	-
(449)	(6)
13,722	2,028
(391)	(1,681)

Notes to the financial statements

for the year ended 30 June 2013

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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets / (liabilities)				
Receivables	(5,355)	-	(5,355)	-
Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties	(54,126)	(28,859)	(25,267)	(21,007)
Trade and other payables	(132)	256	(388)	205
Provisions	8,102	5,570	2,532	4,364
Income tax losses	50,493	30,794	19,699	14,774
Other	1,887	1,467	(351)	(896)
Deferred tax losses not brought to account as realisation is not regarded as probable	(869)	(9,228)	8,739	879
Net deferred income tax assets recognised	-	-	(391)	(1,681)

Income Tax Losses

At 30 June 2013, the Group had \$168,312,000 (2012: \$102,647,000) of carry-forward tax losses and offsets that are available for use in Australia. The Group has deferred tax assets arising from these tax losses and offsets of \$50,493,000 (2012: \$30,794,000) that are available for offset against future taxable profits of the income tax consolidated group, subject to the relevant tax loss recoupment requirements being met. The deferred tax asset associated with these tax losses has only been recognised to the extent of the group's deferred tax liability. At 30 June 2013 a net amount of \$869,000 (2012: \$9,228,000) has not been recognised as realisation is not regarded as probable.

Unrecognised temporary differences – Petroleum Resource Rent Tax (PRRT)

The PRRT legislation provides for the Group to adopt a starting base for projects existing at 1 May 2010, which is deductible in determining any future taxable profit. The Group has included future augmentation on PRRT 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 for the period ended 30 June 2013. As a result, no deferred tax asset has been recognised in the financial statements for PRRT purposes for the period ended 30 June 2013.

The total of unrecognised temporary differences in respect of PRRT for existing projects is \$387,000,000 (2012: \$295,000,000). If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$108,000,000 (2012: \$83,000,000) may have been recognised in the financial statements at 30 June 2013. This is calculated at 28% of these unrecognised temporary differences, recognising the deductibility of PRRT for income tax purposes. The PRRT-only impact of these unrecognised temporary differences at 40% is \$155,000,000 (2012: \$118,000,000).

The Group also has a number of exploration permits which will not be subject to PRRT until they meet the definition of a production licence for PRRT purposes. Starting bases exist for these exploration permits which may give rise to a deferred tax asset should assessable receipts be generated from the tenement area in the future. A deferred tax asset has not been recognised in relation to the starting bases for the exploration permits as its realisation is not regarded as probable at 30 June 2013. The total amount of unrecognised temporary differences in relation to PRRT for the exploration permits is \$171,000,000 (2012: \$80,000,000).

Notes to the financial statements

for the year ended 30 June 2013

Note 9: Auditors' remuneration

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

	Consolidated	
	2013	2012
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
An audit or review of the financial report of the Group	264,090	314,430
Other assurance services	35,000	32,960
	299,090	347,390

In the prior year, \$129,330 of audit fees expensed related to the 2011 financial year.

Note 10: Earnings per share

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

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

Earnings used in calculating earnings / (loss) per share

	Consolidated	
	2013	2012
	\$'000	\$'000
For basic and diluted earnings per share:		
Net profit / (loss) attributable to ordinary equity holders of the parent entity	61,004	8,860

Weighted average number of shares

	Consolidated	
	2013	2012
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	1,134,792,989	920,847,238
Effect of dilution - share options	5,303,522	11,360,220
Effect of dilution - performance rights	5,888,889	2,947,841
Weighted average number of ordinary shares adjusted for the effect of dilution	1,145,985,400	935,155,299

During the period, a number of share options and performance rights were issued (refer to note 30).

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.

Notes to the financial statements

for the year ended 30 June 2013

Note 11: Current assets – cash and cash equivalents

	Consolidated	
	2013	2012
	\$'000	\$'000
Cash at bank and in hand	110,972	111,258
Cash advanced to jointly controlled operations	15,803	12,693
	126,775	123,951

Fair value

Cash at bank earns interest based on daily bank deposit rates or fixed rates for maturities of three months or less. The carrying amounts of cash and cash equivalents represent fair value.

Foreign exchange, credit and interest rate risk

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

Note 12: Current assets – prepayments

	Consolidated	
	2013	2012
	\$'000	\$'000
Prepayment of pipeline charges	2,483	2,483
Prepayments - other	937	30
	3,420	2,513

Note 13: Current assets – trade and other receivables

	Consolidated	
	2013	2012
	\$'000	\$'000
Trade receivables ¹	30,054	16,587
Sundry receivables ²	21,108	1,473
Joint venture receivables ³	1,527	1,062
	52,689	19,122

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 risk

Details regarding foreign exchange risk are disclosed in note 3.

Notes to the financial statements

for the year ended 30 June 2013

Note 14: Current assets – asset held for sale

	Note	Consolidated	
		2013 \$'000	2012 \$'000
Non-current asset held for sale - property, plant and equipment	17	-	2,206
		-	2,206

On 9 March 2012, the Group announced that it had reached agreement on the sale of a 90% equity stake in its wholly owned subsidiary Port Bonython Fuels Pty Ltd (PBF) to Mitsubishi Corporation of Tokyo, Japan, with a put and call option over the remaining 10%. On 17 January 2013, the Group announced the sale of 100% of the equity interests in PBF to Mitsubishi. The Port Bonython project was classified as held for sale with a net book value of \$2,206,000. The sale of the project completed in the current period, resulting in a gain on sale of \$3,644,000 for the Group and an increase in cash of \$5,850,000.

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

Note 15: Non-current assets – trade and other receivables

	Consolidated	
	2013 \$'000	2012 \$'000
Sundry receivables ¹	25	975

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.

Note 16: Non-current assets – available-for-sale assets

	Consolidated	
	2013 \$'000	2012 \$'000
Listed shares carried at fair value	1,725	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 investments 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, an impairment charge of \$2,300,000 was recognised in relation to listed shares carried at fair value (2012: \$nil).

Refer to note 7(c) for further detail.

Notes to the financial statements

for the year ended 30 June 2013

Note 17: Non-current assets – property, plant and equipment

		Consolidated			
	Note	Property, Plant & Equipment \$'000	Assets Under Construction \$'000	Land and Buildings \$'000	Total \$'000
At 30 June 2012					
Cost		4,777	21,504	-	26,281
Accumulated depreciation		(814)	-	-	(814)
Net book amount		3,963	21,504	-	25,467
Movements for the year ended 30 June 2013					
Opening net book amount		3,963	21,504	-	25,467
Additions		11,731	6,966	-	18,697
Disposals		-	-	-	-
Transfers		20,449	(20,459)	-	(10)
Write-offs		(505)	-	-	(505)
Depreciation charge for the year	7(b)	(2,066)	-	-	(2,066)
Closing net book amount		33,572	8,011	-	41,583
At 30 June 2013					
Cost		36,135	8,011	-	44,146
Accumulated depreciation		(2,563)	-	-	(2,563)
Net book amount		33,572	8,011	-	41,583
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		3,695	21,504	-	25,199
Disposals		(1)	-	-	(1)
Reclassification to 'asset held for sale'	14	-	-	(2,206)	(2,206)
Depreciation charge for the year	7(b)	(639)	-	-	(639)
Closing net book amount		3,963	21,504	-	25,467
At 30 June 2012					
Cost		4,777	21,504	-	26,281
Accumulated depreciation		(814)	-	-	(814)
Net book amount		3,963	21,504	-	25,467

Notes to the financial statements

for the year ended 30 June 2013

Note 18: Non-current assets – intangibles

Note	Consolidated	
	2013 \$'000	2012 \$'000
At the beginning of the year		
Cost	224	-
Accumulated amortisation	(41)	-
Net book amount	183	-
Movements for the year ended 30 June		
Opening net book amount	183	-
Additions	1,432	224
Transfers	10	-
Amortisation charge for the year	(382)	(41)
Closing net book amount	1,243	183
At 30 June		
Cost	1,717	224
Accumulated amortisation	(474)	(41)
Net book amount	1,243	183

Note 19: Non-current assets – exploration assets

Note	Consolidated	
	2013 \$'000	2012 \$'000
Exploration assets		
Balance at the beginning of the period, net of accumulated amortisation and impairment	74,309	38,271
Additions	92,011	36,038
Acquisition of additional interests	3,786	-
Transfers to development assets	(3,989)	-
Balance at the end of the period, net of accumulated amortisation and impairment	166,117	74,309

Notes to the financial statements

for the year ended 30 June 2013

Note 20: Non-current assets – oil and gas properties

	Consolidated	
	2013 \$'000	2012 \$'000
Oil and gas properties		
Balance at the beginning of the period, net of accumulated amortisation and impairment	93,374	81,330
Additions	21,069	23,859
Purchase of additional interests	3,528	-
Transfers from exploration assets	3,989	-
Amortisation charge for the period	(16,882)	(11,815)
Disposal of interests (net)	(4,837)	-
Balance at the end of the period, net of accumulated amortisation and impairment	100,241	93,374
Balance at the beginning of the period		
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
Balance at the end of the period		
Cost	137,107	113,753
Accumulated amortisation	(34,191)	(17,704)
Accumulated impairment, net of reversals	(2,675)	(2,675)
Net carrying amount	100,241	93,374

Impairment of oil and gas properties

At 30 June 2013, 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 (2012: \$nil). It is the Group's policy to use Proved and Probable (2P) reserves to assess the value of its oil and gas properties.

Events and circumstances that may lead 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: Current liabilities – trade and other payables

	Consolidated	
	2013 \$'000	2012 \$'000
Other creditors and accruals – unsecured ¹	10,200	7,513
Joint venture payables ²	21,536	20,292
	31,736	27,805

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.

Liquidity risk

Details regarding liquidity risk are disclosed in note 3.

Notes to the financial statements

for the year ended 30 June 2013

Note 22: Current liabilities – provisions

	Consolidated	
	2013	2012
	\$'000	\$'000
Annual and long service leave	655	406
Lease incentives	39	47
	694	453

Note 23: Non-current liabilities – provisions

	Consolidated	
	2013	2012
	\$'000	\$'000
Rehabilitation	26,185	18,066
Long service leave	166	96
	26,351	18,162

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	
	2013	2012
	\$'000	\$'000
Rehabilitation		
Balance at the beginning of the year	18,066	7,379
Additional provision recognised during the year	8,419	9,899
Unwinding and discount rate adjustment	163	788
Disposals	(463)	-
Balance at the end of the year	26,185	18,066

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 assets' useful lives.

The assets' useful lives are currently estimated between four and nineteen years.

Long service leave

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

Notes to the financial statements

for the year ended 30 June 2013

Note 24: Contributed equity

	Parent Entity	
	2013 \$'000	2012 \$'000
1,140,804,837 ordinary fully paid shares (2012: 1,032,094,191)	450,064	374,251
Total issued capital	450,064	374,251

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.

Ordinary fully paid shares

	Parent Entity			
	2013 Number of shares	\$'000	2012 Number of shares	\$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,032,094,191	374,251	758,280,547	241,402
Issues of share during the period:				
Equity raising	104,111,540	77,043	258,883,633	131,929
Exercise of unlisted options	1,930,000	568	14,103,343	3,957
Performance rights (nil consideration)	2,669,106	-	826,668	-
Transaction costs on shares issued (net of tax)		(1,798)		(3,037)
Balance at the end of the period	1,140,804,837	450,064	1,032,094,191	374,251

On 19 July 2012, the Company issued 104,111,540 ordinary fully paid shares at a price of 74 cents each, which raised \$77,042,540 before costs.

1,000,000 ordinary fully paid shares were issued at a price of 27 cents each for the exercise of unlisted options during the year, raising \$270,000 before costs.

400,000 ordinary fully paid shares were issued at a price of 25.5 cents each for the exercise of unlisted options during the year, raising \$102,000 before costs.

530,000 ordinary fully paid shares were issued at a price of 37 cents each for the exercise of unlisted options during the year, raising \$196,100 before costs.

2,669,106 ordinary fully paid shares were issued during the year 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 30.

Performance rights

Information relating to performance rights, including details of shares issued is set out in note 30.

Capital management

When managing capital (being total contributed equity of \$450,064,000 at 30 June 2013), management's objectives are to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders through capital growth.

The Group funds its activities through equity raising, and does not currently have any debt facilities. The Group is not subject to any externally imposed capital restrictions, nor does it monitor any particular ratios when managing capital. The financial performance of the business is monitored against an approved annual budget and approved workplans to ensure that adequate funding will be available to carry out planned activities.

Notes to the financial statements

for the year ended 30 June 2013

Note 25: Reserves

Note	Consolidated	
	2013 \$'000	2012 \$'000
Share-based payments reserve		
Balance at the beginning of the year	5,752	3,950
Options and performance rights issued	2,441	1,802
Balance at the end of the year	8,193	5,752
Other reserve		
Balance at the beginning of the year	(183)	(183)
Balance at the end of the year	(183)	(183)
Net unrealised gain / (loss) reserve		
Balance at the beginning of the year	(886)	-
Net gain / (loss) recognised on re-measurement to fair value of available-for-sale investments	1,266	(1,266)
Tax effect on (net gain) / reversal of net gain recognised on re-measurement to fair value of available-for-sale investments	(380)	380
Balance at the end of the year	-	(886)
Total reserves	8,010	4,683

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 26: Accumulated losses

	Consolidated	
	2013 \$'000	2012 \$'000
Balance at the beginning of the year	(78,993)	(87,853)
Net profit / (loss) attributable to ordinary equity holders of the parent entity	61,004	8,860
Balance at the end of the year	(17,989)	(78,993)

Notes to the financial statements

for the year ended 30 June 2013

Note 27: Consolidated statement of cash flows reconciliation

		Consolidated	
		2013	2012
	Note	\$'000	\$'000
Reconciliation of the net profit / (loss) after tax to net cash flows used in operations			
Net profit/(loss)		61,004	8,860
<i>Adjustments:</i>			
Depreciation, amortisation and impairment		19,330	12,495
(Gain) / loss on foreign exchange translation		(2,816)	(797)
(Gain) / loss on sale of assets		(19,319)	(3)
(Gain) / loss on sale of investments		(564)	-
Rehabilitation unwind		808	409
Share options expensed		2,441	1,802
Impairment expenses		2,300	-
Write off fixed assets		505	-
Interest expense		620	-
Rehabilitation expense		3,540	-
Income tax expense / (benefit)	8	391	1,681
<i>Changes in assets and liabilities:</i>			
(Increase)/decrease in prepayments		(907)	(2,393)
(Increase)/decrease in trade and other receivables		(12,617)	(12,003)
(Increase)/decrease in inventory		(2,841)	(341)
Increase/(decrease) in trade and other payables		3,509	4,654
Increase/(decrease) in provisions		311	265
Net cash flows used in operating activities		55,695	14,629

Note 28: 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 four years, with a four year lease option. The lease agreement gives rise to commitments totalling \$3,532,000 over the term of the lease.

The Group entered into a four year lease agreement for additional space in the Brisbane office, with a four year lease option. This agreement gives rise to commitments totalling \$1,719,000 over the term of the lease.

The Group entered into a lease agreement for office premises in Adelaide. The term of the lease is three years, with a three year lease renewal option. This lease agreement give rises to commitments totalling \$220,000 over the term of the lease.

Future minimum payments under the non-cancellable leases as at 30 June 2013 are as follows:

	Consolidated	
	2013 \$'000	2012 \$'000
Corporate		
Minimum lease payments		
- not later than one year	1,395	821
- later than one year and not later than five years	3,693	677
	5,088	1,498

Notes to the financial statements

for the year ended 30 June 2013

Note 28: Commitments (continued)

Capital commitments

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

	Consolidated	
	2013	2012
	\$'000	\$'000
Corporate		
- not later than one year	5,606	6,164
Joint Venture		
- not later than one year	1,880	420
	7,486	6,584

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 2014 approximately \$13,950,000 (2012: \$13,478,000). Expenditure beyond 30 June 2014 is expected to total approximately \$33,021,000 to maintain the same interests.

Note 29: Contingencies

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 2013.

Note 30: 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.

(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.

No options were granted in during the year ended 30 June 2013 (2012: 2,000,000 options).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.28 years (2012: 3.06 years).

Notes to the financial statements

for the year ended 30 June 2013

Note 30: Share-based payments (continued)

The following table presents movements in options for the year ended 30 June 2013:

Grant date	Expiry date	Exercise price (cents)	Balance as at 1 July 2012	Options granted	Options exercised	Options forfeited	Balance as at 30 June 2012	Vested and exercisable as at 30 June 2013
5 Aug 2010	2 Feb 2014	25.5	2,000,000	-	(400,000)	-	1,600,000	1,000,000
6 July 2010	30 June 2014	37.0	1,760,000	-	(530,000)	-	1,230,000	1,230,000
1 July 2011	1 July 2014	40.0	667,000	-	-	-	667,000	667,000
9 Sept 2010	31 Aug 2014	27.0	1,000,000	-	(1,000,000)	-	-	-
1 July 2011	1 July 2015	40.0	667,000	-	-	-	667,000	667,000
9 Sept 2010	9 Sept 2015	25.5	1,200,000	-	-	-	1,200,000	1,200,000
1 July 2011	1 July 2016	40.0	666,000	-	-	-	666,000	-
9 Sept 2010	19 July 2016	25.5	800,000	-	-	-	800,000	800,000
9 Sept 2010	19 July 2017	25.5	1,000,000	-	-	-	1,000,000	1,000,000
9 Sept 2010	19 July 2018	25.5	1,000,000	-	-	-	1,000,000	-
8 Nov 2010	30 June 2014	37.0	180,000	-	-	-	180,000	180,000
Total			10,940,000	-	(1,930,000)	-	9,010,000	6,744,000
Weighted average exercise price			30.3	-	29.4	-	30.5	30.8

Notes to the financial statements

for the year ended 30 June 2013

Note 30: Share-based payments (continued)

The following table presents movements in options for the year ended 30 June 2012:

Grant date	Expiry date	Exercise price (cents)	Balance as at 1 July 2011	Options granted	Options exercised	Options forfeited	Balance as at 30 June 2012	Vested and exercisable as at 30 June 2012
12 Apr 2011	26 July 2011	35.6	833,340	-	(833,340)	-	-	-
12 Apr 2011	16 Nov 2011	35.6	1,875,003	-	(1,875,003)	-	-	-
18 Feb 2009	31 Jan 2012	25.0	8,600,000	-	(8,525,000)	(75,000)	-	-
5 Aug 2010	2 Feb 2014	25.5	2,000,000	-	-	-	2,000,000	800,000
6 July 2010	30 June 2014	37.0	2,210,000	-	(450,000)	-	1,760,000	1,760,000
1 July 2011	1 July 2014	40.0	-	667,000	-	-	667,000	667,000
9 Sept 2010	31 Aug 2014	27.0	3,000,000	-	(2,000,000)	-	1,000,000	1,000,000
1 July 2011	1 July 2015	40.0	-	667,000	-	-	667,000	-
9 Sept 2010	9 Sept 2015	25.5	1,200,000	-	-	-	1,200,000	1,200,000
1 July 2011	1 July 2016	40.0	-	666,000	-	-	666,000	-
9 Sept 2010	19 July 2016	25.5	800,000	-	-	-	800,000	800,000
9 Sept 2010	19 July 2017	25.5	1,000,000	-	-	-	1,000,000	-
9 Sept 2010	19 July 2018	25.5	1,000,000	-	-	-	1,000,000	-
8 Nov 2010	30 June 2014	37.0	600,000	-	(420,000)	-	180,000	180,000
Total			23,118,343	2,000,000	(14,103,343)	(75,000)	10,940,000	6,407,000
Weighted average exercise price			28.1	40.0	28.1	25.0	30.3	30.7

(b) Performance rights

The Company has adopted performance rights plans for executives and employees, which directly link equity-based incentives to performance conditions.

The performance rights granted to executives during the year ended 30 June 2013 were subject to performance conditions relating to a target share price, and vest after a three year period subject to employment status. These rights were valued using a monte carlo pricing model that takes into account grant date, share price at grant date, volatility of underlying share, dividend yield, expected term and the risk-free interest rate for the term of the right.

The performance rights that form part of the employee incentive plan for the year ended 30 June 2013 are subject to satisfaction of corporate performance conditions relating safety, oil production, reserves growth and total shareholder return and individual performance conditions. The performance rights will vest over a three year period subject to employment status. These rights are valued with reference to employees' total fixed remuneration, estimated corporate performance percentage and average individual performance percentage.

If the performance conditions applicable to a performance right are 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.

Notes to the financial statements

for the year ended 30 June 2013

Note 30: Share-based payments (continued)

(b) Performance rights (continued)

Set out below are summaries of performance rights granted, exercised and lapsed during the period:

	Grant date/ exercise date	Performance rights granted	Performance rights exercised/ lapsed	Total
Opening balance as at 1 July 2012				5,975,932
FY11 rights lapsed	1 July 2012	-	(200,000)	(200,000)
FY13 rights granted	1 July 2012	5,030,610	-	5,030,610
FY12 rights lapsed	27 July 2012	-	(1,401,780)	(1,401,780)
FY12 rights exercised	27 July 2012	-	(1,176,940)	(1,176,940)
FY11 rights exercised	27 July 2012	-	(566,666)	(566,666)
FY13 rights granted & exercised	27 July 2012	785,500	(785,500)	-
FY13 rights granted	1 September 2012	284,643	-	284,643
FY13 rights granted	17 September 2012	30,000	-	30,000
FY13 rights granted	1 November 2012	554,500	-	554,500
FY11 & FY12 rights lapsed	15 November 2012	-	(350,000)	(350,000)
FY13 rights exercised	4 December 2012	-	(30,000)	(30,000)
FY12 rights exercised	11 January 2013	-	(110,000)	(110,000)
FY13 rights granted	1 January 2013	166,350	-	166,350
Closing balance as at 30 June 2013		6,851,603	(4,620,886)	8,206,649

	Grant date/ exercise date	Performance rights granted	Performance rights exercised/ lapsed	Total
Opening balance as at 1 July 2011				1,800,000
FY12 rights granted	1 July 2011	100,000	-	100,000
FY11 rights exercised	10 August 2011	-	(566,668)	(566,668)
FY12 rights granted	23 November 2011	260,000	-	260,000
FY12 rights granted	23 December 2011	4,532,600	-	4,532,600
FY12 rights exercised	5 January 2012	-	(260,000)	(260,000)
FY12 rights granted	24 February 2012	100,000	-	100,000
FY12 rights granted	20 April 2012	10,000	-	10,000
Closing balance as at 30 June 2012		5,002,600	(826,668)	5,975,932

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1.48 years (2012: 0.88 years).

Cash-settled share-based payments

There were no cash-settled share-based payments during the year ended 30 June 2013 (2012: \$420,000).

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:

	Consolidated	
	2013	2012
	\$	\$
Equity-settled share-based payments		
- Options	153,207	579,274
- Performance rights	2,287,945	1,223,056
Cash-settled share-based payments	-	420,000
	2,441,152	2,222,330

Notes to the financial statements

for the year ended 30 June 2013

Note 31: Key management personnel

Compensation of key management personnel

	Consolidated	
	2013	2012
	\$	\$
Short term	4,638,226	2,018,688
Post employment	175,792	99,549
Terminations	-	248,675
Share-based payment	1,113,990	1,442,856
	5,928,008	3,809,768

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 and those held nominally, are set out below:

Options held in the Company for the year ended 30 June 2013

Number of options	Balance as at 1 July 2012	Granted as compensation	Options exercised	Net change other	Balance as at 30 June 2013	Vested at 30 June 2013
Directors						
Denis F Patten	-	-	-	-	-	-
Ian R Davies	6,000,000	-	-	-	6,000,000	4,334,000
Timothy BI Crommelin	-	-	-	-	-	-
Ralph H Craven	-	-	-	-	-	-
Benedict M McKeown	-	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-	-
Executives						
Andrew J Price ¹	-	-	-	-	-	-
Julie A Whitcombe	-	-	-	-	-	-
Francis L Connolly	-	-	-	-	-	-
Andrew J Crowley ²	-	-	-	-	-	-
Darren B Stevenson ³	-	-	-	-	-	-
Susan L Mallan ⁴	-	-	-	-	-	-
Gary J Proctor ⁵	-	-	-	-	-	-
Steven G Scott ⁶	1,000,000	-	(400,000)	(600,000)	-	-
Timothy J Wyatt ⁷	-	-	-	-	-	-
Total	7,000,000	-	(400,000)	(600,000)	6,000,000	4,334,000

¹ Andrew J Price was appointed on 1 September 2012.

² Andrew J Crowley was appointed on 1 January 2013.

³ Darren B Stevenson was appointed on 1 November 2012.

⁴ Susan L Mallan was appointed on 1 July 2012.

⁵ Gary J Proctor was appointed on 1 November 2012.

⁶ Steven G Scott ceased as key management personnel on 31 December 2012.

⁷ Timothy J Wyatt ceased as key management personnel on 31 December 2012.

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 2013.

Notes to the financial statements

for the year ended 30 June 2013

Note 31: Key management personnel (continued)

Compensation of key management personnel (continued)

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

Number of options	Balance as at 1 July 2011	Granted as compensation	Options exercised	Net change other	Balance as at 30 June 2012	Vested at 30 June 2012
Directors						
Denis F Patten	1,400,000	-	(900,000)	(500,000)	-	-
Ian R Davies	4,000,000	2,000,000	-	-	6,000,000	2,667,000
Ralph H Craven	-	-	-	-	-	-
Robert J Pett	1,000,000	-	-	(1,000,000)	-	-
Benedict M McKeown	-	-	-	-	-	-
Timothy BI Crommelin	-	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-	-
Executives						
Steven G Scott	1,000,000	-	-	-	1,000,000	400,000
Michael R Herrington	1,000,000	-	-	(1,000,000)	-	-
Julie A Whitcombe	-	-	-	-	-	-
Francis L Connolly	-	-	-	-	-	-
Timothy J Wyatt	-	-	-	-	-	-
Ian D MacDougall	208,335	-	(208,335)	-	-	-
Total	8,608,335	2,000,000	(1,108,335)	(2,500,000)	7,000,000	3,067,000

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 2013

Note 31: Key management personnel (continued)

Performance rights holdings of key management personnel (Consolidated)

The Company operated a performance rights plan during the year ended 30 June 2013, 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 performance rights in the Company held during the financial year by each Director and executive of the Company, including their personally related entities and those held nominally, are set out below:

Performance rights held in the Company for the year ended 30 June 2013

Number of rights	Balance as at 1 July 2012	Granted as compensation	Vested and issued	Lapsed or expired	Net change other	Balance as at 30 June 2013
Directors						
Denis F Patten	-	-	-	-	-	-
Ian R Davies	-	3,000,000	-	-	-	3,000,000
Timothy BI Crommelin	-	-	-	-	-	-
Ralph H Craven	-	-	-	-	-	-
Benedict M McKeown	-	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-	-
Executives						
Andrew J Price ¹	-	284,643	-	-	-	284,643
Julie A Whitcombe	932,900	266,160	(271,010)	(219,870)	-	708,180
Francis L Connolly	808,633	310,520	(224,237)	(202,590)	-	692,326
Andrew J Crowley ²	-	196,350	(30,000)	-	-	166,350
Darren B Stevenson ³	-	221,800	-	-	-	221,800
Susan L Mallan ⁴	-	332,700	(100,000)	-	100,000	332,700
Gary J Proctor ⁵	-	332,700	-	-	-	332,700
Steven G Scott ⁶	862,200	354,880	(201,180)	(258,660)	(757,240)	-
Timothy J Wyatt ⁷	862,200	166,350	(201,180)	(258,660)	(568,710)	-
Total	3,465,933	5,466,103	(1,027,607)	(939,780)	(1,225,950)	5,738,699

¹ Andrew J Price was appointed on 1 September 2012.

² Andrew J Crowley was appointed on 1 January 2013.

³ Darren B Stevenson was appointed on 1 November 2012.

⁴ Susan L Mallan was appointed on 1 July 2012.

⁵ Gary J Proctor was appointed on 1 November 2012.

⁶ Steven G Scott ceased as key management personnel on 31 December 2012.

⁷ Timothy J Wyatt ceased as key management personnel on 31 December 2012.

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

The balance of performance rights at 30 June 2013 had not vested.

Notes to the financial statements

for the year ended 30 June 2013

Note 31: 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 2012

Number of rights	Balance as at 1 July 2011	Granted as compensation	Vested and issued	Lapsed or expired	Net change other	Balance as at 30 June 2012
Directors						
Denis F Patten	-	-	-	-	-	-
Ian R Davies	-	-	-	-	-	-
Ralph H Craven	-	-	-	-	-	-
Robert J Pett	-	-	-	-	-	-
Benedict M McKeown	-	-	-	-	-	-
Timothy BI Crommelin	-	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-	-
Executives						
Steven G Scott	-	862,200	-	-	-	862,200
Michael R Herrington	-	-	-	-	-	-
Julie A Whitcombe	300,000	732,900	(100,000)	-	-	932,900
Francis L Connolly	200,000	675,300	(66,667)	-	-	808,633
Timothy J Wyatt	-	862,200	-	-	-	862,200
Ian D MacDougall	-	-	-	-	-	-
Total	500,000	3,132,600	(166,667)	-	-	3,465,933

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

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

Notes to the financial statements

for the year ended 30 June 2013

Note 31: 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 and those held nominally, are set out below:

Ordinary fully paid shares held in the Company for the year ended 30 June 2013

Number of ordinary fully paid shares	Balance as at 1 July 2012	Granted as compensation	Options exercised	Net change other	Balance as at 30 June 2013
Directors					
Denis F Patten	1,668,000	-	-	151,616	1,819,616
Ian R Davies	1,042,689	603,448	-	327,816	1,973,953
Timothy BI Crommelin	2,987,236	-	-	559,576	3,546,812
Ralph H Craven	102,320	-	-	57,680	160,000
Benedict M McKeown	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-
Executives					
Andrew J Price ¹	-	-	-	22,000	22,000
Julie A Whitcombe	191,000	271,010	-	149,386	611,396
Francis L Connolly	421,511	224,237	-	200,000	845,748
Andrew J Crowley ²	-	30,000	-	53,000	83,000
Darren B Stevenson ³	-	-	-	-	-
Susan L Mallan ⁴	-	100,000	-	46,574	146,574
Gary J Proctor ⁵	-	-	-	16,333	16,333
Steven G Scott ⁶	-	201,180	400,000	(601,180)	-
Timothy J Wyatt ⁷	-	201,180	-	(201,180)	-
Total	6,412,756	1,631,055	400,000	781,621	9,225,432

¹ Andrew J Price was appointed on 1 September 2012.

² Andrew J Crowley was appointed on 1 January 2013.

³ Darren B Stevenson was appointed on 1 November 2012.

⁴ Susan L Mallan was appointed on 1 July 2012.

⁵ Gary J Proctor was appointed on 1 November 2012.

⁶ Steven G Scott ceased as key management personnel on 31 December 2012.

⁷ Timothy J Wyatt ceased as key management personnel on 31 December 2012.

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 2013

Note 31: 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 2012

Number of ordinary fully paid shares	Balance as at 1 July 2011	Granted as compensation	Options exercised	Net change other	Balance as at 30 June 2012
Directors					
Denis F Patten	640,000	-	900,000	128,000	1,668,000
Ian R Davies	634,000	-	-	408,689	1,042,689
Ralph H Craven	-	-	-	102,320	102,320
Robert J Pett	541,500	-	-	(541,500)	-
Benedict M McKeown	-	-	-	-	-
Timothy BI Crommelin	2,489,362	-	-	497,874	2,987,236
Yanina A Barilá	-	-	-	-	-
Executives					
Steven G Scott	-	-	-	-	-
Michael R Herrington	-	-	-	-	-
Julie A Whitcombe	30,000	100,000	-	61,000	191,000
Francis L Connolly	250,000	66,667	-	104,844	421,511
Timothy J Wyatt	-	-	-	-	-
Ian D MacDougall	174,431	-	208,335	(382,766)	-
Total	4,759,293	166,667	1,108,335	378,461	6,412,756

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 FY13, the Group made payments of \$1,231,766 (2012: \$3,151,064) to RBS Morgans Limited, a company associated with Mr Crommelin. These payments primarily comprised fees associated with the retail component of a 2 for 13 entitlements issue which was completed in July 2012. These services were not provided by Mr Crommelin as a Director of the Group.

There were no other transactions with Key Management Personnel or their related parties during the current or prior year, other than those mentioned above.

Notes to the financial statements

for the year ended 30 June 2013

Note 32: Parent entity information

(a) Summary financial information

	Parent Entity	
	2013 \$'000	2012 \$'000
Total current assets	257,607	183,469
Total non-current assets	113,549	93,272
TOTAL ASSETS	371,156	276,741
Total current liabilities	6,330	4,588
Total non-current liabilities	2,345	2,089
TOTAL LIABILITIES	8,675	6,677
NET ASSETS	362,481	270,064
EQUITY		
Contributed equity	450,318	374,505
Share based payments reserve	7,939	5,498
Net unrealised gain / (loss) reserve	-	(886)
Other reserve	(183)	(183)
Accumulated losses *	(95,593)	(108,870)
TOTAL EQUITY	362,481	270,064
Net profit / (loss) of the parent entity	3,314	(10,777)
Other comprehensive income of the parent entity	886	(886)
Total comprehensive income of the parent entity	4,200	(11,663)

* Accumulated profits of \$9,963,000 were transferred to the parent entity following the deregistration of various group companies. Refer to note 34 for the details of the deregistered companies.

(b) Guarantees entered into by the parent entity

There are cross guarantees provided as described in note 35.

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 2013 (2012: \$nil).

(d) Contractual commitments for capital acquisitions

The parent entity did not have any contractual commitments for capital acquisition at 30 June 2013 (2012: \$nil).

Notes to the financial statements

for the year ended 30 June 2013

Note 33: 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	
	2013 Percentage %	2012 Percentage %
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)	0.0%	15.0%
ATP 752P (Wompi)	0.0%	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)	100.0%	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* (Murteree)	65.0%	65.0%
PEL 115*	80.0%	33.0%
PEL 182*	52.5%	49.9%
PEL 424*	60.0%	60.0%
PEL 514* (Northern)	50.0%	50.0%
PEL 514* (Southern)	70.0%	70.0%

Permits	Consolidated Working Interest	
	2013 Percentage %	2012 Percentage %
Surat Basin		
ATP 471P (Weribone)	20.7%	20.7%
ATP 574P (Shallows)	30.0%	30.0%
ATP 574P (Deep)	30.0%	30.0%
ATP 593P* (Don Juan CSG)	45.0%	45.0%
ATP 593P* (Deep)	24.0%	24.0%
ATP 771P* (Don Juan CSG)	45.0%	45.0%

Notes to the financial statements

for the year ended 30 June 2013

Note 33: Interest in joint venture operations (continued)

PRODUCTION

	Consolidated Working Interest	
	2013 Percentage %	2012 Percentage %
Permits		
Cooper/Eromanga Basins		
Acrasia PPL 203*	100.0%	75.0%
Cuisinier PL 303	0.0%	15.0%
Derrilyn PPL 206	35.0%	35.0%
Derrilyn PPL 208	35.0%	35.0%
Growler PRL 15*	60.0%	60.0%
Growler PPL 242*	60.0%	-
Mirage PPL 213*	100.0%	60.0%
Reg Sprigg West PPL 211	25.0%	18.8%
Snatcher PPL 240*	60.0%	60.0%
Toparoa PPL 215	2.3%	2.3%
Ventura PPL 214*	100.0%	60.0%
Worrior PPL 207*	70.0%	70.0%
Mustang PPL 243 - application*	60.0%	-

	Consolidated Working Interest	
	2013 Percentage %	2012 Percentage %
Permits		
Offshore Carnarvon Basin		
WA-47-R (Sage)	-	9.3%

	Consolidated Working Interest	
	2013 Percentage %	2012 Percentage %
Permits		
Bowen Basin		
PL 231*	40.0%	40.0%

	Consolidated Working Interest	
	2013 Percentage %	2012 Percentage %
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%

Notes to the financial statements

for the year ended 30 June 2013

Note 33: Interest in joint venture operations (continued)

The Group's share of the joint venture operation assets and liabilities consist of:

		Consolidated	
	Note	2013 \$	2012 \$
Current Assets			
Cash and cash equivalents	11	15,803	12,693
Trade and other receivables	13	1,527	1,062
Non-current Assets			
Property, plant and equipment		16,969	23,279
Exploration assets		71,710	22,914
Oil and gas properties		93,123	86,102
TOTAL ASSETS		199,132	146,050
Current Liabilities			
Trade and other payables	21	21,536	20,292
Non-current Liabilities			
Provision for rehabilitation		20,243	12,735
TOTAL LIABILITIES		41,779	33,027
NET ASSETS		157,353	113,023

The Group's share of the joint venture operations revenue and expenses consists of:

		Consolidated	
		2013 \$	2012 \$
Revenue			
Oil sales		127,294	55,566
		127,294	55,566
Expenses			
Cost of sales		(61,306)	(32,660)
Oil and gas exploration expenses		(5,799)	(5,161)
		(67,105)	(37,821)

Notes to the financial statements

for the year ended 30 June 2013

Note 34: 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 %	
		2013	2012
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
Victoria Oil Pty Ltd	Australia	100	100
Senex Weribone Pty Ltd	Australia	100	100
Remers Pty Ltd *	Australia	-	100
Permian Oil Pty Ltd	Australia	100	100
Victoria Oil Exploration (1977) Pty Ltd	Australia	100	100
Stuart Petroleum Pty Ltd	Australia	100	100
Senex Assets Pty Ltd	Australia	100	-
Directly controlled by Stuart Petroleum Ltd			
Stuart Petroleum (Offshore) Pty Ltd *	Australia	100	100
Stuart Petroleum Fuels Pty Ltd	Australia	-	100
Stuart Petroleum Fuels Pty Ltd	Australia	100	100
Stuart Renewable Energy Pty Ltd *	Australia	-	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
Directly controlled by Stuart Petroleum Fuels Pty Ltd			
Port Bonython Fuels Pty Ltd **	Australia	-	100
Directly controlled by Remers Pty Ltd			
Whitewood Nominees Pty Ltd *	Australia	-	100

* These entities were deregistered during the current financial year.

** The interest in this entity has been fully disposed of during the current financial year.

Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 31.

Notes to the financial statements

for the year ended 30 June 2013

Note 35: 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 Ltd
- Azeeza Pty Ltd
- Victoria Oil Pty Ltd
- Senex Weribone Pty Ltd
- 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
- Senex Assets 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, and amended on 20 February 2013.

Notes to the financial statements

for the year ended 30 June 2013

Note 35: 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 of the 'closed group':

	2013 \$'000	2012 \$'000
Revenue	147,878	70,411
Cost of sales	(67,345)	(39,434)
Gross profit	80,533	30,977
Net gain on asset held for sale	3,644	-
Other income	18,038	85
Oil and gas exploration expenses	(12,843)	(5,222)
General and administrative expenses	(26,549)	(14,739)
Finance expense	(1,428)	(409)
Profit before tax	61,395	10,692
Income tax expense	(391)	(1,681)
Profit after tax	61,004	9,011
Net profit for the period attributable to owners of the parent entity	61,004	9,011
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Movements in fair value of available-for-sale financial assets	1,266	(1,266)
Income tax effect	(380)	380
	886	(886)
Items that will not be subsequently reclassified to profit or loss	-	-
Total comprehensive income for the period attributable to owners of the parent entity	61,890	8,125

Notes to the financial statements

for the year ended 30 June 2013

Note 35: Deed of cross guarantee (continued)

(b) Consolidated Statement of Financial Position

Set out below is a consolidated Statement of Financial Position of the 'closed group':

	As at 30 June 2013 \$'000	As at 30 June 2012 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	126,775	116,194
Prepayments	3,420	2,513
Trade and other receivables	52,689	19,122
Inventory	4,297	1,501
Oil inventory	751	-
Total Current Assets	187,932	139,330
Non-current Assets		
Trade and other receivables	25	975
Available-for-sale assets	1,725	2,760
Property, plant and equipment	41,583	25,467
Intangibles	1,243	183
Exploration assets	166,117	74,309
Oil and gas properties	100,241	93,374
Total Non-current Assets	310,934	197,068
TOTAL ASSETS	498,866	336,398
LIABILITIES		
Current Liabilities		
Trade and other payables	31,736	27,805
Provisions	694	453
Total Current Liabilities	32,430	28,258
Non-current Liabilities		
Provisions	26,351	18,162
Total Non-current Liabilities	26,351	18,162
TOTAL LIABILITIES	58,781	46,420
NET ASSETS	440,085	289,978
EQUITY		
Contributed equity	450,064	374,251
Reserves	8,010	4,683
Accumulated losses *	(17,989)	(88,956)
TOTAL EQUITY	440,085	289,978

* Accumulated profits of \$9,963,000 were transferred to the parent entity following the deregistration of various group companies. Refer to note 34 for the details of the deregistered companies.

Notes to the financial statements

for the year ended 30 June 2013

Note 36: Events after the reporting date

Acquisition of additional interest in PEL 514

On 14 May 2013, Senex entered into an agreement with Planet Gas Limited whereby Senex agreed to acquire an additional interest in PEL 514 to give Senex an 80% interest in PEL 514 (northern and southern). This transaction was registered and approved on 16 July 2013, resulting in an increase in exploration assets of \$5,000,000.

Acquisition of additional interest in PEL 115

On 12 June 2013, Senex Energy entered into an agreement with Orca Energy Limited (and its subsidiary, Komodo Energy Pty Ltd) for the acquisition by Senex of a 20% interest in PEL 115, which included the cancellation of 115,000,000 ordinary shares in Orca Energy Limited. The transaction received Orca Energy Limited shareholder approval on 7 August 2013, but remains subject to standard regulatory and third party approvals and is expected to complete in the 2013-14 year, giving Senex a 100% interest in PEL 115.

Senex agreement with South Australia for 15 year tenure retention deal

On 19 August 2013, Senex Energy entered into an agreement with the South Australian Government for a 15 year petroleum retention licence scheme to enable efficient investment in exploration and appraisal across Senex's operated oil permits in the South Australian Cooper-Eromanga Basin. The agreement replaces tenure specific obligations with a portfolio-wide oil exploration and appraisal expenditure target of approximately \$30,000,000 per year, net to Senex.

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 2013 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 35, 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 35.
- (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 2013.

On behalf of the Board



Denis F Patten
Chairman

Brisbane, Queensland
27 August 2013



Ian R Davies
Managing Director

Independent auditor's report



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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 2013, 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 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 the requirements relating to audit engagements and plan and perform the audit to obtain sufficient evidence to conclude 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 risk of material misstatement of the financial report, whether due to fraud or error. The audit also includes evaluating the appropriateness 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 auditor's report



Building a better
working world

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 2013 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 the directors' report for the year ended 30 June 2013. 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.

A handwritten signature in blue ink, appearing to read 'Ernst & Young'.

on Report of Senex Energy Limited for the year ended 30 June 2013,
the *Corporations Act 2001*.

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

Andrew Carrick
Partner
Brisbane
27 August 2013

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Additional information

Shareholder statistics

Additional information provided pursuant to ASX listing rule 4.10 and not shown elsewhere in this Annual Report:

- (a) A distribution schedule of the number of holders in each class of equity securities as at 23 August 2013:

Number of shares	Number of holders		
	Fully paid shares	Unlisted options	Performance rights
1-1,000	1,159	-	-
1,001-5,000	3,876	-	-
5,001-10,000	2,267	-	-
10,001-100,000	5,055	5	1
100,001+	833	6	11
Total	13,190	11	12

- (b) The number of holders holding less than a marketable parcel of fully paid shares as at 23 August 2013 was 467 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 23 August 2013:

No.	Name	Number	%
1	JP Morgan Nominees Australia Limited	105,176,124	9.22
2	Sentient Executive GP IV Limited	103,178,338	9.04
3	HSBC Custody Nominees (Australia) Limited	96,090,280	8.42
4	Sentient Executive GP III Limited	85,033,938	7.45
5	National Nominees Limited	81,549,289	7.15
6	Australian Foundation Investment Company Limited	46,717,317	4.09
7	Mr Robert Bryan	30,000,000	2.63
8	Citicorp Nominees Pty Limited	23,399,970	2.05
9	Elphinstone Holdings Pty Ltd	21,730,309	1.90
10	JP Morgan Nominees Australia Limited	16,696,171	1.46
11	Bow Energy Limited	15,600,000	1.37
12	BNP Paribas Noms Pty Ltd	10,802,908	0.95
13	Mirrabooka Investments Limited	8,500,000	0.74
14	Citicorp Nominees Pty Limited	6,924,420	0.61
15	UBS Wealth Management Australia Nominees Pty Ltd	6,492,744	0.57
16	HSBC Custody Nominees (Australia) Limited	6,315,102	0.55
17	Mr Dallas John William Allman & Mrs Judith Dawn Allman	5,600,000	0.49
18	AMP Life Limited	5,396,939	0.47
19	AMCIL Limited	4,400,000	0.39
20	Mr Alan Robins & Mr Melville Robins & Mr Kevin Robins	4,100,000	0.36

- (d) The name of the substantial holder in Senex 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 Senex as at 23 August 2013:

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

Additional information

Shareholder statistics (continued)

(e) Directors' security holdings and relevant interests as at 23 August 2013:

Class of security	Number of securities	
	Fully paid shares	Unlisted options
Denis F Patten	1,819,616	-
Ian R Davies	1,973,953	6,000,000
Ralph H Craven	160,000	-
Timothy BI Crommelin	3,546,812	-
Benedict M McKeown ¹	-	-
Yanina A Barilá ¹	-	-

¹ Mr McKeown and Ms Barilá are executives of the Sentient Group which held relevant interests in 188,212,276 fully paid shares (16.5% of issued shares) at 23 August 2013.

(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, 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.

Additional information

Major announcements

2013	Announcement
27 June	Senex upgrades 2P oil reserves to 10.8 million barrels
26 June	Major contingent gas resource upgrade to 5.5 Tcf
25 June	Dundinna 3D seismic survey in progress
21 June	Senex begins 30-well oil drilling campaign
19 June	Senex doubles net oil production year on year
15 May	Major new conventional gas field identified at Hornet
15 May	Senex commits to further work program in PEL 514
22 April	March 2013 Quarterly Report
15 April	Senex exceeds target oil production for 2012/13
3 April	Hornet-1 flows gas at over two million cubic feet per day
11 March	Kingston Rule-1 flows at 1.2 million cubic feet per day
25 February	Senex delivers record profit of \$24.3 million for the half year
25 February	Senex upgrades net gas reserves and resources by 15% to 598 PJ
25 February	Senex Half Year Report to 31 December 2012
21 February	Paning-2 intersects 117 metres of net gas pay in the northern Cooper Basin's tight sands and deep coals
7 February	Senex commences five well fracture stimulation program
23 January	December 2012 Quarterly Report and Appendix 5B
17 January	Sale of Port Bonython Fuels to Mitsubishi Corporation
2012	Announcement
29 November	Kingston Rule-1 well delivers 53 metres of net gas pay
28 November	Senex confirms new oil field discovery at Spitfire
12 November	Senex extends Snatcher oil field to the north
22 October	September 2012 Quarterly Report and Appendix 5B
18 October	Mustang oil discovery delivers excellent results during production testing
16 October	Senex confirms basin centred gas play at Skipton-1
2 October	Senex extends Snatcher oil field with latest appraisal success
24 September	2011/12 Annual Report
24 September	Senex delivers \$8.9 million net profit after tax
15 August	Senex commences drilling at the Skipton-1 unconventional gas exploration well in PEL 516
14 August	Appraisal success continues with the Snatcher-6 oil well
9 August	2012 coal seam gas appraisal program underway in Surat Basin permits PL 171 and ATP 574P
7 August	Indy-1 coal seam gas exploration well delivers good results
26 July	June 2012 Quarterly Report and Appendix 5B
24 July	Senex to continue its unconventional gas exploration program in the South Australian Cooper Basin
24 July	Senex expands senior management team
18 July	Sasanof-1 production testing update
17 July	Exploration success at the Mustang-1 oil well
16 July	Completion of Retail Entitlement Offer
4 July	Continued Cooper Basin appraisal drilling success

Additional information

Five year history

	2012/13	2011/12	2010/11 ¹	2009/10	2008/09
Financial performance (\$'000)					
Sales revenue (oil sales)	137,287	64,391	9,839	10,513	9,476
Total revenue	147,878	70,411	13,198	13,188	11,603
Income tax benefit / (expense)	(391)	(1,681)	12,006	(102)	56
Profit / (loss) after tax	61,004	8,860	(3,516)	2,589	(8,629)
Financial position (\$'000)					
Total assets	498,866	346,361	173,582	73,972	30,235
Total equity	440,085	299,941	157,316	68,583	25,701
Reserves and production					
Production – oil (mmbbls)	1.25	0.60	0.17	0.14	0.12
2P reserves – oil (mmbbls)	10.8	8.1	6.9	1.6	0
2P reserves – gas (mmbboe)	26.6	23.5	13.4	7.7	3.2
Drilling					
Wells drilled (number)	21	26	13	11	14
Other capital expenditure (\$'000)					
Property, plant and equipment and intangibles	20,129	25,422	996	20	4
Share information					
Issued shares	1,140,804,837	1,032,094,191	758,280,547	518,078,680	368,300,198
Weighted average shares	1,134,792,989	920,847,238	634,387,668	251,714,888	363,917,808
Share price (\$)	0.59	0.71	0.36	0.24	0.39
Ratios					
Basic earnings/ (loss) per share (cents)	5.38	0.96	(0.55)	1.14	(2.59)
Earnings/ (loss) per share (cents) diluted	5.32	0.95	(0.55)	1.13	(2.59)
General (\$'000)					
Market capitalisation	673,075	732,787	272,981	124,339	143,637
Current liabilities	32,430	28,258	8,856	3,269	2,781
Profit/ (loss) before tax	61,395	10,541	(15,522)	2,565	(4,188)
Interest income	5,421	3,336	2,556	1,217	827
Depreciation, amortisation and impairment expenditure	21,630	12,495	14,400	977	1,859
Exploration expenses	12,843	5,222	1,637	2,393	6,069

¹ 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.

Additional information

Glossary

\$ means Australian dollars unless otherwise stated

1P means proved (developed plus undeveloped) reserves in accordance with the SPE PRMS.

2P means proved plus probable reserves in accordance with the SPE PRMS.

3P means proved plus probable plus possible reserves in accordance with the SPE PRMS.

APPEA means the Australian Petroleum Production and Exploration Association, which is the peak national body representing Australia's oil and gas exploration and production industry.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian securities exchange operated by ASX Limited ACN 008 624 691.

ATP means 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.

bopd means barrels of oil per day.

boe means barrels of oil equivalent. 1 boe = 6,000 standard cubic feet. Conversion of the gas reserves and resources from petajoules (PJ) into boe may vary due to differences in gas composition.

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

Cooper-Eromanga Basin means the Cooper Basin and the overlying Eromanga Basin within the limits of the Cooper Basin.

CSG means coal seam gas where gas is stored within coal deposits or seams.

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.

Gross pay means the overall interval in which pay sections occur.

KPI means key performance indicator.

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 Senex'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.

mmscfd means million standard cubic feet of gas per day.

Net pay means the smaller portions of the gross pay that meet local criteria for pay, such as porosity, permeability and hydrocarbon saturation.

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 commercially recoverable resources which have been justified for development, 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.

Tcf means trillion cubic feet of gas.

TRIFR means total recordable injury frequency rate, which is the total number of injuries (i.e. fatalities, lost time injuries, restricted work injuries and medical treatment injuries) recorded per million hour worked, in accordance with APPEA incident reporting guidelines.

TSR means total shareholder return.

VWAP means volume weighted average price.

Competent person's statement

Unless otherwise indicated, the statements contained in this report about Senex's reserves and resources estimates have been compiled by Mr James Crowley Bsc (Hons), who is General Manager Exploration and Development, 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). Mr Crowley 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. All reserves and resources are stated as at the following estimation dates:

Oil

2012/13	30 June 2013
2011/12	29 February 2012
2010/11	21 February 2011
2009/10	19 January 2010

Coal seam gas

2012/13	30 June 2013
2011/12	28 February 2012
2010/11	31 December 2010
2009/10	21 October 2009

Unconventional gas

2012/13	30 June 2013
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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)

Ralph H Craven (Non-executive Director)

Timothy BI Crommelin (Non-executive Director)

Benedict M McKeown (Non-executive Director)

Yanina A Barilá (Alternate Non-executive Director)

Secretary

Francis L Connolly

David A Pegg (from 8 March 2013)

Registered office

Level 14, 144 Edward Street

Brisbane, Queensland, 4000

Principal place of business

Level 14, 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: + 61 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Securities exchange

Australian Securities Exchange (ASX)

Code: SXY

Solicitors

Corrs Chamber Westgarth

Waterfront Place

1 Eagle Street

Brisbane, Queensland 4000

McCullough Robertson

Level 11, Central Plaza Two

65 Eagle Street

Brisbane, Queensland 4000

Bankers

ANZ Banking

Level 20, 111 Eagle Street

Brisbane, Queensland 4000

Auditors

Ernst & Young

Level 51, 111 Eagle Street

Brisbane, Queensland 4000