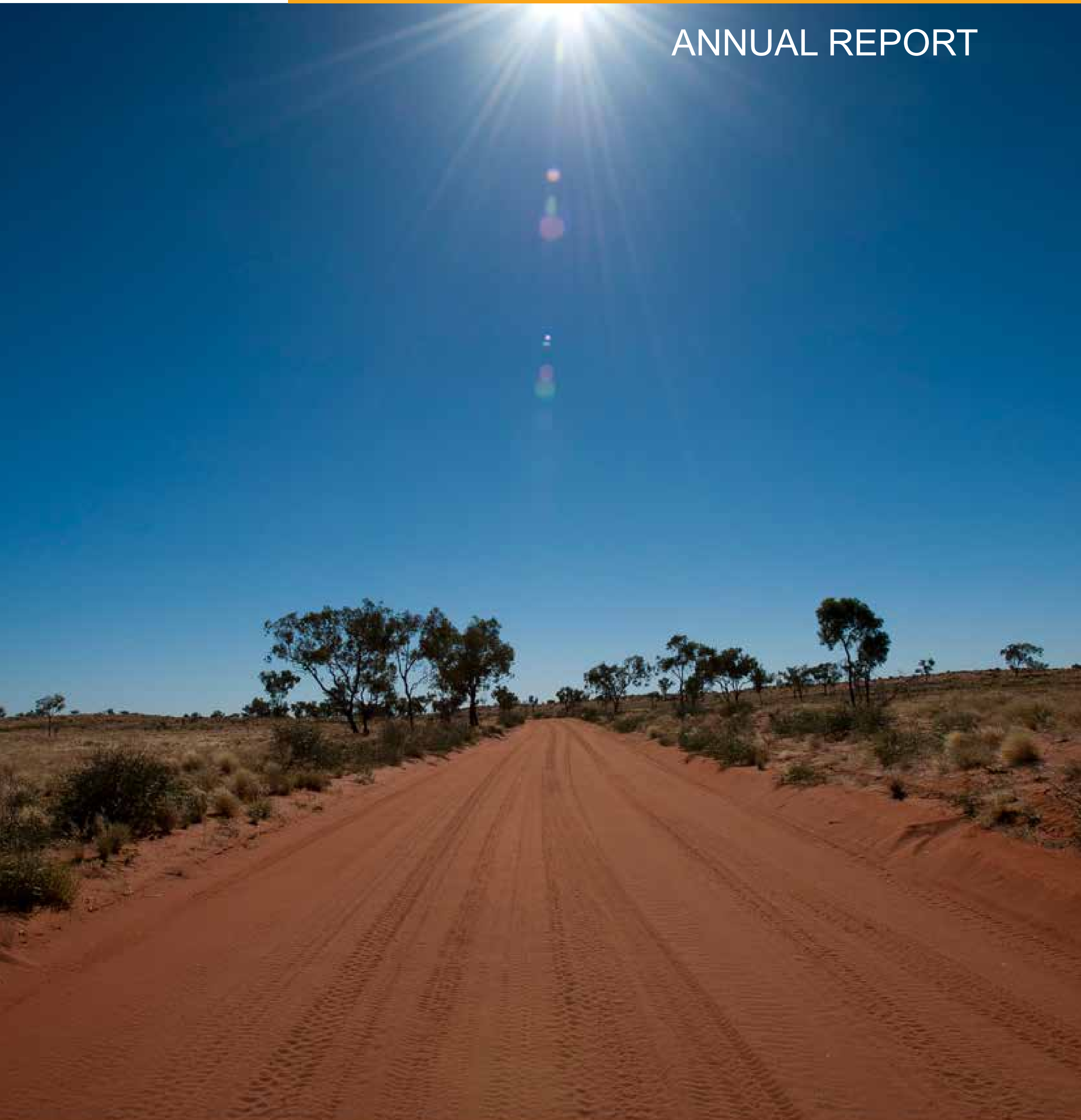
Senex Energy Limited

2016

ANNUAL REPORT



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About this report

This Annual Report is a summary of Senex's operations, activities and financial position for the year ended 30 June 2016.
It complies with Australian reporting requirements. Senex Energy Limited (ABN 50 008 942 827) is a company limited by shares and is incorporated and domiciled in Australia. Senex Energy Limited is the parent company of the Senex consolidated group of companies.
Unless otherwise stated, in this report all references to Senex and the Group, the Company, we, us and our, refer to Senex Energy Limited and its controlled entities as a whole. References to the financial year or 'FY' are to the year ended 30 June. All dollar figures are expressed in Australian currency unless otherwise stated.
An electronic version of this report is available at **www.senexenergy.com.au**. Printed reports are available from Senex on request.

Annual General Meeting Wednesday 16 November 2016, Brisbane

Purpose of the report

This Annual Report is designed with our stakeholders in mind including shareholders, staff, joint ventures, landholders and the communities in which we operate, to provide an easy to read annual summary about how Senex has performed in 2016. It meets our compliance and governance requirements. We aim to build awareness of our operations and demonstrate how we delivered on our mission and vision while maintaining our values and commitment to sustainable development.

Qualified reserves and resources evaluator statement

Information about Senex's reserves and resources estimates has been compiled in accordance with the definitions and guidelines of the 2007 SPE PRMS. This information is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator, Mr David Spring BSc (Geology). Mr Spring is a member of the Society of Petroleum Engineers and is Executive General Manager Exploration at Senex, and a full time employee. Mr Spring consents to the inclusion of the information in the form and context in which it appears in this annual report.

Who we are

Senex is an Australian-based growth focused oil and gas exploration and production company. We are head-quartered in Brisbane and hold over 68,000 square kilometres of onshore oil and gas acreage in the Cooper-Eromanga and Surat Basins, two of Australia's most prolific onshore energy regions. We are the third-largest onshore oil producer in Australia.

Senex produces around one million barrels of oil equivalent annually and is successfully developing a material gas business. We partner with a range of industry peers and operate the majority of our assets.

During the year we took the opportunity to refine our vision and mission to better reflect our growth and future direction.

Our mission to deliver profitable outcomes for our shareholders, communities and employees is underpinned by living our values of integrity, ownership, delivery and collaboration in all we do.

Senex has a 30-year operating history in oil and gas, building a diversified portfolio including conventional and unconventional resources in established oil and gas provinces serviced by existing infrastructure close to established markets.

We are looking to grow our portfolio both organically and inorganically, with a disciplined approach to increase shareholder value.

We are listed on the Australian Securities Exchange (ASX:SXY).

How we work

Our vision

To be Australia's leading independent oil and gas exploration and production company.

Our mission

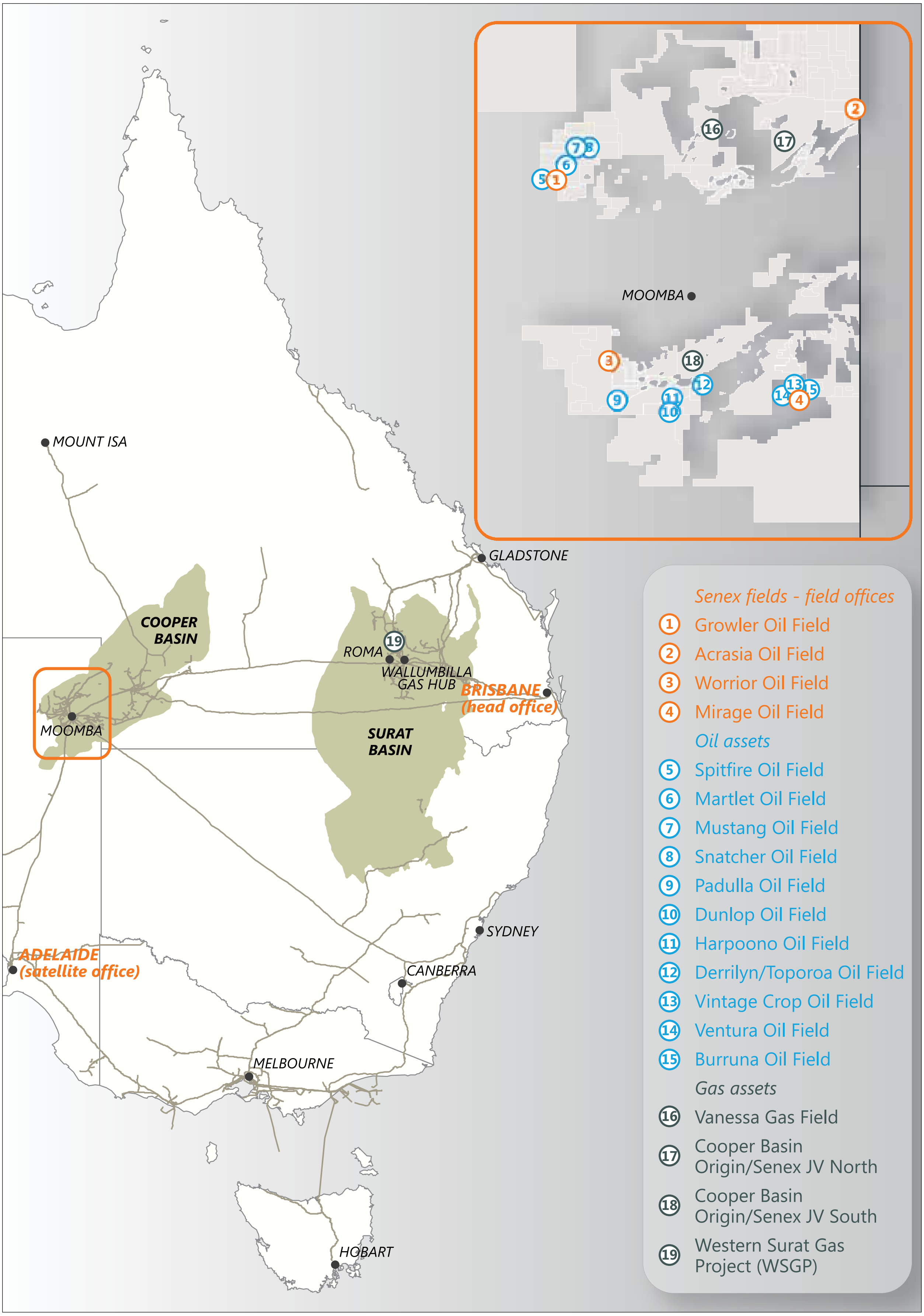
We deliver profitable outcomes for our shareholders, communities and employees by:

- Attracting and retaining talented people with drive and energy
- Building sustainable relationships with our communities, stakeholders and partners
- Continually striving for growth, innovation and efficiency in all that we do

Our values

Integrity	Ownership	Delivery	Collaboration
We:			
▪ Are honest ▪ Respect others ▪ Talk straight	▪ Are accountable ▪ Take responsibility ▪ Generate solutions	▪ Create opportunities ▪ Innovate ▪ Use initiative ▪ Achieve results	▪ Communicate openly ▪ Work together ▪ Combine strengths

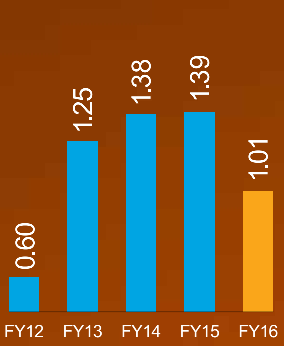
Where we work



Performance overview

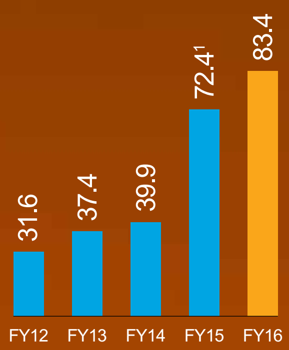
In 2016, we achieved a 71% improvement in our measure of personal safety, with TRIFR reduced to 1.8. We increased our net 2P reserves by 15%[1] achieving an organic three-year 2P oil and gas reserves replacement ratio of 370%. Our operating costs (excluding royalties) fell to $28 per barrel compared to $32 per barrel in FY15 partly mitigating the significant impact of lower oil prices.

1 Net of the sale of the Maisey block



PRODUCTION (MMBOE)

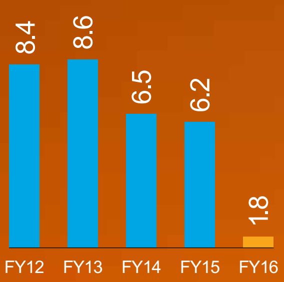
In FY16, our production declined by 27% to 1.01 mmboe, reflecting natural field decline and minimal expenditure on exploration and development drilling while oil prices remained low.



NET 2P RESERVES (MMBOE)

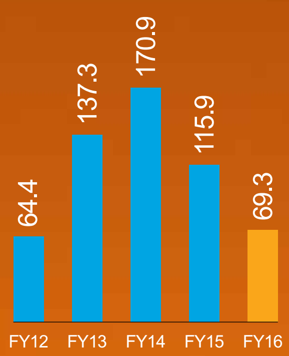
Our net proved plus probable (2P) reserves of 83.4 mmboe reflect an increase of 11.1 mmboe or 15% compared to 30 June 2015 (net of the sale of the Maisey block in the Surat Basin).

1 Following sale of Maisey block in the Surat Basin (22.2 net mmboe)



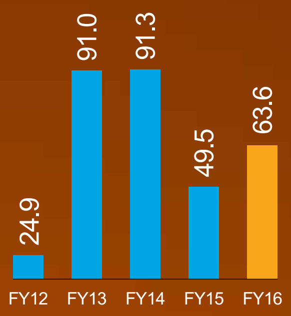
TRIFR (PER MILLION HOURS WORKED)

Our Total Recordable Injury Frequency rate (TRIFR) improved by 71% over FY15 with one Lost Time Injury. During a year of substantial change in our industry and materially reduced activity, Senex redoubled its efforts to drive safety awareness and performance.



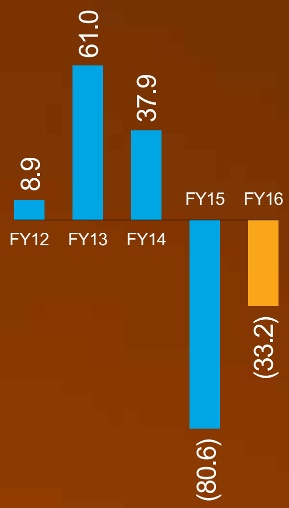
SALES REVENUE ($M)

We experienced a 40% decline in sales revenue in FY16 to $69.3 million. This reflected lower production and a lower realised price of A$71/bbl on oil sales, compared to A$88/bbl in FY15. Our hedging program for FY16 provided settlements (net of premium) of A$13 million, equivalent to A$13/bbl sold.



EBITDAX ($M)

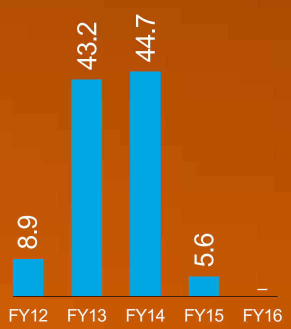
Our EBITDAX of $63.6 million was 28% higher than the corresponding FY15 result. The key contributors to the increase were the $38.2 million profit on sale of the Maisey block, offset by lower gross profit due to lower sales volumes and realised oil prices.



STATUTORY NET PROFIT AFTER TAX ($M)

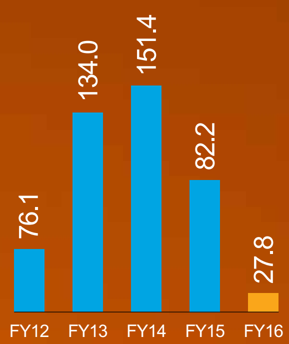
Statutory NPAT[1] of ($33.2) million improved by 59% over the FY15 statutory NPAT of ($80.6) million but remained negative in the period. The year on year improvement was driven by $38.2 million profit on the sale of the Maisey block, along with lower impairment charges and exploration expense recorded during the period, offset by lower operating profit.

1 (Profit/(Loss) after tax reported in the consolidated statement of comprehensive income)



UNDERLYING NET PROFIT AFTER TAX ($M)

Underlying NPAT was nil compared to $5.6 million the prior year given lower gross margin due to lower sales volumes and prices, partly offset by lower exploration expense as a result of lower drilling activity this year.



CAPEX ($M)

Our capital expenditure program was reduced by 66% in FY16 to a 5 year low of $27.8 million, consistent with our focus on maintaining financial strength. Capital expenditure incurred was primarily focused on preparatory work for the Western Surat Gas Project and limited exploration and development activities in the Cooper Basin.

Chairman's review

In another year of volatility for our industry, Senex proved itself a sustainable business with the credentials to deliver future growth.

Global markets continued to falter throughout my second year as Senex Chairman. The Brent crude oil price index reached a 12 year low of under US$27/bbl in January 2016. Global demand for hydrocarbons continued to grow, albeit slower than in recent years. Oversupply in both global oil and LNG markets became a dominant market factor, with rebalancing at least in sight by year end for oil, if not quite yet for global gas. Religious and political tensions in parts of the world rose and spilled over into conflict. And leaders of some of the world's largest economies reached their first ever agreements on future goals for carbon emissions and a reduction in the rate of global temperature increases.

It is an interesting time to be an oil and gas company.

The unique times in which we are investing create both challenges and opportunities. I am pleased to say Senex was able to successfully navigate the financial and operational challenges arising from the uncertainty, and I feel it has come out stronger and ready for the opportunities ahead of it.

Senex has ended FY16 in a strong financial position, with $102 million in the bank. This result was achieved despite the impact of capital deferrals into the company's lowest production result in three years and against the backdrop of lower prices received for its product. This is no small feat, and is the result of solid business management and a clear commitment to the long game. I am certain that few businesses outside of the oil and gas sector could demonstrate the same resilience in the face of an 80% reduction in their selling price.

Senex continued to hold safety paramount in its operations despite the volatility, and it is pleasing to report that safety performance improved over the period with a 71% reduction in TRIFR. As a Board, we remain committed to ensuring the safety of our people is always the primary focus.

The FY16 year for Senex's operating business was about preserving cash during this period of uncertainty to deliver growth in the future. A robust and well-timed hedging strategy protected revenue for one million barrels of oil sales delivered during FY16, guaranteeing an average Brent crude oil floor price of A$72 per barrel for the second half FY16. Alongside this, a number of difficult decisions were taken through the year to deliver a leaner organisation with more efficient work flows. This showed clear evidence of the company's ability to adapt quickly to the changes in its marketplace.

Robust capital management and allocation to strategically suitable opportunities remains a key focus for the Board as a key driver of future returns. A continued reduced and self-funded Cooper Basin capital program focused on production and exploitation of existing assets remained sensible in the lower oil price environment. Senex invested time in redesigning its exploration and project work flows to ensure it retains its focus on the right projects at the right time. The Senex portfolio remains in good shape providing optionality for continued growth.

The East Australian gas market continued to shape up as an exciting opportunity for gas producers during the year. We remain firm believers in a strong outlook for gas prices on the East Coast, and are actively progressing towards establishing material gas production through our gas projects in both the Surat and Cooper Basins. We will continue to build capability in these areas, and remain alert for new opportunities in this exciting part of our industry.

The ramp up of the Western Surat Gas Project gained pace during FY16, with the company making material progress towards delivering its first gas into the East Coast gas market – an excellent growth opportunity for the company. The transformational agreements reached with Santos GLNG in September 2015 provide the framework for Senex to accelerate the appraisal and development of its acreage. This step also brings Senex closer to meeting its goal of becoming a material gas producer.

I took great delight in visiting the Surat Basin this year with the rest of the Board and the Executive Committee. It gave me a sense of anticipation to see the local community and landscape first hand, whilst also teaching me much about the divergent landscapes Senex has to operate in between the Cooper and Surat Basins. We had the opportunity to meet with our neighbours and commercial partners, Santos GLNG, while in the area and tour the extensive existing infrastructure. It was rewarding to see industry working collaboratively and sharing learnings.

The Senex strategy relies on the successful discovery and exploitation of oil and gas reserves as the foundation for the growth of a material and sustainable energy business. The Board remains confident in this strategy, and in the company's ability to deliver on it. We believe that Senex continues to be headed in the right direction for growth in the future and for delivering long term value to shareholders.

I was pleased with the appointment of Dr John Warburton to the Board during the period, aimed at further strengthening our subsurface skills in our core business to deliver on our growth strategy. His capability in the geosciences realm across both conventional and unconventional petroleum plays enhances the Board's ability to strategically, commercially and technically assess our growth opportunities.

I would like to acknowledge my fellow Directors for the role they play in supporting Senex to achieve its goals throughout the year. And, to all Senex staff who played a part in the continued success of the company – thank you for your continuing commitment, energy and drive.

A sincere thank you to our Managing Director, Ian Davies, for his continued passion and positivity in leading the company forward through a difficult year. Along with an extremely capable management team I have no doubt the coming year will be one of progress and growth for Senex.

TREVOR BOURNE
Chairman

Managing Director's report

The year has been one of change, yet as I look back it is very clear that our strategy, assets and people have continued to perform even when surrounded by the stresses of uncertainty. We have managed to not only sustain our business and position it for healthy growth in the future, but have also spent valuable time improving work flows and realising efficiencies.

Putting our people's safety first

I am pleased that our health and safety performance remained strong throughout 2016 with a recorded TRIFR of 1.8, a reduction of 71% from the previous year. In a period when operational activity was low, we used the capacity in the business to partner with Sentis, leaders in sustainable business and cultural improvement, to conduct a Safety Culture Research Project across our business. Combined teams from Executive Management, Operational Management, Field Supervisory and Operational Staff undertook training in a **Zero Injury Program** which is now being practiced throughout the company and further enhancing a strong safety culture.

We are also collaborating more broadly with industry to share knowledge and implement safer practices and processes across the industry. We are achieving this through our proactive and hands on support of the **Safer Together** Forum for Queensland Natural Gas Exploration & Production Industry. As a leader in the industry, I value the time to focus on the fundamentals of what it means to work safely.

Protecting our business through volatility

Despite the continued depressed oil prices we managed to close FY16 in a strong financial position with $102 million of cash and $180 million of total liquidity. We achieved this by going back to basics – reducing our capital expenditure by 66% to a five year low of $27.8 million, taking risk out of our revenue line with a well-timed hedging program, and applying a grass roots focus on bringing down operating and corporate costs.

We have delivered a solid result in a year of remarkable change and volatility.
We are well-positioned to aggressively pursue growth in our business.

Managing Director's report

We also substantially de-risked the future of our Western Surat Gas Project through a series of transformational agreements with neighbouring producer, Santos GLNG. The agreements saw us divest the Maisey block for $42 million cash, while at the same time securing a flexible Gas Sales Agreement for up to 50 TJ/day and access to a valuable technical database that enhances our understanding of the reservoir and geology. Bringing the Western Surat Gas Project online is an important step in diversifying and growing Senex's business.

Operating performance

This year was one of consolidation for our business in response to uncertainties in the markets in which we operate. We greatly reduced capital expenditure and focused our efforts on creating efficiencies throughout the business in readiness for market recovery and the pursuit of growth.

In the Cooper Basin we focused on maximising cash flow from producing fields; progressing field development plans for existing fields; and transforming our way of exploring and evaluating high prospectivity areas for our next exploration campaign.

Oil production remained our core business for the year with solid production from our fields, combined with a focused cost out program. The overall decline in production against last year's performance follows natural field decline and a reduced work program for the year.

Our exploration activities are a key growth focus. While we reduced exploration spend in response to low oil prices, we continued to work with the substantial subsurface database we have built through previous seismic and drilling activities to build a robust prospect inventory to carry forward as oil prices recover. During FY16, this included embedding a regional focus to play assessment and prospect evaluation.

The unconventional gas joint venture with Origin Energy drilled its first two gas wells during the year, with the fracture stimulation of the first well following in Q1 FY17. This was an exciting first step in the evaluation of potentially material gas resources in the Allunga and Patchawarra Troughs in the Cooper Basin. If successful, these areas have the potential to supply large volumes of gas into the East Coast market.

The company's largest growth project, the Western Surat Gas Project in the Surat Basin, achieved a major milestone in the period. The suite of commercial agreements reached with Santos GLNG saw us secure a trifecta of critical benefits – funding for our initial appraisal and development phase, a binding Gas Sales Agreement for up to 50 TJ/day on flexible terms, and access to valuable data which is informing our subsurface modelling and appraisal planning. The agreements provided the foundations for detailed planning of our initial Phase I appraisal works which will commence in the second half of 2016. These are substantial steps towards the development of a transformational project for Senex.

Sustainability

We are privileged to operate in some of Australia's most unique environments, and remain deeply respectful of the responsibility this entails. We continue to apply robust environmental controls, performance standards and monitoring systems across all activities, with a focus on minimising and mitigating our impacts.

On the Western Surat Gas Project we undertook baseline studies to set the benchmark for assessing potential impacts and developing appropriate mitigation strategies. We are focused on understanding the environmental values we will be working with in the Surat Basin, and ensuring we both preserve these for other users of the land and uphold our corporate responsibilities.

Understanding and supporting our stakeholders

We continued through the year to build long-standing mutually beneficial relationships by working together with our stakeholders and supporting the communities in which we operate.

Our continued support of the Medivac 24 helicopter and the Royal Flying Doctor Service in the Cooper Basin has provided critical life-saving services in remote areas. This service has helped with evacuations and retrievals of oil and gas workers and community members alike.

Our joint venture relationships have continued to strengthen and develop over the past year as we work together to manage the needs of all parties.

In the Surat Basin we continue to work on building our relationships within the community. We established a small local presence in the region; worked together with our tenement landholders; commenced community consultation sessions; rolled out our local content policy to local suppliers and formed new relationships with the Maranoa Council and local industry groups.

Senex also supports the indigenous communities we work with, including the Dieri, the Yandruwandha Yawarrawarrka and the Mandandanji peoples in the Cooper and Surat Basins and we look forward to strengthening these important relationships as we progress our projects.

Outlook for the future

We are in good shape for the future growth of our business and have remained financially resilient in markets which have been depressed for an extended period. I believe our strategy remains strong and is delivering.

The fundamentals of our markets also remain strong. Oil demand continues to grow globally, and we are well-placed along the cost curve to compete.

In the Cooper Basin we will continue the focus on our unit operating costs to maintain healthy margins from production. We are confident of the potential for remaining large oil and gas resources in the Cooper Basin, and will continue to invest in targeted exploration.

Gas demand on the East Coast remains robust and we are building our supply position to meet this demand.

Over the next year we will continue to ramp up our efforts to appraise and develop the Western Surat Gas Project with the first wells to be online by the end of 2016.

First and foremost, we will focus on keeping our people and communities in which we operate safe by being responsible corporate citizens in our operations. We take pride in our focus on two way conversations with our stakeholders, so that long-term, meaningful relationships can be formed and the value from Australia's resources wealth can be delivered to all.

And, to our Executive team and talented staff, a sincere thank you for your continued commitment and dedication in a year that has been both challenging and volatile.

IAN DAVIES
Managing Director

2016 KEY PERFORMANCE HIGHLIGHTS

71%

Improved safety performance with a 71% reduction from 2015 in TRIFR to 1.8

$102m

Achieved strong financial position with $102 million of cash and $180 million of total liquidity

66%

Reduced capital expenditure by 66% in response to continued low oil prices to $27.8 million

1.01mmboe

Produced 1.01 million barrels of oil equivalent (mmboe) in line with guidance

28%

EBITDAX was 28% higher at $63.6 million than FY15. The key contributors to the increase were the $38.2 million profit on sale of the Maisey block, offset by lower gross profit due to lower sales volumes and realised oil prices

$42m

Completed the Western Surat Gas Project transaction with Santos GLNG, receiving $42 million and access to a large amount of subsurface and operating data

Commenced Phase 1 appraisal work for the Western Surat Gas Project

Successfully delivered the first two well drilling campaign with Origin Energy as part of our gas exploration joint venture

Senex strategy

Our vision is to be Australia's leading independent oil and gas exploration and production company.

Senex is a growth-focused oil and gas exploration and production company. At the foundation of this ambition is an extensive portfolio of high quality exploration and production acreage in well-established hydrocarbon provinces and a talented and highly motivated team.

The Senex business pillars

Cooper Basin		Surat Basin	New ventures
Oil	Gas	Gas	
High margin core business with material upside potential	Target material resources to bring to market	Commercialising reserve and diversifying production	Selectively enhancing the portfolio – risk and return
✓ Cash generation ✓ Growth	✓ Growth	✓ Growth	✓ Cash generation ✓ Growth

FY16 has been a highly volatile year, however Senex believes strongly that the fundamentals, particularly in the regions Senex operates in, remain strong.

The Senex oil business

Exploiting a material position in the Cooper Basin

In global oil markets, the correction has been both sharp and prolonged. While industry has reacted quickly to curtail capital spend in the short-term in response, the mid and longer term fundamentals remain strong. Oil demand globally continues to grow and global supply side continues to flex in response to global prices. Large amounts of capital have already been deferred in response to the current price downturn, and Senex continues to see great opportunity for those operators who can achieve low-cost capability across the full value chain of oil discovery to production as oil prices stabilise in coming years. With the Cooper Basin offering the rare combination of a proven petroleum system, extensive infrastructure, and large swathes of underexplored acreage, Senex believes its operations are well positioned to deliver low price oil into the future.

The Senex oil strategy therefore continues to focus on growth through the discovery and delivery of low cost oil to market, supported by its core production operations at already discovered fields.

Our objectives in oil are:

PRODUCE EFFICIENTLY
Discovered oil is the cash flow engine for future growth. Senex is relentlessly focused on driving down costs through efficiency and innovation.
DEVELOP THOROUGHLY
Maximising recovery of discovered fields is the lowest risk growth available to Senex. The Company is committed to investigating and evaluating all options to maximise oil recoveries up.
EXPLORE EFFECTIVELY
Pushing the envelope on exploration success and the minimisation of dry holes drives organic growth. Embracing new technologies, rigorous desk top evaluation and continued learning are at the core of Senex's exploration methodology.
VENTURE SELECTIVELY
Pursuing inorganic growth only where it can provide low life cycle costs and a fit with strategy without compromising Senex's fiscal strength.

The Senex gas business

Realising the oppportunity of the East Coast gas market

Gas markets globally have also seen a challenging year, with the commissioning of new projects and global trends on renewable and coal-fired electricity generation creating an oversupply of LNG. Despite this, Australia's East Coast gas market is experiencing unprecedented demand growth locally as a result of LNG project start-ups in Gladstone continuing to create near-term pricing pressure. We believe there are excellent supply opportunities for companies able to bring gas to market in the coming years. With margins on gas projects generally lower than oil, Senex believes the key to competing successfully in this market is creating scale and efficiency.

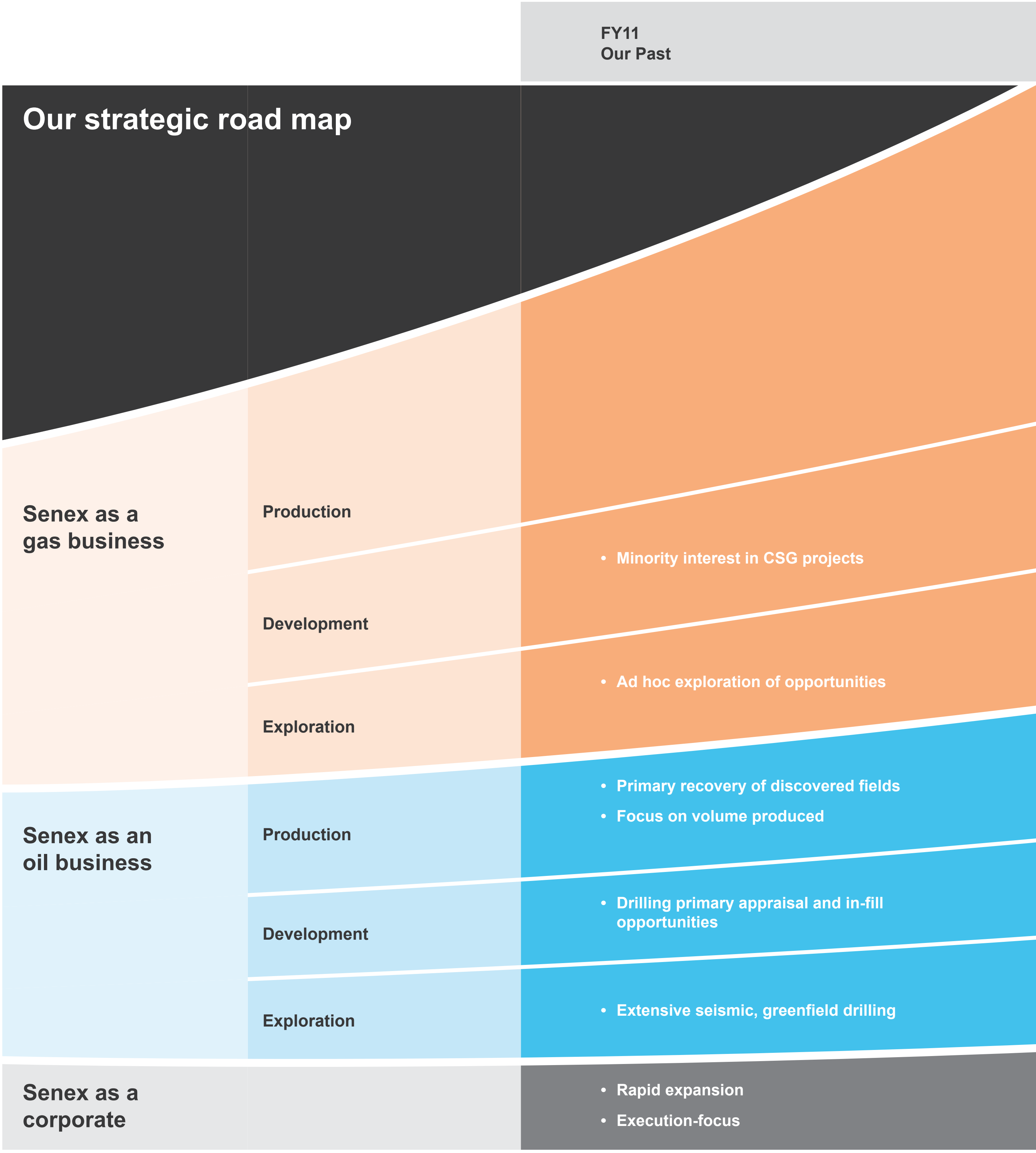
In recent years, Senex has actively pursued this market opportunity by building its gas business both through the evaluation and exploration of its existing Cooper Basin acreage, as well as the acquisition of its Western Surat Gas Project in the Surat Basin. Our priorities in gas remain to bring material volumes of gas to market at the lowest possible cost. This would see Senex achieve a diversified, long term, and steady source of cash flow, to complement the higher margin, but more volatile oil business.

Our objectives in gas are:

IN THE SURAT BASIN
Bring material gas reserves to market and diversify the company's revenue stream.
IN THE COOPER BASIN
Prove up material reserves to access the East Coast gas market opportunity over the coming years.

Senex strategic roadmap

Our strategic roadmap summarises our journey so far towards our goal of creating a material oil and gas exploration and production company.



FY16
Our Present

- Preparing for extended production testing in the Western Surat Gas Project

- 100% owned and operated project in Western Surat
- Actively seeking expansion opportunities in East Coast gas market

- Maturation plan under development for WSGP
- Potentially material gas resources under evaluation in the Cooper Basin

- Lowest cost Cooper Basin producer
- Streamlined operations with a volume and cost focus

- Evaluating secondary recovery on discovered fields

- Methodical approach to evaluating extensive seismic and well database

- Maturing business processes
- Focus on efficiency
- Evaluating inorganic growth options

FY19+
Our Future

- Material gas supplier in Eastern Australia
- Proven capability as a low cost operator

- Western Surat Gas Project in full development producing into the Santos GLNG Project
- New projects under development

- Exploration an established part of the value chain
- Ongoing search for new opportunities leveraging low cost operating model

- Ongoing focus on optimisation and innovation
- Scaleable standardised operating processes

- Proven capability in secondary recovery methods

- Industry leading Finding and Development costs
- Ongoing search for new opportunities leveraging low cost operating model

- Valued partner
- Best-in-class processes

Operating performance overview

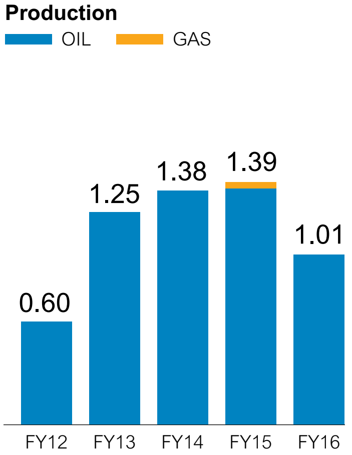
FY16 was a year of consolidation for Senex as it responded to uncertainties in the global and domestic markets in which it operates.

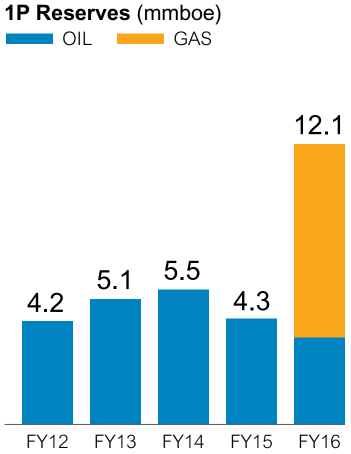
The company reduced capital expenditure significantly as volatility increased in global oil markets. Senex instead focused valuable energy and resources on creating efficiencies in its businesses and setting stronger foundations for recovery and growth. This measured approach to a challenging year allowed Senex to materially progress strategy delivery while preserving financial strength.

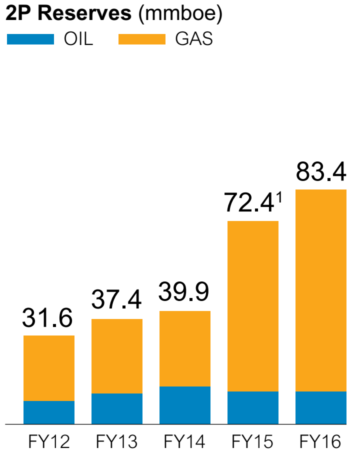
FIGURE 1: Summary of FY16 delivery on strategic projects

	COOPER BASIN		SURAT BASIN
	OIL	**GAS**	**GAS**
Production The cash engine	● Material cost-out ● Field performance in line or ahead of expectations Refer page 18 for further discussion	● Unable to bring Vanessa on-line within the year Refer page 22 for further discussion	
Appraisal & development The future cash engine	● Field development planning completed on five oil fields ● Field testing for water flood planning progressed at Growler and Snatcher ● Two development and appraisal wells drilled; four connected and brought on-line Refer page 18 for further discussion	● Vanessa facilities constructed on time and on budget, ready to tie-in Refer page 22 for further discussion	● Maisey block sale realises value, locks in flexible GSA, consolidates project and accesses new subsurface data to accelerate appraisal ● Detailed planning works completed for Glenora and Eos pilot programs ● 1P and 2P Reserve upgrades booked Refer page 25 for further discussion
Exploration The growth engine	● Regional play-based modelling approach embedded ● Fulcrum-1 well P&A'd; no new discoveries ● Tight oil fracture stimulation of existing well bores completed and flowing Refer page 20 for further discussion	● Ethereal-1 and Efficient-1 drilled to test southern Cooper tight gas ● Preparations for fracture stimulation of Ethereal-1 completed ● Well location agreed for northern drilling target in CBOS Refer page 23 for further discussion	

● on target ● below target ● progress made but result below target







1 Following sale of Maisey block in the Surat Basin (22.2 net mmboe)

Production

Senex produced 1.01 mmboe in FY16, in line with market guidance for the financial year. This result reflects a solid contribution from the Company's existing oil fields, which performed at or ahead of expectations for the year. Production was down on prior years given the limited number of new wells brought online as a result of the substantially reduced capital programs in FY15 and FY16 in response to the fall in global oil prices.

In addition, Senex and the joint venture saw the deferral of anticipated production from the Vanessa discovery as a result of pipeline integrity issues downstream of Vanessa after the completion of Senex's production facilities.

Reserves

Reserve increases were realised in both 1P and 2P (after adjustment for the sale of Maisey block sale) as a result of the work programs undertaken in the year.

The reserve movement for the year reflects the realisation of the following factors:

- Increased confidence in gas volumes and project economics in the Surat Basin
- Minor technical revisions across several fields in the Cooper Basin

Further discussion of reserve movements is provided in the operational sections below.

Drilling activity

Senex and the joint venture drilled five oil and gas wells in the Cooper Basin during FY16, and brought four western flank oil wells on-line. The results of the program are detailed in the table below.

WELL	LOCATION	PARTICIPATION	SPUD DATE	TYPE	RESULT
Martlet North-1	PRL 148	SXY* 60% BPT 40%	25-Jan-2015	Oil exploration	Producing
Growler-14	PPL 242	SXY* 60% BPT 40%	13-Feb-2015	Oil appraisal	Producing
Fulcrum-1	PRL 136	SXY* 60% BPT 40%	13-Aug-2015	Oil exploration	Plugged and abandoned
Spitfire-7	PPL 258	SXY* 60% BPT 40%	29-Aug-2015	Oil appraisal	Producing
Efficient-1	PEL 637	SXY* 60% ORG 40%	16-Oct-2015	Gas exploration	Testing pending
Martlet-2	PRL 137	SXY* 60% BPT 40%	22-Nov-2015	Oil development	Producing
Ethereal-1	PEL 637	SXY* 60% ORG 40%	19-Dec-2015	Gas exploration	Testing

*denotes operatorship SXY Senex Energy Limited | BPT Beach Energy Limited | ORG Origin Energy Limited

The FY16 drilling program was significantly reduced compared with prior years in order to preserve financial strength.

Financial review

The continued low oil price impacted revenue and profit, and was the catalyst for reduced capital expenditure. Reduced operating costs and solid business management saw us end FY16 in a strong financial position despite the volatility in oil markets.

Results for the year		2016	2015	Change	Change %
Sales revenue	$ million	69.3	115.9	(46.6)	(40)
Profit on sale of Maisey block	$ million	38.2	–	38.2	–
EBITDAX	$ million	63.6	49.5	14.1	28
Exploration expense	$ million	2.3	18.4	(16.1)	(88)
EBITDA	$ million	61.3	31.1	30.2	97
Impairment	$ million	69.7	97.0	(27.3)	(28)
EBIT	$ million	(32.0)	(90.7)	58.7	65
Reported NPAT	$ million	(33.2)	(80.6)	47.4	59
Underlying NPAT	$ million	0.0	5.6	(5.6)	(100)
Operating cost excluding royalties	$ per barrel	28.0	32.5	(4.5)	(14)
Operating cashflow	$ million	34.3	33.5	0.8	2
Capital expenditure	$ million	27.8	82.2	(54.4)	(66)
Cash balance	$ million	102.4	49.0	53.4	109
Earnings per share	cps	(2.9)	(7.0)	4.1	(59)
Effective income tax rate	%	0%	12%	na	na

Production volumes		2016	2015	Change Vol	Change %
Oil	mmbbl	1.00	1.35	(0.35)	(26)
Gas and gas liquids	mmboe	0.01	0.04	(0.03)	(75)
Total	mmboe	1.01	1.39	(0.38)	(27)

Underlying net profit can be reconciled to statutory net profit / (loss) as follows:

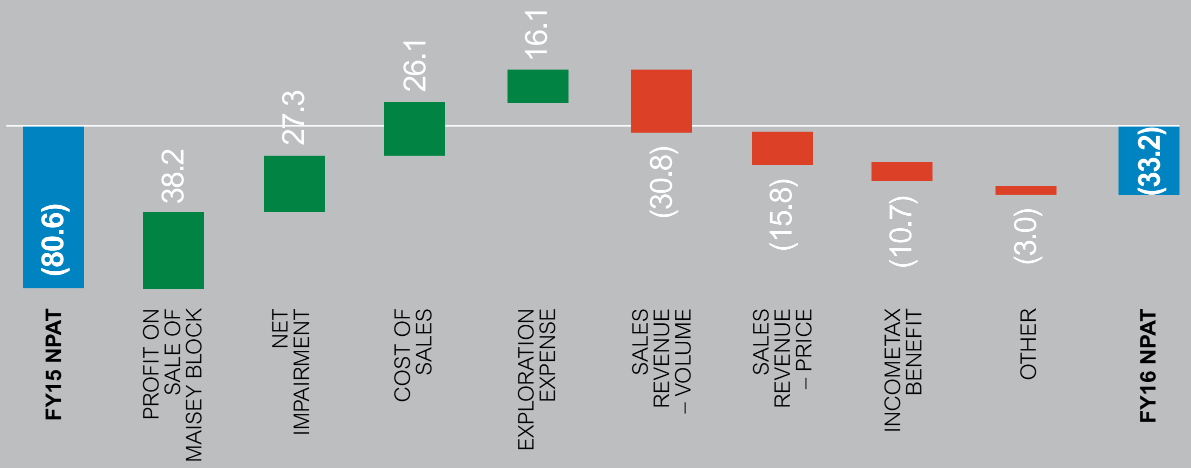
Underlying net profit	FY16 $m	FY15 $m
Statutory net profit / (loss) after tax	**(33.2)**	**(80.6)**
Add / (less):		
– Gain on sale of Maisey block	(38.2)	-
– Impairment of exploration assets and in-field consumables	69.7	62.2
– Impairment of oil properties	-	34.8
– Restructuring	1.8	-
– Tax (benefit) / expense	-	(10.7)
Underlying net profit / (loss) after tax	**0.0**	**5.6**

Numbers may not add precisely to totals provided due to rounding.

EBITDAX can be reconciled to the statutory net profit / (loss) as follows:

EBITDAX	FY16 $m	FY15 $m
Statutory net profit / (loss) after tax	**(33.2)**	**(80.6)**
Add / (less):		
– Net interest	1.2	0.7
– Tax	-	(10.7)
– Amortisation and depreciation	23.6	24.7
– Impairment	69.7	97.0
EBITDA	**61.3**	**31.1**
Add / (less):		
– Oil and gas exploration expense	2.3	18.4
EBITDAX	**63.6**	**49.5**

FY16 reported net profit after tax versus FY15 ($m)



Key differences compared to 2015

Profit on sale of Maisey block

A profit on sale of $38.2 million on the sale of the Maisey block in the Western Surat Gas Project to Santos GLNG was recorded in the first half of FY16. This was part of the transaction with Santos GLNG for the development of the Western Surat Gas Project completed in December 2015 that also resulted in a 20 year gas sales agreement as well as access to significant data on gas wells close to Senex tenements.

Impairment

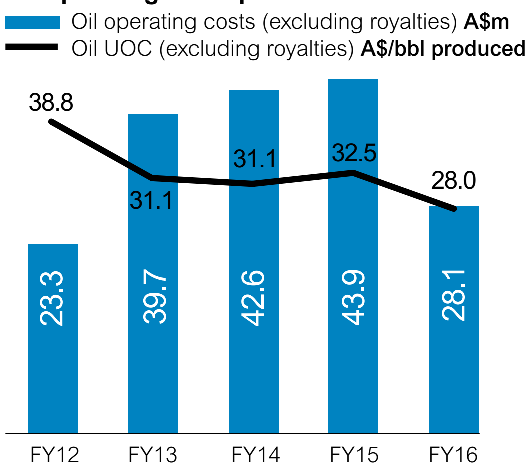
Impairment charges of $69.7 million reflected the decline in global oil prices and a reassessment of the value of exploration assets.

Operating costs

Operating costs decreased to $30.6 million as a result of lower volumes and focused cost control, together with lower royalties. Oil operating costs (excluding royalties) fell to $28.1 million compared to $43.9 million in FY15.

Excluding royalties, oil operating cost per barrel fell to a five year low of $28.0 per barrel, compared to $32.5 in FY15. This reduction in unit operating cost was achieved through strong cost control and some restructuring of operations, and in spite of reduced volumes over which fixed costs are recovered.

Oil operating costs per barrel



Exploration expense

Exploration expense of $2.3 million mainly related to the write off of the Fulcrum-1 well which was drilled, plugged and abandoned in August 2015 after finding the reservoir was poorly developed. The large expense in FY15 was a result of the expensing of seven exploration wells as part of a 13 well drilling program.

Sales revenue

Sales revenue decreased by 40% to $69.3 million as a result of lower volumes produced and lower realised oil prices.

Sales volumes declined by 27% as a result of natural field decline and minimal drilling to replace existing production in a low oil price environment.

Realised oil prices declined by $A17/bbl to $A71/bbl, due to the significant decline in Brent oil prices during the FY16 year. Senex was protected from the full impact of the declining oil price by the hedging program in place across the full financial year. The hedging program delivered settlements (net of premiums paid) to Senex of $13/bbl.

Income tax expense

No income tax expense or benefit was recognised in FY16 due to carry forward tax losses and offsets derived largely from our ongoing exploration programme. The net deferred tax asset position is only recognised to the extent of future expected tax liabilities, resulting in a nil tax expense. An income tax benefit of $10.7 million was recorded in FY15.

Our exploration and production activities bring benefits to local economies by providing employment opportunities, contracting with local suppliers, and supporting local community initiatives. We also supported local economies through the transparent payment of state taxes, fringe benefits tax and royalties, of over $5.1m in the year ended 30 June 2016 representing over 20.4% of underlying EBITDAX (compared with over $14.1m in the year ended 30 June 2015 representing over 28.6% of underlying EBITDAX).

Operating review

COOPER BASIN OIL BUSINESS

Senex's FY16 program in its Cooper Basin oil business focused on:

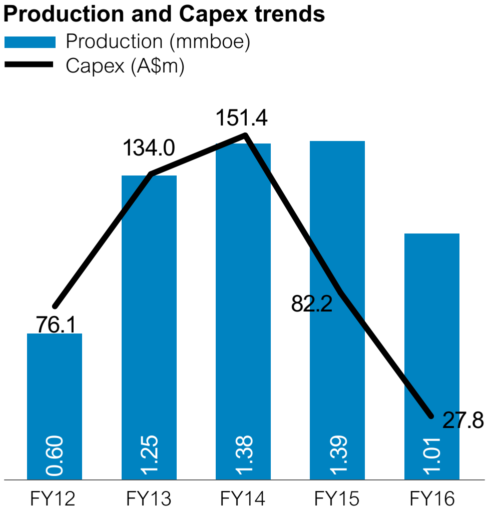
- **Maximising cash flow from producing fields through focused cost reduction**
- **Progressing field development planning activities to maximise future recovery of oil from discovered fields**
- **Regional exploration studies and seismic interpretation to inform the next exploration campaigns.**

Production operations

Oil production from the Cooper Basin remained at the core of the Company's business in FY16, with solid production supported by a well-timed hedging program and a focused cost reduction program. Oil production of 1.00 million barrels was achieved in the year.

The decline in overall production in the current year against prior year was in line with natural field declines and a direct result of the reduced capital spend in FY16 and the second half of FY15. Four new wells were connected in the year, including Martlet North-1 and Growler-14 (drilled in FY15) and Martlet-2 and Spitfire-7 (drilled in FY16). All wells and fields are performing in line with, or better than, expectations.

Production and Capex trends



Alongside the reduced drilling and connection work program, Senex ran a focused and highly successful cost reduction program across its operations in the basin. Upstream oil unit operating costs (excluding royalties) per barrel of oil produced reduced from A$32/bbl during FY15 to under A$28/bbl during FY16, allowing Senex to remain profitable even as oil prices hit a 12 year low in the early part of calendar year 2016.

The Company's profitability from its oil production activities was also maintained during FY16 as a result of the hedging program secured in the latter part of FY15. This program provided Senex with settlements (net of premium) of $A13/bbl.

Senex's focus going forward for its producing oil fields remains on maximising production for minimum cost to market.

Appraisal and development, existing fields

Senex continued to evolve its field development planning on critical producing fields within the period, resulting in minor technical revisions to 1P and 2P reserves.

Cooper Basin oil reserves

MMBOE	30 JUNE 2015	PRODUCTION	REVISION	30 JUNE 2016
1P reserves	4.1	(1.0)	0.4	3.5
2P reserves	11.3	(1.0)	0.1	10.4

Further detail of our work programs in key assets are discussed on the following pages.

Western flank oil fields

The western flank oil fields account for the majority of 2P reserves booked in the Cooper Basin, and maximising recovery of the discovered volumes in these fields remains a core focus for the business.

During FY16, Senex extended the limits of the Martlet and Spitfire oil fields in the western flank, as well as completing key field tests and further planning to progress secondary recovery options on the largest of the discovered fields in the area.

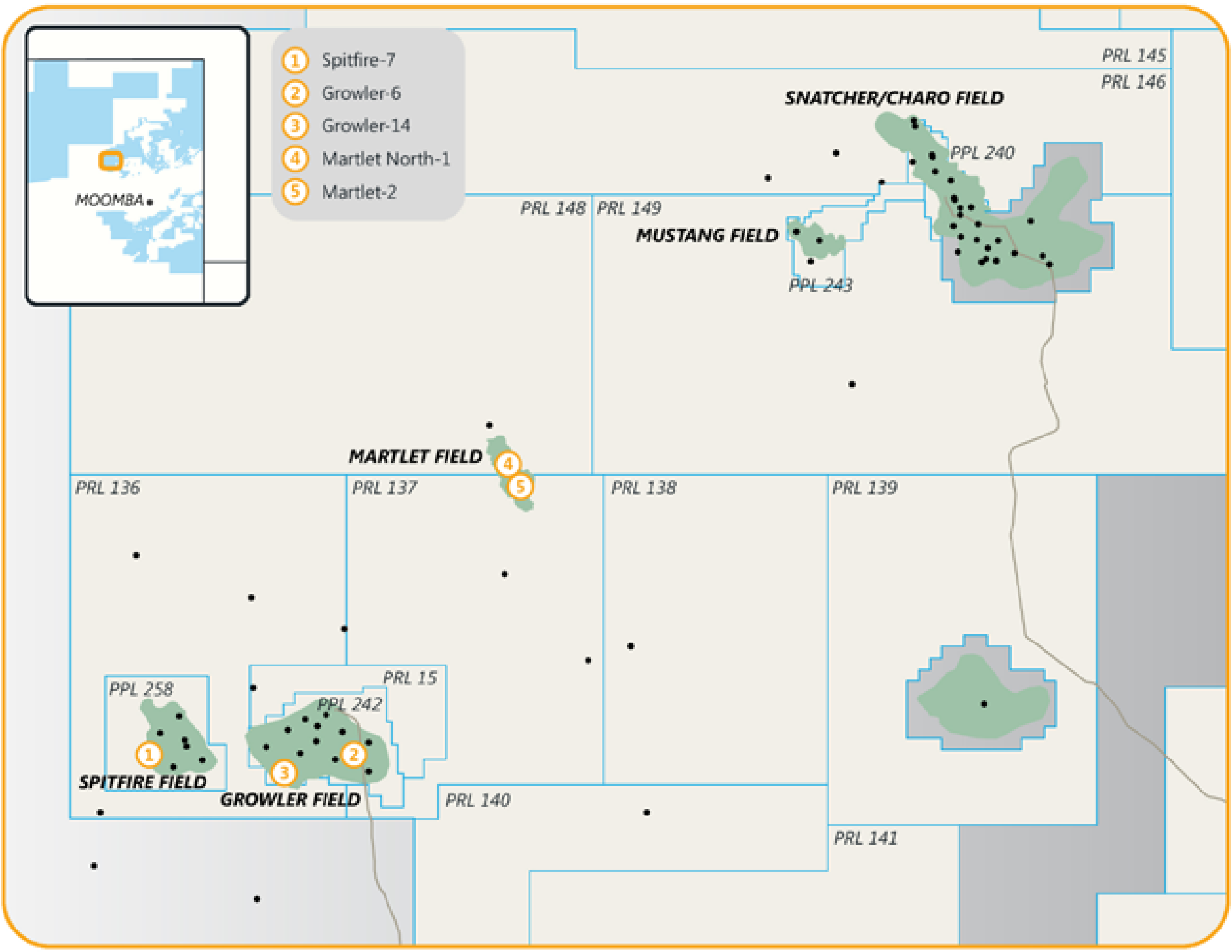
At the Growler field (Senex 60% and operator), the joint venture continued to undertake key activities to evaluate a future water flood project which is under evaluation for the first phase of secondary recovery at the field. This included the connection of the Growler-14 appraisal well (Drilled in February 2015 and brought online in August 2015) which extended the field and provided further confidence in the reservoir model along with a low cost shut-in test of Growler-6. The shut-in of the well resulted in a reduction in operating costs and an overall enhancement of full field recovery. This test provided critical data on the natural aquifer support in the Birkhead Reservoir and is currently being incorporated in the full field dynamic modelling.

The Snatcher oil field continued to produce above expectations for the period, during which time the joint venture completed planning activities for the Liberator seismic program. This program will be executed in H1 FY17 and will cover the unmapped northern extent of the field. This additional information will be critical to determine the most appropriate future development activities in the field.

The Spitfire field development planning also materially progressed during the period. The Spitfire-7 appraisal well (Senex 60% and operator) was drilled in September 2015 and encountered 6.6 metres of net pay. The well extended the known limits of the Birkhead Reservoir at Spitfire, and was brought on-line in October 2015. The joint venture also completed a new dynamic model of the Spitfire field and is currently evaluating the forward development plan.

The Martlet-2 oil development well (Senex 60% and operator) was drilled in November 2015. The well encountered 4.5 metres of net pay within the Namur Sandstone and was brought on line in January 2016 to accelerate production from the field.

During the year, Senex also connected the Martlet North-1 well (Senex 60% and operator) which was drilled in January 2015.



Map: Western flank oil fields

Southern oil fields

Senex progressed field development planning across its southern oil fields during the period, as well as progressing its evaluation of the tight oil potential of the Murta Formation.

The Murta Formation is a tight structural oil play with known accumulations across the Eromanga Basin and is considered to have extensive potential in Senex's 100% held southern acreage.

A tight oil pilot exploitation program was undertaken during FY16 involving the successful fracture stimulation and flow testing of existing well bores. The tests were designed to minimise capital outlay by using existing well bores at Mirage-6 and Ventura-2. Initial objectives of the test were to evaluate whether fracture stimulation of the Murta could be successfully controlled, as well as evaluating the effectiveness of stimulation techniques in enhancing production from the reservoir.

The program was executed successfully in Q3 FY16, with fluid rates increasing and fracture control clearly demonstrated. Since execution, the well bores have however been producing at a higher water cut than expected. Senex is currently evaluating the test results and seeking to undertake further petrophysical and geological studies to determine the most appropriate next steps in the evaluation program.

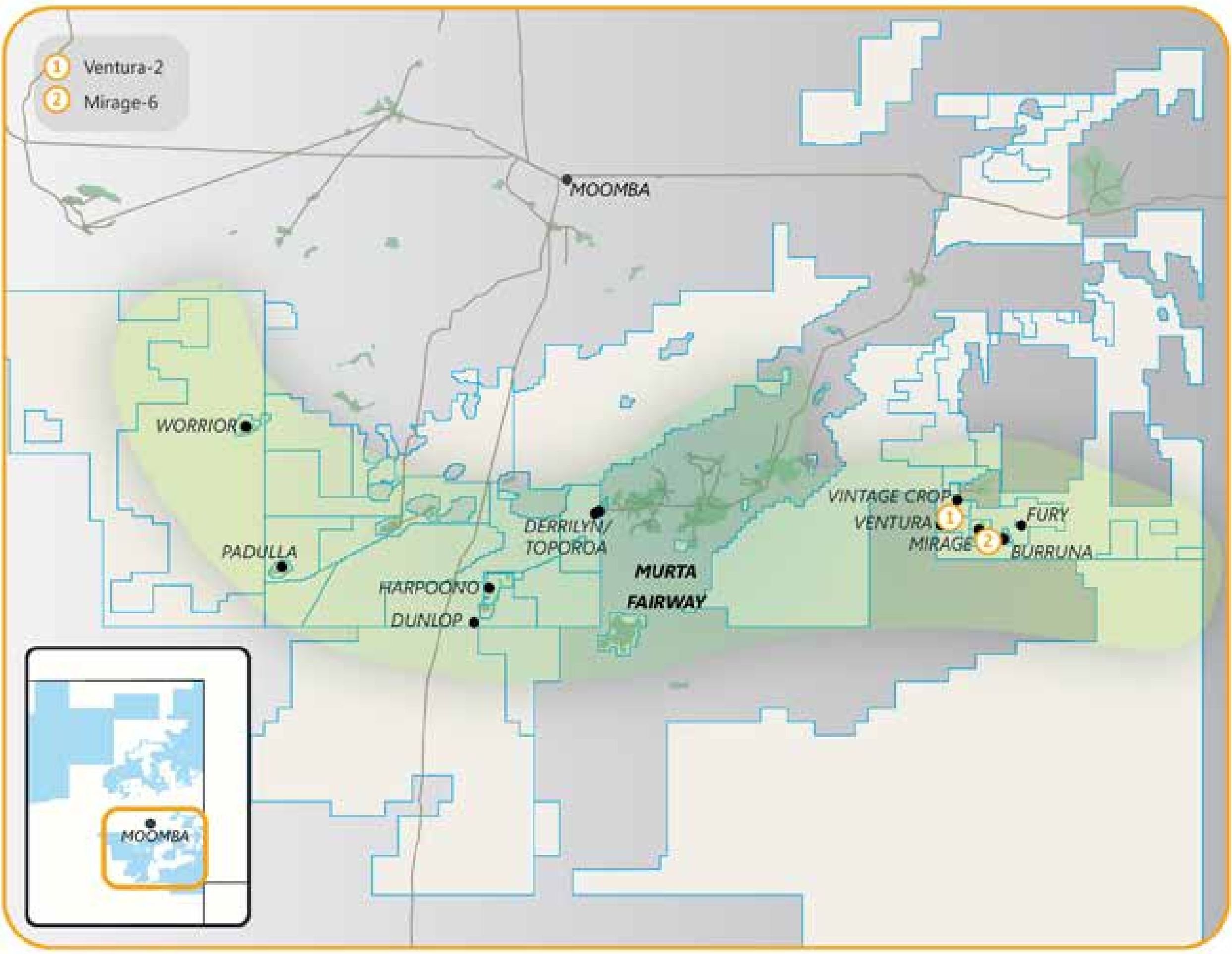
Exploration

Cooper Basin exploration remains a core focus for future growth of the Senex business. While capital investment in exploration was curtailed during FY16 due to the global volatility in oil prices, Senex continued to focus on developing strong foundations for its next exploration campaign.

Regional geological and geophysical analysis

Senex commenced building a comprehensive regional petroleum system model of the Cooper Basin in FY16 following the period of intense seismic survey data collection and drilling in FY14 and FY15. This work leverages the Company's extensive acreage position and is focused on identifying and de-risking structural and stratigraphic traps with favourable reservoir qualities and commercial reserve potential.

This regional approach will eventually consolidate the Company's previous investment in over 4,000 km² of 3D



Map: Southern oil fields

seismic survey data with the substantial database created by the long history of industry activity in the basin. This complex, multi-staged approach will be ongoing to progressively align geological and risk evaluations.

This investment supports our target to maintain a technically robust exploration portfolio of drillable prospects that are assessed consistently and high-graded on a consistent risk weighted basis using proven exploration methodolgy and leading edge technology.

Drilling activities

The company significantly reduced its exploration drilling program in FY16, drilling only one exploration well in the western flank.

Fulcrum-1 (Senex 60% and operator) was located 2 kms to the southwest of the Spitfire Field and was drilled in August 2015. The well encountered hydrocarbon shows within the Birkhead Formation. A successful drill stem test was completed over a 9 metre interval, however results indicated that the reservoir was poorly developed and the well was plugged and abandoned.

COOPER BASIN GAS BUSINESS

Senex's FY16 program in its Cooper Basin gas business focused on progressing key projects with the aim of:

- **Establishing gas production as part of the Senex portfolio in the Basin, and**
- **Exploring for new material gas resources with sufficient scale to warrant future appraisal and development.**

Appraisal and development, existing fields

The Company's appraisal and development program for FY16 was focused on the Vanessa and Hornet gas projects.

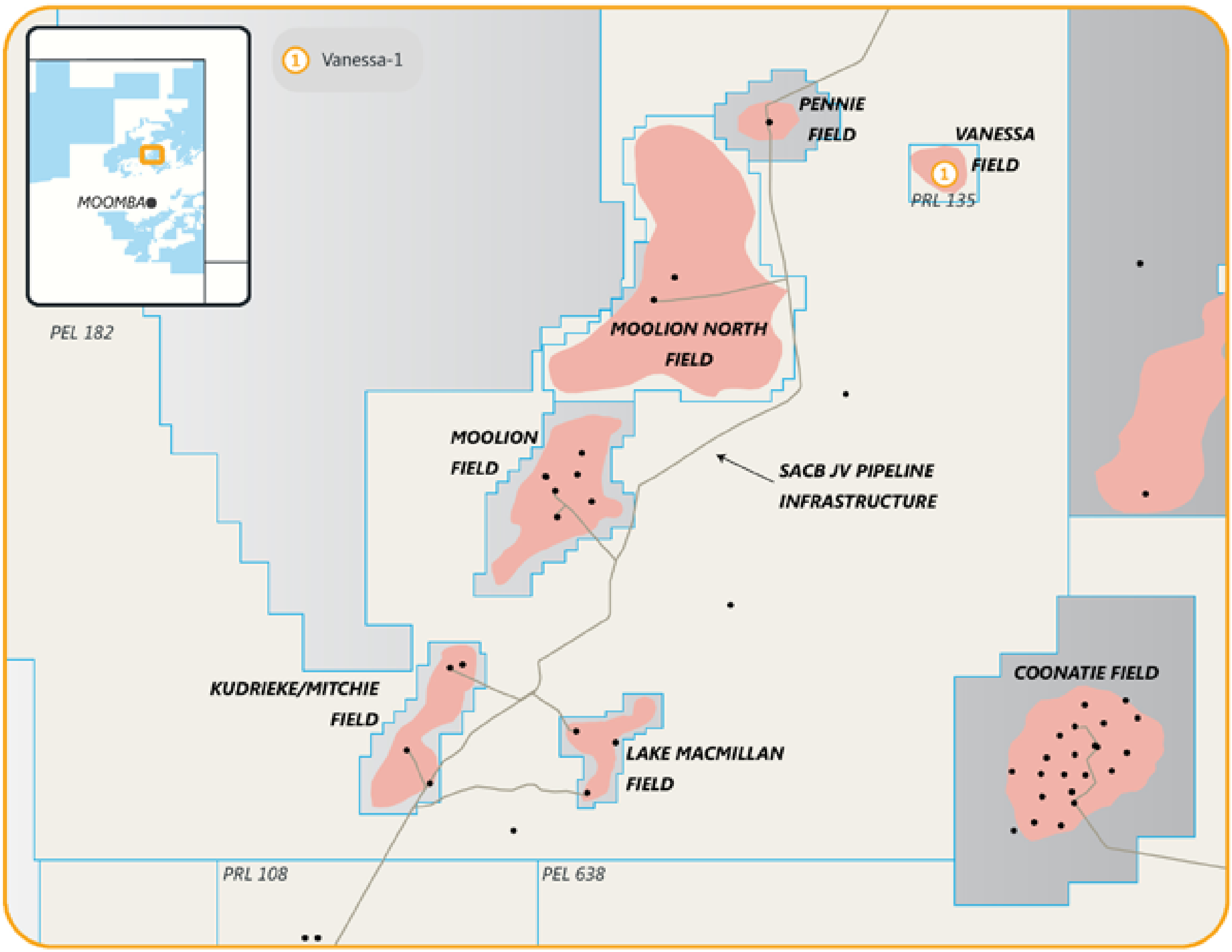
Vanessa gas project

During FY16, Senex constructed surface facilities at the Vanessa gas field (Senex 57% and operator) with the objective of bringing the field to production through the SACB JV Moomba infrastructure. The Vanessa field is a small conventional gas field originally discovered in the northern Cooper Basin in 2007. Senex successfully tested the Vanessa ST-1 well under a 50-hour production test during FY15, with gas flows achieved at an average rate of 5.0 mmscf/d from the Toolachee and Epsilon Formations. The well also produced condensate at an average rate of 15 barrels per mmscf/d under test.

The joint venture achieved mechanical completion of the surface facilities at Vanessa in Q2 FY16. Subsequent to this however, integrity issues in the SACB JV infrastructure downstream of Vanessa have led to delays in achieving tie-in and commissioning. Senex is continuing to work with the infrastructure owners on solutions to the integrity issues, and currently expects to bring this gas to market during FY17.

Hornet gas appraisal project

Extended production testing of the Hornet gas project was completed early in FY16, with the Hornet-1 and Kingston Rule-1 wells now shut in. Test results were at the lower end of expectations, primarily due to higher water saturation levels than forecast. With the benefit of this data, the areal extent of the Patchawarra play has been reduced, and the 2C contingent resource booked against these fields decreased. Further evaluation of the complex tight reservoir is ongoing and Senex will revisit future appraisal plans in the area following the completion of the regional exploration evaluation discussed on page 20 and evaluation of the broader portfolio of opportunities.



Map: Vanessa gas project

Exploration

Cooper Basin gas exploration activities in FY16 focused on the commencement of drilling activities for the unconventional gas joint ventures with Origin Energy and Planet Gas. The joint ventures are targeting two unconventional gas plays – Permian tight gas in the Allunga Trough region of PEL 637 (Senex 60% and operator, Origin 40%) in the southern Cooper Basin, and Permian basin-centred gas in the Patchawarra Trough in PEL 638 (Senex 53.75% and operator, Origin 33.75%, Planet 12.5%) in the northern Cooper Basin. No contingent resources are currently booked for this project.

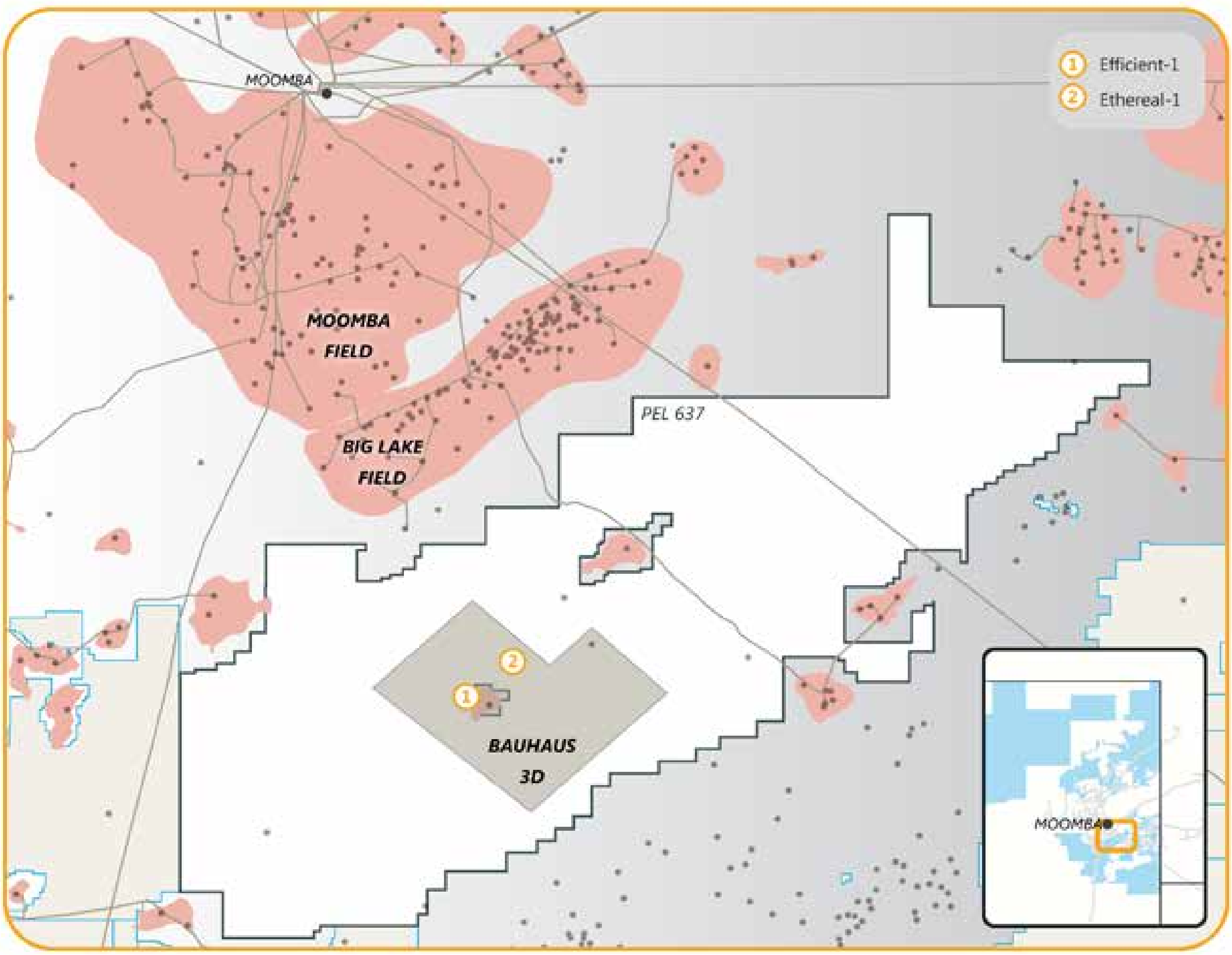
The initial work program in both areas is being undertaken as part of a $105 million farm-in program with Origin Energy.

Southern joint venture, PEL 637 (Senex, Origin)

The joint venture completed its evaluation of the Bauhaus 3D seismic survey in FY15, and identified an initial two well program in the Allunga Trough to evaluate stratigraphic traps in the Patchawarra Formation.

Efficient-1 was drilled in October 2015, 1.1 km north-west of the Bauhaus-1 gas discovery and 14 km south of the Big Lake gas field. The well reached a total depth of 3,196m. Drilling results confirm net pay and gas saturations in line with pre-drill estimates, confirming the presence of a tight Permian gas play in the region. The well was cased and suspended ahead of fracture stimulation and testing.

Ethereal-1, located approximately 2.5 km north-east of the Bauhaus-1 gas discovery and 3.5 km south-west of the Sasanof-1 well was spudded in December 2015 and reached a total depth of 3,234 m in January 2016. The well encountered Permian gas in line with prediction and stratigraphically similar to Efficient-1. The well was also cased and suspended, and a fracture stimulation and testing program commenced in July 2016. The Ethereal-1 extended production test is planned to run for 90 days, after which the joint venture will review, apply learnings and optimise the fracture stimulation and testing program to the Efficient-1 well.

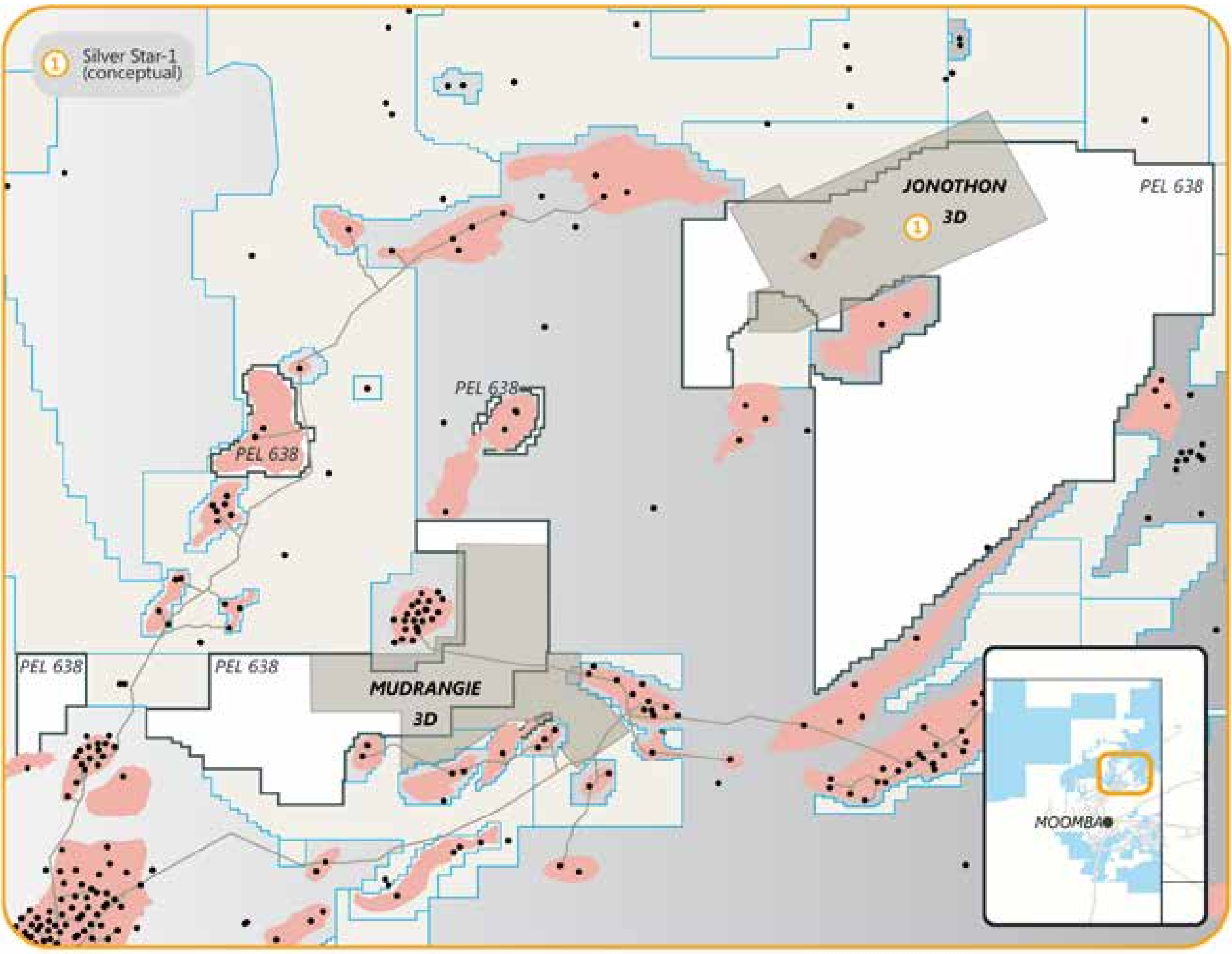


Map: Southern joint venture, PEL 637 (Senex, Origin)

Northern joint venture PEL 638 (Senex, Origin, Planet)

In the north, the joint venture with Origin Energy and Planet Gas completed the interpretation of the Mudrangie and Jonothon seismic surveys identifying several potential drill locations targeting both basin-centred and stratigraphic gas potential.

Following technical ranking of potential locations, the joint venture reached agreement on the drilling location of Silver Star-1, which will be the first well in the northern farm-in program. Silver Star-1 will evaluate basin-centred gas potential in the Patchawarra Trough and is expected to be drilled during the first half of FY17.



Map: Northern joint venture PEL 638 (Senex, Origin, Planet)

SURAT BASIN GAS BUSINESS

Building a material gas business in the Surat Basin is a key component of Senex's corporate strategy, allowing it to geographically diversify its operations away from the Cooper Basin and bring a material project to production.

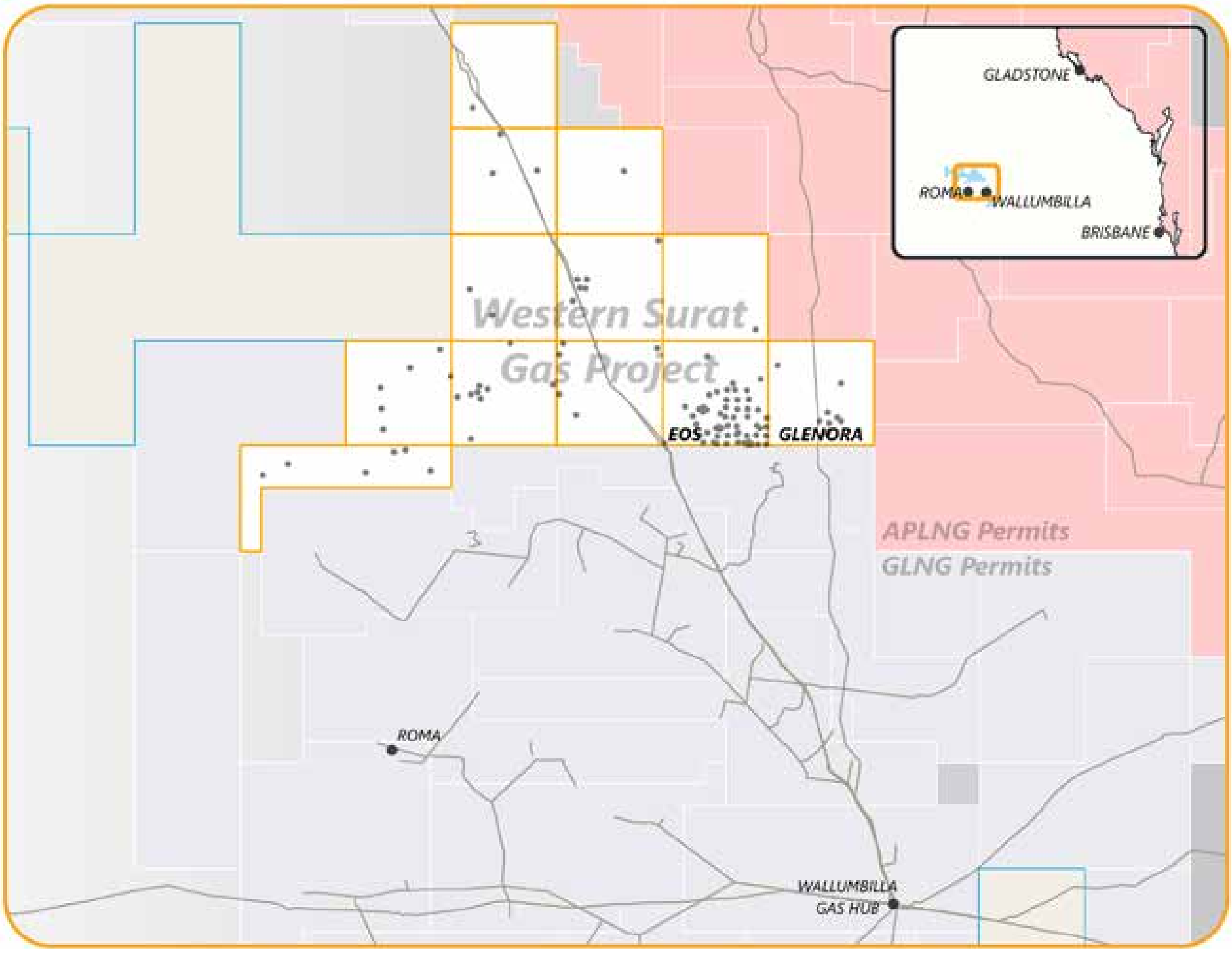
The company considers the outlook for gas suppliers on the East Coast of Australia to be favourable, and it is proactively pursuing this opportunity. The development of this project is underpinned by a twenty year gas sales agreement with the partners of the Santos GLNG Project.

Senex's FY16 program in the Surat Basin focused on progressing development of its Western Surat Gas Project, and achieved many key strategic milestones.

Commercial agreement with Santos GLNG

Senex entered into a series of major agreements with Santos GLNG in Q1 FY16 which were transformative for the Western Surat Gas Project. The suite of agreements are outlined in the table below, along with the key benefits to Senex.

AGREEMENT	KEY TERMS	BENEFITS TO SENEX
Sale of Maisey block	▪ $42m cash for the sale of Maisey ▪ Access to subsurface, production and other technical data from Santos GLNG's neighbouring Roma operations	▪ Funding for initial development ▪ Informs subsurface modelling and appraisal planning for reduced capital
Gas Sales Agreement	▪ Binding, 20 year agreement ▪ Up to 50 TJs /day ▪ USD oil (JCC) – linked pricing	▪ Flexible supply allows for economics to be optimised ▪ Scaleable ▪ Exposure to oil price upside



Map: Western Surat gas project

Appraisal and development

The company's activities during the year have focused on consolidating the benefits of the Santos GLNG transactions with the ongoing planning activities being undertaken in the business for initial pilot testing. This work has culminated in revised initial development planning and a material upgrade to gas reserves, reflecting increased confidence in gas volumes and project economics.

Surat Basin gas reserves

PJS	30 JUNE 2015	MAISEY SALE	REVISION	30 JUNE 2016
1P reserves	–	–	49	49
2P reserves	489	(131)	69	427

The inaugural booking of 1P reserves reflects a high level of confidence in the resource and the project. This has been gained through the analysis of production and subsurface data from over 250 adjacent Santos GLNG wells in the Roma field, together with historical appraisal production and subsurface data from 100 wells on the project acreage.

The movement in 2P reserves has also been supported by field development planning work undertaken during the year. This work indicates that an increased proportion of previously identified volumes in place will be economically producible. 2C contingent resource has reduced reflecting this conversion into 2P reserves.

Senex is progressing its execution planning for initial pilot works at Glenora and Eos in parallel to the longer term development planning activities. The company expects to sanction initial pilot works during early FY17.

The initial appraisal program will involve pilot testing at two locations in the south of the WSGP area, Glenora and Eos. The work program will involve the drilling of production and monitoring wells, the completion of existing wells for production in the Glenora block, as well as the construction of raw gas infrastructure and water handling facilities. The company is currently working towards the tie-in of production from the Glenora wells to Santos GLNG's neighbouring facilities under the agreements discussed above.

In June, Senex commenced civil works on the project acreage, with services provided from several local Roma-based contractors, in line with the Company's local content policy. Senex is excited by the opportunity presented by the WSGP, and is committed to working with local communities and landowners to ensure the project provides a positive contribution locally.

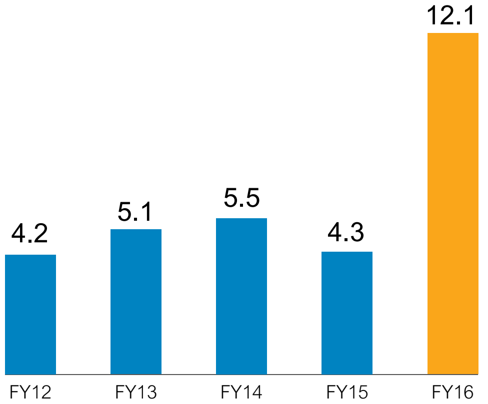
Net reserves and contingent resources

Integral to Senex's strategy is the progression of resources to reserves, and maximising the value from those reserves. In FY16, Senex recorded first time booking of 1P reserves in the Surat Basin, and upward revisions in 2P reserves in both the Cooper and Surat Basin Basins[1].

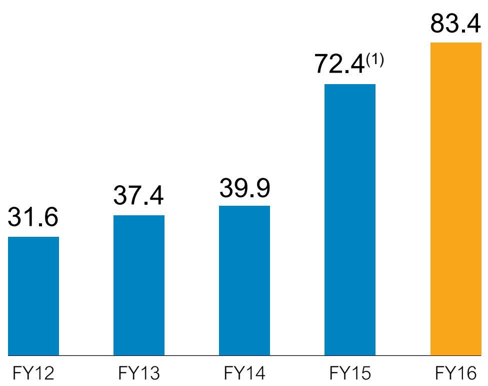
Organic three year 2P oil reserves replacement ratio of 104%

Organic three year 2P oil and gas reserves replacement ratio of 370%

1P Reserves (mmboe)



2P Reserves (mmboe)



1 Following sale of Maisey block in the Surat Basin (22.2 net mmboe)

Proved reserves (1P)

MMBOE	OIL	GAS AND GAS LIQUIDS	TOTAL	DEVELOPED	UNDEVELOPED	TOTAL
Surat Basin	–	8.3	**8.3**	–	8.3	**8.3**
Cooper Basin	3.5	0.3	**3.8**	3.3	0.5	**3.8**
TOTAL	**3.5**	**8.7**	**12.1**	**3.3**	**8.8**	**12.1**

Proportion of total proved reserves that are unconventional (coal seam gas): 69%

Proved plus probable reserves (2P)

MMBOE	OIL	GAS AND GAS LIQUIDS	TOTAL	DEVELOPED	UNDEVELOPED	TOTAL
Surat Basin	–	72.6	**72.6**	2.6	70.0	**72.6**
Cooper Basin	10.4	0.4	**10.8**	4.7	6.0	**10.8**
TOTAL	**10.4**	**73.0**	**83.4**	**7.4**	**76.0**	**83.4**

Proportion of total proved plus probable reserves that are unconventional (coal seam gas): 87%

Contingent resources (2C)

MMBOE	OIL	GAS AND GAS LIQUIDS	TOTAL
Surat Basin	–	4.7	**4.7**
Cooper Basin	5.5	197.8	**203.3**
TOTAL	**5.5**	**202.5**	**208.0**

Reserves and Contingent resources movement

MMBOE	30 JUNE 2015	MAISEY SALE	PRODUCTION	REVISIONS	30 JUNE 2016	CHANGE
1P reserves	**4.3**	–	(1.0)	8.8	**12.1**	181%
2P reserves	**94.6**	(22.2)	(1.0)	12.1	**83.4**	(12%)
2C resources	**340.7**	–	–	(132.7)	**208.0**	(39%)

Risk review

Effective Risk Management

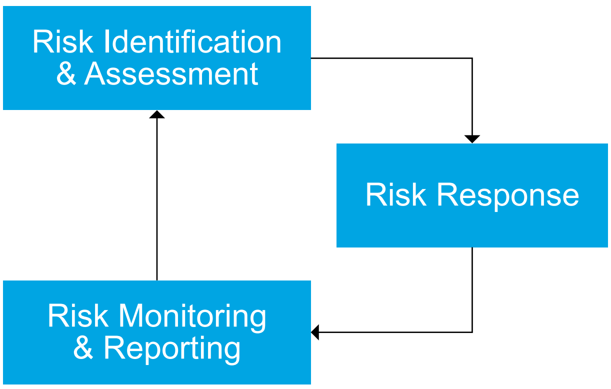
Senex ERM Framework

At Senex, risk management is an integral part of everything we do, from setting and evaluating successful strategy to organising and planning jobs on the ground. The "Senex Enterprise Risk Management (ERM) Framework" enhances governance, reliability of decisions and decision making, brand and reputation, communication, and the ability to take on new opportunities. Senex's ERM has been developed in accordance with AS/NZS ISO 31000:2009, the Australian and international standard for risk management. Given the nature of Senex's business it is essential that the entire organisational shares a common language around risk identification and management – this extends from our operations in remote areas through to our corporate teams based in Brisbane.

Approach

The Senex ERM incorporates an entity-level view of risk, an understanding of risk management options and the use of consistently developed risk information to support decision making and management practices. The Senex ERM helps us focus on the most relevant risks to achieving organisational goals, from operational and business activities through to strategy implementation. The Senex ERM approach is designed around key attributes as illustrated in Figure 1:

FIGURE 1: Senex ERM process



During the year, Senex invested time in improving our risk management framework based on guidance in the Australian standard and the following key principles:

- Clear governance and management structure and documentation
- Defined type of activities to be risk assessed
- Defined key roles and responsibilities
- Common risk definitions and categories
- Common risk assessment tools and techniques
- Consistent risk assessment recording (i.e. risk registers, forms, etc.)
- Consistent risk assessment event format (i.e. meetings, workshops, etc.)

The process of identifying, assessing and managing material business risks is designed to manage rather than eliminate risk and where appropriate accept risk to generate returns. The acceptance and management of enterprise risk is included in the company's strategy process.

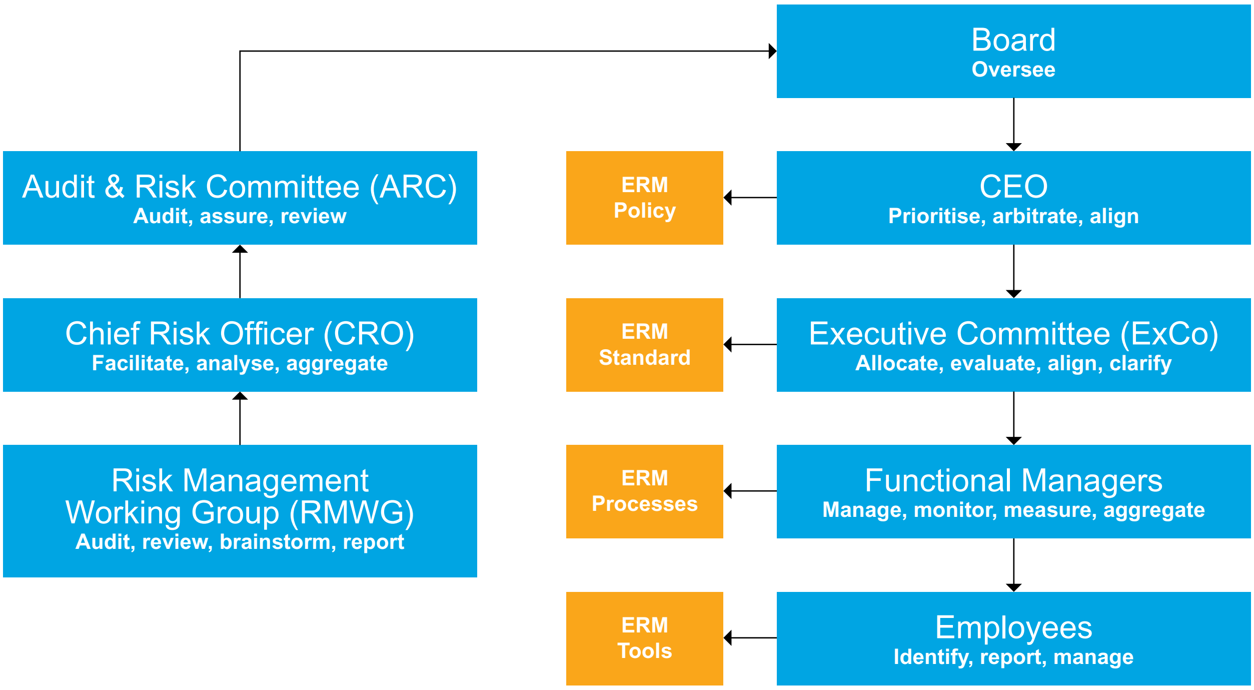
Governance

The framework includes clearly defined oversight responsibilities for the Board, who are supported by the Audit & Risk Committee and the Executive Committee to enable effective risk identification, evaluation and management across Senex. The key responsibilities throughout Senex are outlined in Table 1 below. Figure 2 depicts the ERM Governance structure in Senex outlining key roles, responsibilities and their subsequent responsibility for maintaining critical ERM documentation.

TABLE 1: Senex ERM roles & responsibilities

Board	Encompasses both compliance and performance aspects as outlined in the Board Charter. The Board retains the ultimate responsibility for risk management. The Board establishes Group Risk appetite and is responsible for ensuring that an adequate risk framework is in place and operating effectively.
Audit and Risk Committee (ARC)	Assists the Board and ensures that the Company's internal risk management and control framework is effectively monitored, measured, guided and controlled.
Chief Executive Officer (CEO)	Accountable for demonstrating to the Board that the Senex ERM is founded on a sound system of risk management and is operating effectively.
Executive Committee (ExCo)	Oversee implementation of the ERM Framework and ensure that the company operates within the risk appetite set by the Board.
Risk Management Working Group (RMWG)	Review the effectiveness of the ERM Processes and the appropriateness of the control measures applied to reduce risks to acceptable levels.
Chief Risk Officer (CRO) (at Senex, this is the Chief Financial Officer)	Ensure the ERM Framework is adequately utilised to assess and manage risks across the business. The CRO is also responsible for coordinating the audit process and communicating risk status, profile and new/emerging risks.
Business Functions	Monitor the key business and operational/financial activities, progress towards objectives and identify developments which require intervention (e.g. forecasts and budgets). Ensure controls are implemented and report systematically and promptly to ExCo any perceived new risks or failures of existing control measures.
Employees	Understand their responsibility for individual risks. Recognise how they can enable continuous improvement of risk management response. Realise that risk management and risk awareness are a key part of the Senex culture.

FIGURE 2: Senex ERM governance



Principal Risks and uncertainties at 30 June 2016

The principal risks and uncertainties in this section have been categorised into strategic risks (commercial, geopolitical, market and industrial), financial risks (financial, foreign exchange-interest rate-inflation, credit and liquidity and reputation), operational risks (exploration & development, operations, projects, people and health-safety-environment) and compliance risks (stakeholder and governance). The principal risks and uncertainties outlined in this section may materialise independently, concurrently or in combination and may impede Senex's ability to meet strategic objectives, either directly or by triggering a succession of events that in aggregate become material to Senex.

EXPLORATION AND DEVELOPMENT RISK		CATEGORY: OPERATIONAL	
Senex financial condition is directly related to our ability to acquire, discover and develop new resources.	**Cause:** Exploration and drilling activities are inherently risky and dependent on access to prospective acreage, funding and analysis of data. In addition, changes in global economic conditions may impact economic assumptions and commerciality of discoveries.	**Impact:** Senex's future financial condition is directly related to the success of our exploration (and acquisition) efforts and our ability to generate future reserves and production.	**Mitigations:** Senex is analysing existing acreage for exploration drilling prospects by applying best-in-class technologies and processes to the evaluation of the extensive Cooper Basin geoscience database. Senex has a range of conventional development and enhanced oil recovery projects in progress and is actively pursuing acquisition targets.

JOINT VENTURES		CATEGORY: OPERATIONAL/STRATEGIC	
Senex operates the majority of the tenements we hold, our growth strategy is dependent on technical and commercial alignment within joint ventures.	**Cause:** Market conditions have impacted the availability of investment capital, which then impacts the approach to prioritisation of exploration and development opportunities.	**Impact:** Delayed investment approvals may impact Senex cash flow and growth strategy.	**Mitigations:** We encourage and promote ongoing and open dialogue with our joint ventures, including appropriate planning of activities.

GEOGRAPHIC CONCENTRATION		CATEGORY: OPERATIONAL/STRATEGIC	
At present, all of Senex's revenue is derived from oil and gas production in the Cooper Basin.	**Cause:** Oil and gas operational activities currently focused on Cooper Basin, leaving Senex exposed to downsides associated with weather conditions and infrastructure failure.	**Impact:** Issues in the Cooper Basin could impact revenue flows or result in cost overruns.	**Mitigations:** We are actively investigating alternate routes to market and new ventures outside of the Cooper Basin. We also ensure that appropriate insurance is in place to mitigate the impact of business interruption. In addition we are developing a major gas project in the Surat Basin.

SAFETY AND HEALTH		CATEGORY: HSE/OPERATIONAL	
High levels of safety management are required to minimise the risk of harm to employees, contractors and communities near our operations, particularly in remote locations.	**Cause:** Oil and gas operational activities are inherently hazardous, such as drilling and driving in remote areas.	**Impact:** In addition to injury or damage to health, impacts may include reputational damage and fines.	**Mitigations:** Health and safety are a very high priority for Senex. We have developed detailed management plans, including detailed communication protocols. We also continue to fund a night-vision equipped helicopter and support the Royal Flying Doctor Service in the Cooper Basin for emergency response.

HYDROCARBON SPILLS AND LEAKS		CATEGORY: HSE/OPERATIONAL/FINANCIAL	
High levels of environmental management are required to minimise the risk of harm to habitat, employees, contractors and communities near our operations from a loss of containment of oil or gas.	**Cause:** Oil and gas operational activities involve the storage and transport of the produced oil and gas as well as waste materials.	**Impact:** In addition to environmental damage, impacts may include safety issues, reputational damage and fines.	**Mitigations:** Environmental management is a very high priority for Senex. We have developed detailed standard procedures to monitor and limit the impact of our operations on the environment.

REGULATORY CHANGE		CATEGORY: STRATEGIC	
Changes to regulatory or fiscal regimes may significantly impact Senex financially and operationally.	**Cause:** Governments are under increasing pressure from activist groups and the general public to more restrictively regulate certain aspects of the oil and gas industry.	**Impact:** Approvals for Senex projects may be delayed or denied, or costs associated with the projects may impact their economic viability.	**Mitigations:** We actively monitor regulatory and political developments on a continuous basis and seek to engage constructively in public discussions where appropriate.

COMMODITY PRICES		CATEGORY: STRATEGIC	
The price obtained by Senex from oil and gas production is subject to both USD price volatility and AUD/USD exchange rate volatility.	**Cause:** Commodity prices and exchange rates are determined by global supply and demand and the state of the global economic environment.	**Impact:** Price and exchange rate volatility impacts Senex's revenue, cash flows and asset values. Sustained periods of low oil price may impact the viability of growth projects.	**Mitigations:** We actively review capital expenditure programs and hedging programs to mitigate commodity and exchange rate volatility.

ACCESS TO INFRASTRUCTURE		CATEGORY: OPERATIONAL	
Facilities for storing, transporting and processing Senex's oil and gas are critical to continued delivery to market.	**Cause:** Our operations are in remote locations and we often rely on third parties to process and transport our oil and gas to market.	**Impact:** Senex's sustainability and growth may be impacted by the failure to obtain appropriate supporting facilities. Our ability to deliver oil and gas to purchasers may be delayed or face increased costs.	**Mitigations:** We seek to work closely with suppliers of infrastructure to mitigate the risk of delays or failure. We continue to explore alternative routes to market to diversify risk where possible.

ACCESS TO FUNDING		CATEGORY: STRATEGIC/FINANCIAL	
Senex's ability to fund operations and future growth.	**Cause:** Volatility or uncertainty in capital markets could restrict willingness of debt and equity investors to provide additional capital.	**Impact:** Senex's growth aspirations require the investment of significant capital to generate returns. Our ability to explore for and develop oil and gas reserves is dependent on our ability to generate and otherwise access capital to fund these activities.	**Mitigations:** We have internal prudent expenditure management and forecasting with a Board approved budget to maximise cash available from operations. Senex prioritises balance sheet strength to ensure the ability to access suitable funding. Senex actively seeks partnering opportunities to assist in funding key activities on a project-by-project basis.

You can view the full Corporate Governance Statement 2016 on our website.

Sustainability review

Senex continues to build a values-led, diverse, collaborative and safe culture in support of our vision to be Australia's leading independent oil and gas exploration and production company

2016 Key highlights

Improved safety performance with a 71% reduction in TRIFR to 1.8

No high-ranked environmental compliance incidents

Delivered process improvements through reshaping our organisation and implementing company-wide efficiency programs

Continued focus on diversity

Supported the remote community areas of the Cooper Basin by funding the provision of the Cooper 24 Medivac helicopter and Royal Flying Doctor Service

Extended focus on stakeholder relationships in the Surat Basin whilst maintaining positive long-term relationships in the Cooper Basin

This sustainability review covers Senex's performance and activities for the past financial year across the areas of people, diversity, health & safety, environment and stakeholder relations. A summary of key social and environmental performance indicators is also provided in this section.

People remain at the heart of Senex's success

OUR PEOPLE

Resilience in the face of uncertainty

Senex responded to continued depressed market conditions across the oil and gas industry, delivering against our plan to size and shape the company to be resilient in the face of oil and gas sector volatility and uncertainty. This entailed reducing capital and operating expenditure and workforce numbers.

At the end of the year the Senex Team comprised 146 people (FY15:185).

People remain at the heart of Senex's success. Achieving a collaborative, cohesive and values-led culture is a key objective to building a high performance culture. With this in mind we undertook the following people-focused activities.

Rewarding and recognising our people

We continued our reward and recognition program for outstanding and values-led performance using a combination of On-the-Spot Recognition Awards along with *Living The Values* Awards. The aim of our reward and recognition program is to acknowledge and promote quality work that adds value to Senex and assists us to motivate and strengthen our productivity and culture.

Learning and development

In 2016, we reduced spending on formal education programs in step with our cost reduction initiatives to meet market challenges. Our learning and development focus moved towards in-house learning using on the job experience, relationship-based learning, mentoring and presentations.

We continued to offer external learning and development through conference attendance, study assistance, webinars and workshops.

Onshore Petroleum Centre of Excellence

Senex is a founding member of the Onshore Petroleum Centre of Excellence (OPCE) in South Australia which opened in 2015. This education initiative provides a simulated onshore oil and gas production environment using state-of-the-art equipment for industry workers.

Thinking outside the box

A Cooper Basin Production Operator was awarded ***A Living the Values Award*** for his innovative thinking successfully saving Senex almost $7,000 by using his initiative to hand make a specialised tool for only $35 to repair a tyre on a loader at our Mirage oil field. This was a true example of our values in action where the issue was owned, resulting in the delivery of a great outcome.

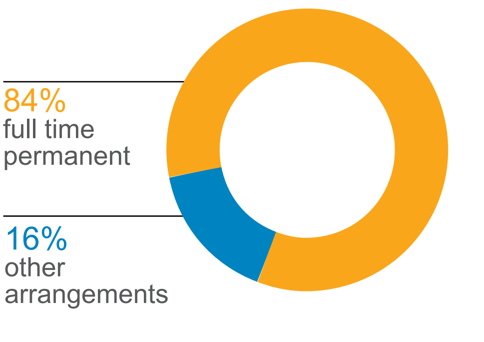
Developing a diverse workforce

Senex is committed to fair and equitable recruitment regardless of age, gender, race, religion, culture, marital or family status, gender identity, sexual orientation, disability or national origin. Our Diversity Policy outlines Senex's commitment to create a workplace culture that attracts, retains and motivates well qualified employees from the widest possible pool of available talent.

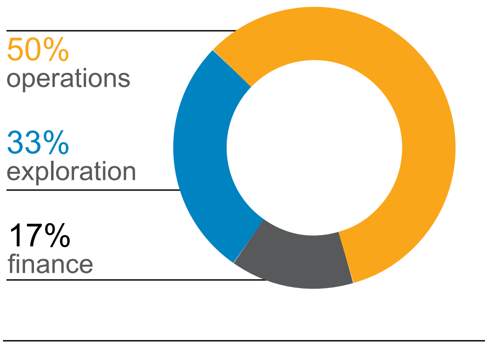
At Board level, Senex has a female independent Non-executive Director and a female alternative Non-executive Director, together representing 25% of the Board. Our Executive Committee consists of 29% female members.

Senex submits a yearly report on its gender workplace profile to the Federal Government Workplace Gender Equality Agency (WGEA). The Workplace Gender Equality Act applies to non-public sector employers with 100 or more employees in Australia. The report is filed annually in respect of the 12 month period ending 31 March, and is available to view on the WGEA website and Senex website.

Employment status (%)



Vacation students (%)

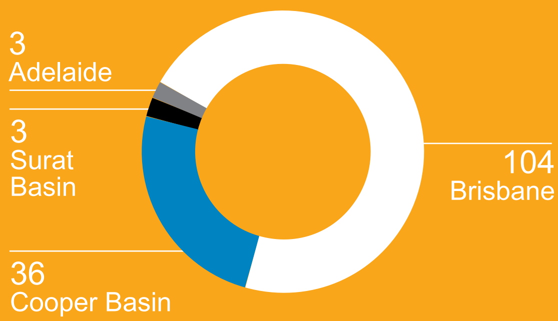


What our workforce looked like in FY16

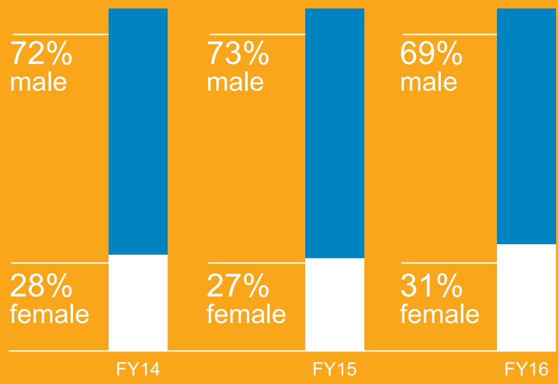
39 average age	38 female	40 male

Managers – gender

Region-based count



Workforce – gender



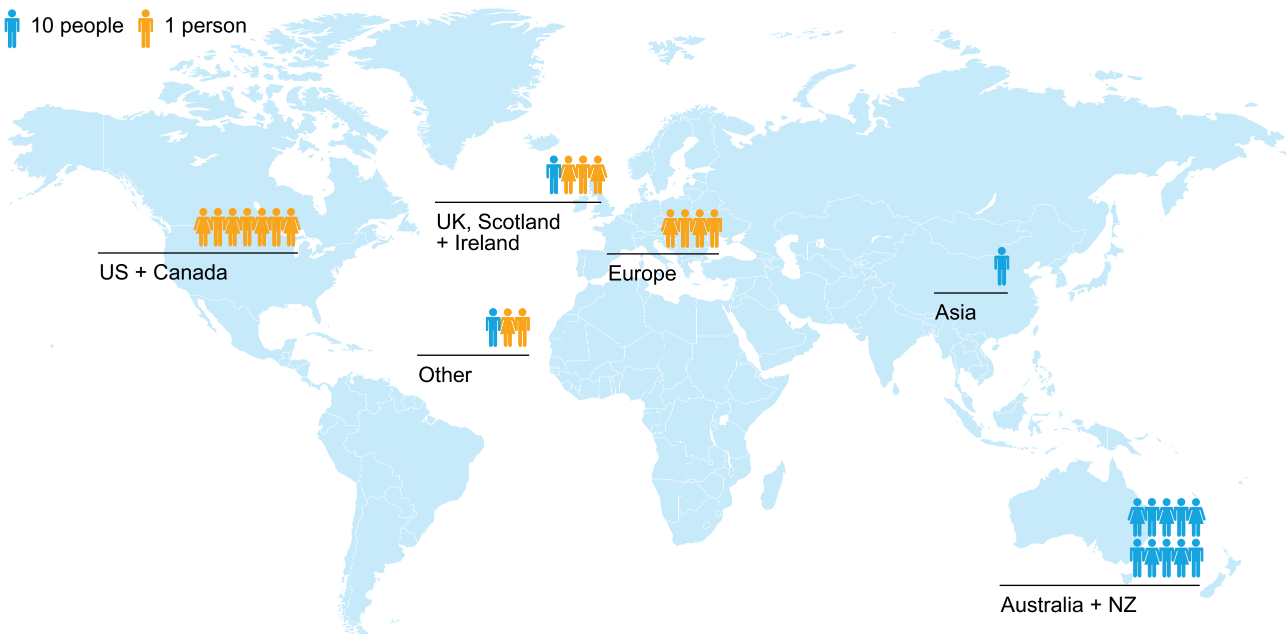
The Senex Board has adopted measurable objectives in relation to gender and other workplace objectives. Progress against these objectives for the 2016 financial year is outlined in the table below:

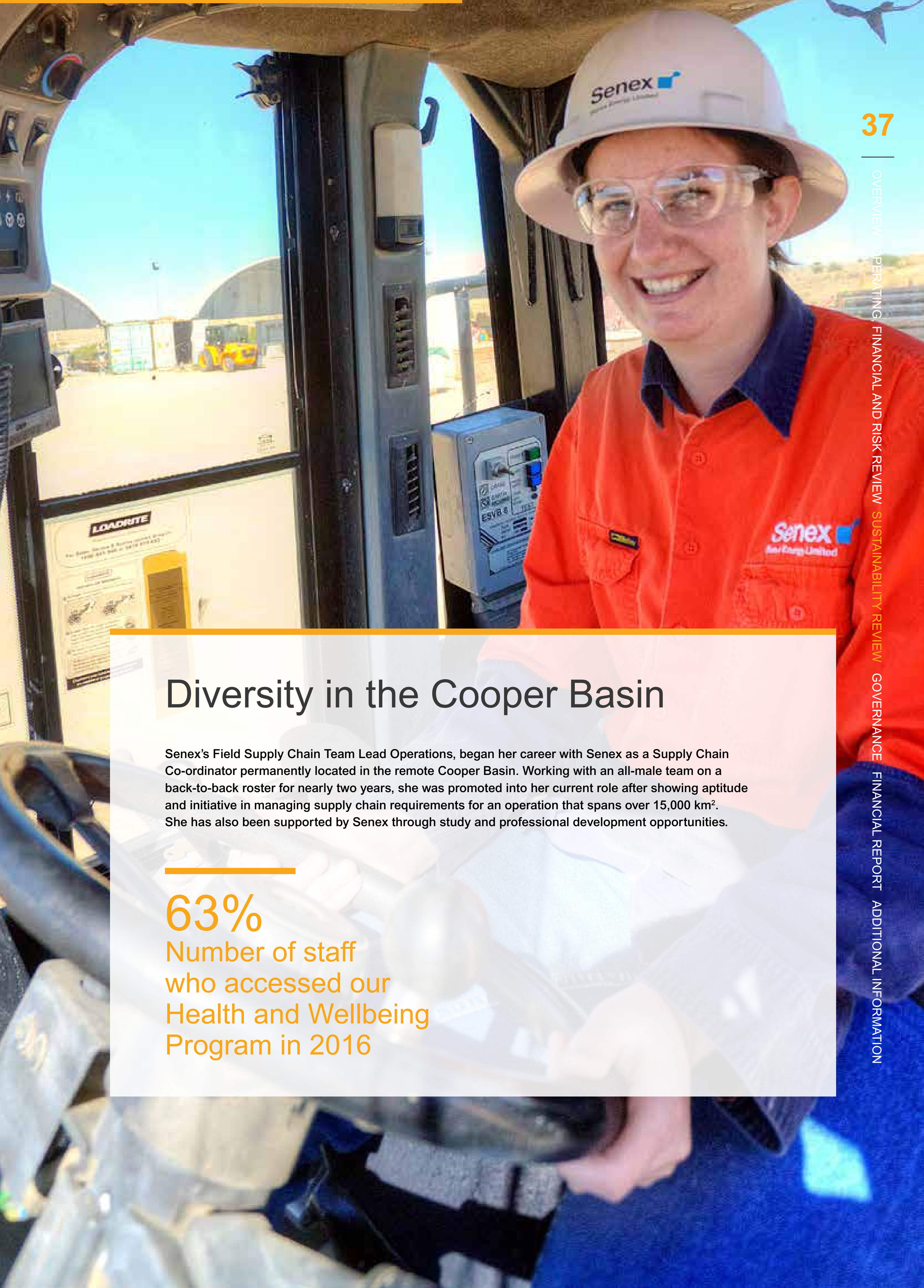
Diversity & Workplace Objective	FY16 Progress
Ensure that in the **interview process** for each executive position there is at least one female on the interview panel	The recruitment process for executive roles has included at least one female present during interviews
Consider diversity when reviewing **Board succession plans** with the aim of improving gender representation and diversity	The Board and the Remuneration and Nominations committee comply with the Senex Diversity Policy when discussing and reviewing Board appointments
Wherever there is a vacancy at Board and senior management level, the Company seeks to find a person with the most appropriate qualifications and experience to fulfil the role given the need to balance a range of criteria that is required for an effective Board and management team	Vacancies at Board level are recruited through the use of independent recruitment agents. Senior management level roles are recruited to specific role specifications with consideration to team dynamics
Review **remuneration, recruitment and selection practices** to ensure they are free from gender bias	The remuneration process is reviewed annually and the recruitment process is reviewed bi-annually, by the Senex Human Resources team. The selection of new employees is comprehensively based on qualification, skills and experience relevant to the role
Increase the number of graduate and vacation employment positions available and ensure that women are provided with opportunities to participate	Six university students gained work experience in the Operations, Finance and Exploration teams within Senex. Of the work experience students, one was female and five were male
Employees returning to the workplace after **extended periods of leave** have access to the induction program, which helps fast track them back into the business. (eg. employees on parental leave and long term personal carers leave)	One executive and three non-managers accessed parental leave

Health & wellbeing

Our Health and Wellbeing Program continued to provide benefits during the year for our people. Access to these benefits was taken up by 63% of people these included annual skin checks, discounted gym membership, as well as nominal contributions towards health and wellbeing activity. Access to the annual influenza vaccination was taken up by 25% of people. Our people and their families are encouraged to participate in sponsored events and charity activities. We also provide lockers, bike racks and showers so people are able to ride or run to work as part of their daily health activities.

Country of origin (people)





Diversity in the Cooper Basin

Senex's Field Supply Chain Team Lead Operations, began her career with Senex as a Supply Chain Co-ordinator permanently located in the remote Cooper Basin. Working with an all-male team on a back-to-back roster for nearly two years, she was promoted into her current role after showing aptitude and initiative in managing supply chain requirements for an operation that spans over 15,000 km^2. She has also been supported by Senex through study and professional development opportunities.

63%
Number of staff who accessed our Health and Wellbeing Program in 2016

HEALTH AND SAFETY

2016 key highlights

Recorded a 71% reduction in TRIFR to 1.8

Partnered with Sentis to deliver a Safety Culture and Zero Injury Program to Executive Management, Operational Management, Field Supervisory and Operational staff

Actively participated in the collaborative industry group Safer Together

2016 Health and Safety Performance

We demonstrated strong performance in health and safety throughout 2016. Despite decreased operational activity owing to the market downturn, and a difficult environment due to staff and structural changes we continued putting safety first for all our people, activities and assets.

There were no work-related fatalities or recordable injuries with the potential for fatality. We had one Lost Time Injury (LTI) over the year resulting in a Lost Time Injury Frequency Rate (LTIFR) of 1.8 for FY16, slightly above that of FY15 at 1.04. Given the 42% decrease in total exposure hours to 559,435 for the year overall from 961,151 for FY15, this is a considerable improvement statistically.

With the reduced operational activity levels in the Cooper, and a heightened emphasis on health and safety, audits were prioritised to key target risk areas and assets. The past year saw us complete 70 detailed health and safety audits.

Improved safety culture and performance

Sentis Zero Injury Program (ZIP)

In FY16, Senex partnered with Sentis, leaders in sustainable business and cultural improvement, to conduct a Safety Culture Research Project across our business.

The project involved site visits and safety culture surveys to assess staff, field management and executive management attitudes and feelings towards safety throughout Senex. From this assessment a training program specific to Senex was developed based on the Sentis ZIP program. The ZIP program is a psychologically based safety training using the latest research and techniques from neuroscience to provide tools and techniques that impact on a genuine personal commitment to safety.

Over the past year we have reduced our Total Recordable Injury Frequency Rate by 71% to 1.8

Collaborating for a safer industry

Safer Together

Safer Together is the Queensland Natural Gas Exploration & Production Industry Safety Forum. Senex has been a member of Safer Together since March 2015, and over the past year we have increased our level of participation in the forum materially.

This participation has taken the form of attending and contributing to numerous working groups and industry safety forums; undertaking paired leadership site visits to field, talking and listening to field staff and their opinions about safety and how it can be improved; and drafting materials such as fact sheets and posters for use in educating audiences and supporting the forum.

Safer Together is a not-for-profit member-led organisation of operating companies and contract partner companies committed to creating the leadership and collaboration needed to build a strong and consistent safety culture in the ever changing natural gas exploration and production industry in Queensland. Our CEO and Managing Director Ian Davies is an active member of the Safety Leaders Group and our EGM People and HSE Suzanne Hockey is an active member of the Safety Leaders Working Group. The Safety Leaders Working Group exists to support leaders to demonstrate effective and visible safety leadership and behaviours. The emphasis of the Group is on everyone, at all levels of an organisation, being a Visible Safety Leader.

Senex will continue to be an active member of this group, helping to drive consistent and continuous improvement of safety standards through the creation and implementation of practical solutions that can be adopted across the industry.

Continued support for vital link to Royal Flying Doctor Service

FY16 saw Senex continue to support the funding and provision of the Cooper Medivac 24 helicopter based at Moomba in the Cooper Basin, South Australia. The helicopter, which is the first night-vision equipped helicopter to operate in the area, is a vital link to saving time and lives by delivering critically-ill patients to the Royal Flying Doctor Service at the nearest available airstrip so they can then transport the patient to the nearest hospital.

Over the year, the helicopter has been called out to community call-outs on nine occasions including patient transfers and search and rescue tasks. Having this service, which is also accompanied by a permanent paramedic, provides a high degree of assurance for the health and safety of Senex workers, industry, visitors and the communities of remote South Australia.

Moving towards improved health and safety

In 2017, we will continue to focus on and improve our health and safety culture, leadership and systems. We will do this by providing strong visible health and safety leadership; promoting ownership of health and safety; monitoring indicators of a positive health and safety culture and reviewing the current H&S Management system to ensure it is relevant and flexible enough to meet continuing operations.

Making a difference to the health and safety of communities in which we operate

In January 2016, the Medivac 24 helicopter responded to a call from a remote cattle station in the Cooper Basin, where a young boy had fallen from a motorbike. The young boy had sustained serious injuries to his internal organs and lacerations above both of his eyes. The medivac 24 helicopter flew him from the remote station to Moomba airstrip where they met the Royal Flying Doctor Service who were able to transfer him to the Women's and Children's hospital in Adelaide, about 770 kilometres away. Here, he received treatment in the Intensive Care Unit for 14 days where he narrowly escaped a liver transplant. After one month of treatment, he returned home where he was placed on strict bed rest and home schooling for three months. Since then, the young boy has made a full recovery and has returned to school.

The future of Senex's operational and project success in both the Cooper and Surat Basins depends on strong and rigorous environmental performance.

ENVIRONMENT

2016 Key highlights

Developed targeted program of environmental inspections based on risk assessment data

Reduced environmental spills by 72%

Appointed dedicated environmental specialist for the Western Surat Gas Project and progressed baseline studies

Senex continues to apply robust environmental controls, performance standards and monitoring systems across all activities, continuing to minimise and mitigate impacts in the areas in which we operate.

All information presented in this section relates to the Company's Cooper Basin operations in South Australia unless specifically stated otherwise.

WSGP – a developing project

Environmental assessment and approvals work is rapidly progressing for Senex's Western Surat Gas Project with several environmental surveys completed over FY16. Senex has also appointed a dedicated environmental specialist to the team during the year to assist with managing the project's environmental requirements.

Senex is evaluating the most appropriate approach to full field development and approvals for the project. Considerable assessments have been completed in order to evaluate baseline environmental values for the project, which have included desktop and site validation as well as meetings with relevant stakeholders.

Key aspects assessed include:

Land use	Ecology, soils, hydrology, surface water, climate, transport networks
Social & amenity	Including Cultural Heritage
Subsurface	Groundwater

With a baseline now established for these aspects, it provides the basis for assessing the potential scale of any adverse impacts of further developing the Western Surat Gas Project, including the development of appropriate mitigation strategies.

Compliance

Senex's Environment Team conducted 27 targeted environmental inspections and audits of priority operational areas during FY16 (FY15 104 inspections). With the reduced operational activity levels in the Cooper, inspections were prioritised to key target areas and assets. The inspections were designed to assess compliance against relevant legislation, regulations and licence conditions as well as ensuring learnings were incorporated into processes for future improvements.

The environmental performance of wells and facilities is ranked using indicators of high, medium and low. There were no high ranked non–compliances which maintained our strong compliance record (FY15:0). Regulatory authorities also conducted inspections of Senex operations. From the inspections in 2016, one environmental improvement notice was issued by the South Australia Government, in line with the previous period. All improvement items identified have been completed.

Senex continued to apply its policy of internally reporting and examining all environmental incidents regardless of severity as a matter of best practice and continuous improvement. During the reporting period, five reportable spills occurred (FY15:18) reducing by 72%. Senex has implemented a number of additional measures to support the continued downward trend of this figure in the year ahead.

One serious environmental incident occurred during the year. This was a spill of approximately 500L of waste oil from a tanker on grounds within Senex's operational area. The incident was immediately addressed through containment and remediation of the affected soil. An investigation led to process improvements to ensure a reduced risk of these incidents occurring.

Land Management

Senex actively works to minimise disturbance to the environment as a result of its activities. This is a critical focus to ensuring we continue to maintain our license to operate, managing environmental risk and making decisions based on robust information.

The Company's experienced team works closely with stakeholders to ensure we reduce our environmental footprint wherever possible, implement mitigation measures and progressively rehabilitate disturbed areas.

Senex achieved its annual South Australian environmental offset requirements through contributions to Operation Flinders, a charitable organisation that runs a wilderness adventure program for young people at risk. Senex's offset benefit contributions were used for the development and management of the organisation's Yankaninna Station Conservation Zone, aiding in the continuation of the program.

Greenhouse Gas Emissions

Senex continues to report greenhouse gas (GHG) emissions annually under National Greenhouse and Energy Reporting Act 2007 (NGER). The scheme measures energy produced, energy consumed and greenhouse gas emissions, and Senex has reported under this scheme since 2011. Senex has reported to the National Pollutant Inventory (NPI) since 2013, measuring emissions to air, land and water.

NGER and NPI calculations for the 2015 financial year are provided in this annual report, while calculations for the 2016 reporting period will be completed in late calendar year 2016. The majority of Senex's air emissions relate to emissions from fuel combustion and flaring or venting, which occur at various points during well construction and production.

Water Management

Senex has continued to focus on water management during the period. The Company has robust requirements in place for the management of water within the production and drilling processes. 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 before being transferred to approved evaporation ponds. The Company also continues to supply treated and tested produced water to local graziers aiding them to maintain their livestock watering.

Senex works together with our stakeholders to build long-lasting mutually beneficial relationships by communicating openly and leveraging each other's strengths.

STAKEHOLDER RELATIONS

2016 Key highlights

Continued successful engagement with Cooper Basin stakeholders to maintain our social license to operate

Commenced expanded stakeholder engagement as part of early planning for the Western Surat Gas Project

Supported landmark native title determination consent hearing for the Yandruwandha Yawarrawarrka Traditional Land Owners

Senex continues to engage with a broad spectrum of stakeholders through a variety of communication channels. Our key stakeholders include government at all levels, joint venture parties, industry bodies, landholders, local communities, neighbours and businesses in the areas in which we operate, indigenous groups, suppliers, shareholders, staff and contractors.

The ways we engage with our stakeholders is summarised in the table below.

Economic contribution to communities and stakeholders

We are committed to ensuring our economic impact on the communities in which we operate is benefical to all parties and sustainable. Our activities can have a measurable impact through our tax and royalty payments, our community programmes, our local procurement strategy and the direct and indirect employment we generate.

We are an economic contributor to the local, state and national jurisdictions in which we operate. Our tax and royalty payments assist governments in developing, maintaining and growing public services for now and far beyond the life of our operations.

Stakeholder Group	Engagement approach
Landholders, local communities, local businesses, suppliers	Dedicated local Senex Roma representative, meetings, briefings, local front office, mail outs, Senex website, community sponsorships and donations and supplier briefings
Government (all levels)	Briefings, meetings, Government roundtable representation and site visits
Joint venture parties	Scheduled workshops, meetings and informal sessions and site visits
Industry bodies	Industry association working groups, briefings, meetings, industry event participation and presentations
Indigenous communities	Meetings, briefings, Cultural Heritage inductions, community sponsorships and donations
Shareholders	ASX announcements and email distributions, Senex website, annual general meeting, investor presentations, webcasts, domestic and international institutional roadshows
Staff & Contractors	Town Halls, staff newsletter, surveys, performance reviews, monthly management updates, surveys, staff presentations, lunch and learns, and team meetings, tailored briefings, safety briefings and continuous improvement reviews

WSGP – a developing project

The past year has seen new stakeholder relations formed and existing ones expanded to begin planning, negotiations, briefings and allocation of work packages for the Western Surat Gas Project. We have begun studies to support our environmental approvals process for the Project. Continued holistic and transparent engagement with all stakeholders is an important component of commercialising this coal seam gas resource.

Indigenous Relations

In South Australia, Native Title agreements are in place with the three traditional owner groups associated with Senex permits. Representatives of the Yandruwandha Yawarrawarrka People and the Dieri People conducted work area clearances during the year to identify and safeguard cultural heritage sites and minimise any impact from Senex activities.

In Queensland, representatives of the Mandandanji People conducted a number of cultural heritage clearances throughout the year on Senex operated permits in the Surat Basin, north of Roma for the development of the Western Surat Gas Project.

Landholder and Community Relations

Senex continued to engage with local landholders and the communities in which it operates. This included the negotiation of land access and compensation agreements with a number of landholders in the Cooper and Surat Basins. These agreements ranged from conduct and compensation agreements to water use agreements, and are aimed at offering mutually beneficial outcomes for both Senex and landholders.

With the commencement of the Western Surat Gas Project in Queensland, Senex initiated discussions with the community including directly affected landholders, neighbouring community members, Maranoa Regional Council, Commerce Roma, local businesses and suppliers. In Roma, a small Senex office was established to offer increased local visibility and accessibility to company staff who are able to talk to local stakeholders and answer their questions on the ground. Stakeholder engagement will continue and expand during FY17 in support of Senex's activities in the Surat Basin.

Senex continued with its local sponsorship and donation program during the year. Landholders, local and indigenous communities and potential community partners are able to apply for sponsorship or donation funding to aid with local causes meeting Senex's assessment criteria. Senex supported a number of local community initiatives during the year within the Cooper and Surat Basins, including:

- Funding for the Royal Flying Doctor Service,
- Funding for the Cooper Medivac 24 night-vision helicopter,
- Sponsorship or donations for South Australia and Queensland community events such as camp drafts and local charity events.

KEY SOCIAL AND ENVIRONMENTAL PERFORMANCE INDICATORS

	FY16	FY15
People		
Number of employees	146	185
Employee promotions	12	19
Full time/fixed term/part time/casual (%)	84/8/3/5	95/0/3/2
Office based / field based (%)	73/27	75/25
Women in the workforce	31%	27%
Women in management positions	25%	23%
Safety		
Total Recordable Injury Frequency Rate	1.79	6.24
Lost Time Injury Frequency Rate	1.79	1.04
Recordable incidents	1	6
Exposure hours worked total	559,435	961,151
Exposure hours worked – contractors	124,240	459,463
Health and safety audits conducted	70	31
Fatalities	0	0
Environmental		
Environmental improvement notices	1	1
Environmental inspections completed	27	104
High non compliances	0	0
Environmental spills	5	18
Serious incidents	1	0
Greenhouse gas emissions (tonnes of CO_2 equivalent)	NYR[1]	48,568
Water		
Water produced (ML)	1,527	1,199
Water used (ML)	21.6	24.1

1 Not yet reportable

Senex Board of Directors

TREVOR BOURNE
Chairman, Independent Non-executive Director
BSc (Mech Eng), MBA, FAICD

Experience

Trevor joined the Senex Board in December 2014 and was appointed Chairman in March 2015. He is an experienced Non-executive Director, having served on public and private company boards in Australia and Asia for over 15 years. Trevor was a founding director of Origin Energy for 12 years, following the demerger from Boral. At Origin he chaired the Remuneration Committee and was a member of the Audit and Safety Committees. Trevor's executive career included 15 years at BHP, eight years with the then Orica subsidiary Incitec, and 15 years with Brambles – the last six of which as Managing Director of Australasia.

Senex board committee membership

As board chair, Trevor Bourne is not counted as a member of any board committee but he attends and participates in all meetings of board committees.

Current directorships/ other interests

Caltex Australia: Director, Chairman of the OH&S Committee, member of the Audit and Remuneration Committees

Sydney Water: Director, Chair of the Safety Committee

IAN R DAVIES
Managing Director and Chief Executive Officer
BBus (Acct), CA, Cert SII (UK), MAICD, F Fin

Experience

Ian has led Senex as Managing Director and CEO for the past six years. He joined Senex from QGC – a BG Group Business, the world's first producer of LNG from coal seam gas. Ian joined Queensland Gas Company as Chief Financial Officer in 2007. Whilst CFO he played a lead role in the A$15 billion LNG joint venture transaction with BG Group plc and the negotiation and execution of the A$5.6 billion cash takeover offer for Queensland Gas Company by BG Group – the largest on-market takeover in Australian corporate history at the time.

Prior to that, Ian was an investment banker in London with Barclays Capital and in Melbourne with Austock Corporate Finance. He commenced his career in the Energy and Mining Division of PricewaterhouseCoopers (PwC) in Brisbane.

Senex board committee membership

As Managing Director and CEO, Ian Davies is not counted as a member of any board committee but he attends and participates in all meetings of board committees, except where conflicted.

Current directorships/ other interests

N/A

RALPH H CRAVEN
Independent Non-executive Director
BE, PhD, FIEAust, FIPENZ, FAICD

Experience

Ralph 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, Ralph 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 with Shell Coal Pty Ltd. His previous roles include Chairman and Non-executive Director of Invion Ltd, Ergon Energy Corporation Limited and Tully Sugar Limited and Deputy Chairman of coal seam gas company Arrow Energy Limited.

Senex board committee membership

Remuneration and Nomination (Chair); Audit and Risk Committee

Current directorships/ other interests

Stanwell Corporation: Chair, Independent non-executive Director

Genex Power Ltd: Chair, Independent non-executive Director

AusNet Services Ltd: Non-executive Director

TIMOTHY BI CROMMELIN
Non-executive Director
BCom, ASIA, FAICD

Experience

Tim joined the Senex Board in October 2010. He has over 40 years of experience in stockbroking, corporate finance, risk management and mergers and acquisitions. He previously served as Deputy Chairman of CS Energy Limited and Queensland Gas Company Limited.

Senex board committee membership

Audit and Risk Committee

Current directorships/ other interests

Morgans Financial Limited: Executive Chairman

AP Eagers Limited: Non-executive Chairman

The University of Queensland's Governing Senate: Member

Australian Cancer Research Foundation (ACRF): Director

Our Board of Directors has led the Executive Management Team with solid governance through a year of operating in difficult markets.

DEBRA L GOODIN
Independent Non-executive Director

BEcon, FCA, MAICD

Experience

Debbie joined the Senex Board in May 2014. She is an experienced company director and audit committee chair. Debbie has more than 20 years' senior management experience with professional services firms, government authorities and ASX listed companies across a broad range of industries and service areas. Her executive experience in finance, operations, corporate strategy and mergers and acquisitions included service as Chief Operating Officer for an Australian and New Zealand subsidiary of Downer EDI Limited, and as Acting Chief Financial Officer and Head of Mergers and Acquisitions, and then Global Head of Operations, at Coffey International Limited where she led geosciences, project management and international development businesses.

Senex board committee membership

Audit and Risk (Chair); Remuneration and Nomination Committee

Current directorships/ other interests

Ooh! Media Limited: Non-executive Director

APA Group: Non-executive Director

Melbourne's Royal Women's Hospital: Member of the Finance, Investment and IT Committee

Ten Network Holdings Ltd: Non-executive director and Chair of Audit and Risk Committee

BENEDICT M McKEOWN
Non-executive Director

BEng, MBA, CENG, CDIR, MEI, MIMMM, FIOD, MAICD

Experience

Ben joined the Senex Board in December 2008. He is a Chartered Engineer with more than 25 years' experience in the petroleum and mining sectors, including technical and commercial roles with BP and Total. During the past 15 years, Ben 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. Ben is an experienced Non-executive Director having served on public and private company boards in the oil and gas and mining industries for over 10 years.

Senex board committee membership

Remuneration and Nomination Committee

Current directorships/ other interests

Ferrous Resources Ltd: Non-executive Director and Chair of Audit and Risk Committee

JOHN WARBURTON
Independent Non-executive Director

BSc (Hons Geological Sciences) PhD Structural Geology, FGS, MAICD

Experience

John joined the Senex Board in March 2016. He is a career geoscientist who has undertaken a broad range of exploration related responsibilities in the global oil and gas industry and has been involved in locating, assessing, advising on and optimising prospective opportunities around the world. In recent years, John founded Insight Exploration, a consultancy providing technical & business services to the international petroleum exploration industry. John has 34 years of global petroleum industry experience including with BP Exploration where in the UK and around the world he advanced through senior technical and leadership positions involving exploration, appraisal and development before moving on to senior positions with other substantial oil and gas companies including Oil Search Ltd, Roc Oil Company Ltd, LASMO plc and Eni S.p.A.

Senex board committee membership

John Warburton has not been appointed to any board committee but as a director, he is entitled to attend and participate, and does attend and participate, in meetings of board committees except where conflicted.

Current directorships/ other interests

Oil Search Ltd: Exploration and New Business Advisor

Imperial Oil and Gas Ltd (part of Empire Energy Group Ltd): Non-Executive Director

University of Leeds, UK: External Advisory Board at Centre for Integrated Petroleum Engineering & Geoscience

YANINA A BARILA
Alternate Non-executive Director

BAcc, Mfin

Experience

Yanina was appointed as an Alternate Director for Ben McKeown in March 2011 and subsequently also appointed as an Alternate Director for Tim Crommelin in July 2014. She is an investment manager with The Sentient Group and brings international experience in the review and evaluation of mining and energy projects. Yanina's areas of expertise include financial modelling and equity research. Yanina completed the Program for Leadership Development (PLD), which is an alternative to the executive MBA, at Harvard Business School in 2016. 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.

Senex board committee membership

Remuneration and Nomination Committee (alternate member); Audit and Risk Committee (alternate member)

Current directorships/ other interests

Silver City Minerals: Alternate Director

Tinka Resources: Director

Senex Executive Leadership Team

IAN R DAVIES
Managing Director and Chief Executive Officer

BBus (Acct), CA, Cert SII (UK), MAICD, F Fin

Responsible for

As Managing Director and CEO, Ian is responsible for maximising the value of Senex as a company for its shareholders, staff and communities through day to day leadership, management, decision making and execution of activities.

Experience

Ian has led Senex as Managing Director and CEO for the past six years. He joined Senex from QGC – a BG Group Business, the world's first producer of LNG from coal seam gas. Ian joined Queensland Gas Company as Chief Financial Officer in 2007. Whilst CFO he played a lead role in the A$15 billion LNG joint venture transaction with BG Group plc and the negotiation and execution of the A$5.6 billion cash takeover offer for Queensland Gas Company by BG Group – the largest on-market takeover in Australian corporate history at the time.

Prior to that, Ian was an investment banker in London with Barclays Capital and in Melbourne with Austock Corporate Finance. He commenced his career in the Energy and Mining Division of PricewaterhouseCoopers (PwC) in Brisbane.

FRANCIS L CONNOLLY
Company Secretary (previously Secretary and Legal Counsel – up until 30 June 2016)

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

Responsible for

Frank is responsible for planning, coordinating and advising the Board and Executive Committee on governance, risk management and legislative matters across Senex.

Experience

Frank career spans over 30 years, holding a number of senior executive roles and bringing extensive knowledge in the areas of company law, corporate governance, investment banking and corporate finance. Previous roles include Senior Manager in the Emerging, Mining and Resources team at the Australian Securities and Investments Commission (ASIC), Chief Financial Officer and Head of Corporate Finance for Viento Group, Director of Corporate Finance for Ord Minnett, Partner of national law firm Corrs Chambers Westgarth.

JULIE WHITCOMBE
Executive General Manager, Strategic Planning

BEng (Mining) (First Class Hons), MBA, CA (Distinction)

Responsible for

Julie is responsible for optimising the asset portfolio and longer term planning, driving capital allocation discipline, commercial and JV management, corporate communications, stakeholder management and regulatory approvals across the Cooper and Surat Basin businesses.

Experience

Julie has been with Senex for six years, holding a number of roles with the company during that time. She has been in her current role for two years. Julie has broad 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, Julie 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.

DENIS PATTEN RETIRES WITH HONOUR

Denis Patten retired as non-executive director and Chairman of Senex after seven years, on the 18 November 2015.

Denis led Senex through significant growth and development after joining in 2008. His background of more than 25 years in senior management roles with engineering, manufacturing and service companies in the oil and gas sector in Australia and overseas, made him a perfect fit for taking Senex through what was to be its formative years, establishing a solid basis for future growth founded on a unique combination of cost discipline and innovation.

During the years Denis held the role of Chairman the company was transformed from an exploration-focused junior oil company to an S&P ASX 200 oil and gas exploration and production business, with annual production of over 1 million barrels of oil equivalent and a substantial portfolio of oil and gas growth projects.

Denis's visionary leadership prompted the rebranding and repositioning of Victoria Petroleum NL (as it was then named), to what is now Senex Energy – a company with a reputation for resilience and a deep understanding of the Australian oil and gas industry.

SUZANNE HOCKEY
Executive General Manager People and HSE

Dip Strategic Mngt (Distinction), ADip AppSc

Responsible for

Suzanne is responsible for the human resources and health, safety and environment functions throughout Senex.

Experience

Suzanne has been with Senex for the past six months and brings over 20 years of experience in advanced organisational development and human resources strategies and processes, predominantly with a background in the resources sector. Most recently Suzanne was General Manager of Human Resources at Oil Search Limited (ASX:OSL) where she oversaw HR consulting services, governance and performance management across a global workforce of more than 1600 staff and contractors. Suzanne was previously at Nautilus Minerals, Barrick Gold Corporation, CEC Group Limited, and Placer Dome Gold.

DAVID SPRING
Executive General Manager Exploration

BSc (Hons) Geophysics

Responsible for

David is responsible for delivering the company's exploration strategy, exploiting current resources and finding new ventures across all areas of interest.

Experience

David has been with Senex for just over one year. He is an experienced geologist and geophysicist with over 30 years of experience in oil and gas, including senior leadership roles in Australia, North America, Europe and the Middle East. He began his career as a geophysicist at Esso Australia, gaining experience in the Cooper Basin, before spending over a decade at BHP Billiton Petroleum in Australia and overseas. David spent four years at Maersk Oil and just before joining Senex, he was accountable for leading a global exploration portfolio for Mubadala Petroleum, the sovereign exploration and production company in the United Arab Emirates.

DARREN STEVENSON
Chief Operating Officer – Acting

BEng, MBA

Responsible for

Darren is responsible for Senex's operations in South Australia's Cooper-Eromanga Basin as well as the Western Surat Gas Project in Queensland's Surat Basin. His remit includes maximising production, driving operational excellence & efficiency and building a coal seam gas operating capability.

Experience

Darren has been with Senex for four years. Prior to joining us he spent five years in a range of roles with Arrow Energy and, ultimately as General Manager for their Surat Basin assets. Darren has extensive experience in general, asset and operational management and project development & execution within growing businesses in the oil and gas and infrastructure sectors.

GRAHAM YERBURY
Chief Financial Officer

BCom, MBus, CA

Responsible for

Graham is responsible for corporate finance, investor relations, governance, procurement, IT, Legal and business improvement.

Experience

Graham has been with Senex for about eight months as CFO. His career spans over 37 years including executive and senior finance roles with ASX-listed and multi-national resources and professional services companies. Graham was CFO at Cardno Limited prior to Senex, and previously at Macarthur Coal Limited, Site Group International and coal seam gas producer Arrow Energy. Prior to returning to Australia in 2008 he spent eight years with BP in the United Kingdom and United States and six years with ARCO pre-merger with BP.

As part of this corporate repositioning, Denis engineered the establishment of a fresh and innovative management team with Ian Davies at the helm. Having assembled a group of talented leaders, Denis applied himself tirelessly to the task of mentoring and coaching with an understated humility and professionalism that was his trademark at Senex.

The rebranding was only the beginning of the transformation that Denis oversaw in his time as Chairman. Shortly after this, Denis oversaw the merger of Senex and Stuart Petroleum to create a portfolio of quality oil and gas acreage across the highly prolific Cooper Basin – the largest independent position in this world class hydrocarbon basin outside of the longstanding and tightly held South Australian Cooper Basin Joint Venture assets. This portfolio remains at the heart of the Senex story today.

Denis' leadership saw the company proactively execute two successful capital raisings which ultimately underpinned the financial strength the business still enjoys today. This focus on financial strength has also seen the business respond rapidly to emerging opportunities in the sector, securing the unconventional gas joint venture with Origin Energy, and the complex and company-changing asset swap with QGC that was the inception of the Western Surat Gas Project.

After stepping down as Chairman, Denis continued his dedication to and stewardship of Senex as a non-executive director providing ongoing support during the transition to Trevor Bourne as incoming Chairman. The successful and seamless transition to the next generation of board members under Trevor's leadership has been a tribute to Denis' professionalism and humility. Senex became a fundamentally different company under Denis' steerage. On a personal level, his unwavering commitment and support to the Senex team at all levels, and in particular to the Managing Director and CEO Ian Davies, has been both professionally remarkable and keenly appreciated.

It is with deep respect and gratitude that we farewell Denis from the Board of Senex, and on behalf of shareholders, his fellow directors and the Senex team wish him every enjoyment in his retirement.

Corporate governance

Senex fosters a culture of integrity and ethical behaviour, in our Board Members and Executive, but also throughout the company.

We strive to develop a values based culture that underpins all of our business activity. Over the year we have developed a Business Management System (BMS) which is core to our governance framework and guides the 'way we do things' at Senex. Incorporating our vision, mission, values and strategic direction for the company – it is the compass which drives our decisions, direction and processes ensuring due consideration of social, regulatory and market environments. Our BMS is core to our corporate governance framework and is the guiding source of truth for everyone working at Senex.

We recognise the importance of good corporate governance in creating value for shareholders, sustainable performance, and ensuring the Company's operations deliver against stakeholder expectations. To this end, Senex complies with all eight Principles in the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) (ASX Guidelines).

Our Corporate Governance Statement highlights the Company's approach to important corporate elements such as risk management, internal controls, audit measures, board composition and remuneration, board committees, compliance, integrity in financial reporting, disclosure, securities trading, diversity, and managing conflicts of interest.

Specific details of the Company's corporate governance framework and approach to compliance with the ASX Guidelines are set out in the FY16 Corporate Governance Statement located on the Company's website at http://www.senexenergy.com.au/about/corporate-governance

We believe good corporate governance is critical to delivering shareholder value and stakeholder expectations.

Building a culture of good governance and continuous improvement

Ensuring we meet our governance obligations, shareholder value and stakeholder expectations is critical to sustainable and ongoing operations for Senex.

Implementing the Senex BMS has resulted in a more cohesive and efficient operating framework by providing a common and consistent way to work independent of where our people are based. This framework is supporting us to deliver our corporate strategy. The BMS is the key integrator of strategy, process and organisation, and was designed to meet our requirements for control, efficiency, risk management and organisational cohesion. The framework is continuously improving to meet our evolving business requirements, incorporating lessoned learned and more effective ways of operating.

Key benefits of the BMS include:

- **A refined enterprise risk management framework**
- **Project delivery methodologies to ensure capital is allocated and applied prudently**
- **Processes for developing and delivering against strategy, business plans and budgets**
- **A clearer and more comprehensive delegation of authority from the board to the CEO to senior management**
- **Easy access to important policies that govern the Company's operations, and**
- **A compliance management framework aligned across the entire business.**

Subject matter experts and functional practitioners from across the business have collaborated to identify, map and improve processes from the executive level through to the functional level. This collaboration is ensuring there is a common and repeatable way of delivering company practices and processes. In addition we have a framework upon which future improvements in the management of governance compliance and practices can be assessed and implemented. The past year has demonstrated our processes and practices in support of delivering good governance and organisational capability are maturing.

The BMS is an effective support tool to allow the Company to execute its strategy within the boundaries set by the Board and the CEO. Importantly, it embodies and promotes the Company's vision, mission and values that are embedded in everything we do.

The Senex BMS summary

Governance and Leadership

Board

Audit and Risk Committee | Delegated Authority | Remuneration Committee

CEO

Leadership and Management

Executive Committee

Planning and Budgeting	Risk Management	Safety and Compliance
Capital Decision-Making	Management of Change	Business Performance

Execution

Acquire → Explore → Appraise → Develop → Produce → Abandon

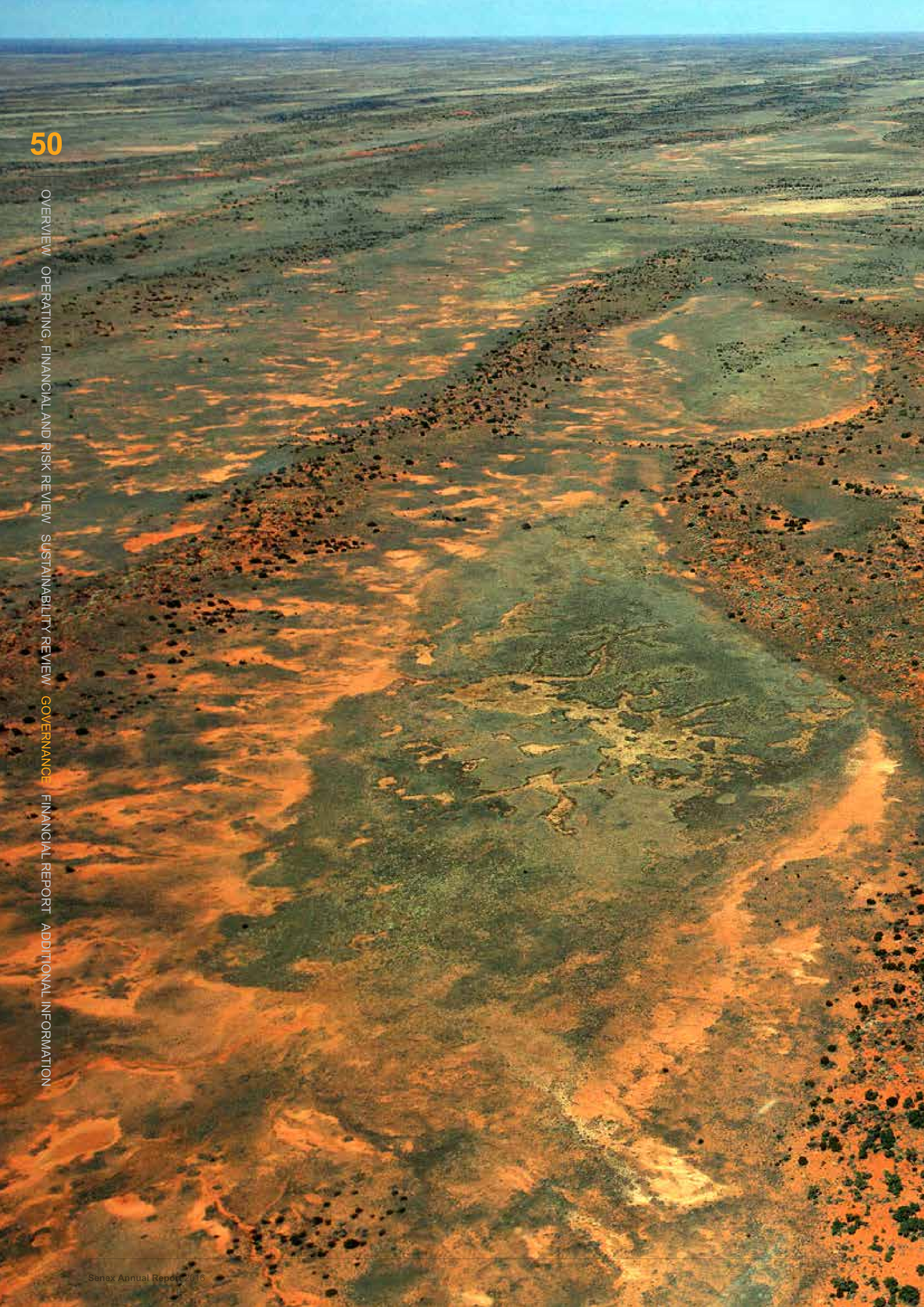
Project Delivery	Assurance	Health, Safety and Environment	Emergency Response

Policies, Standards and Processes

Leveraging technical knowledge to add value to business improvement

Senex invested two of its senior people in the development of the BMS, leveraging their project and engineering knowhow to align business processes and practical operational needs.

With diverse backgrounds in Project and Operational Engineering, Process Safety, Asset Integrity and Operational Site Management, they are using two-way feedback to achieve a collaborative and balanced outcome between operational field requirements and corporate processes.



Directors' Report and Remuneration Report

Your Directors submit their annual report for the year ended 30 June 2016 (FY16).

The annual report covers Senex Energy Limited (the Company, the parent entity or Senex) and its controlled entities/subsidiaries (collectively known as the Group). The Group's presentation currency is Australian dollars ($).

Principal activities

The principal activities of entities within the Group during the year were oil and gas exploration and production. 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 identified on pages 44-45 and in the table below:

Key Management Personnel (KMP)

KMP of an entity for the purposes of the Corporations Act and the Accounting Standards are those persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Directors are KMP irrespective of whether they operate in an executive or non-executive capacity.

The KMP of the consolidated Senex entity in FY16 were the following individuals who served for the periods indicated as Directors or as Executive KMP in FY16:

	COMMENTARY	NOTES
Non-Executive Directors		
Trevor Bourne	Chairman, independent non-executive	
Ben M McKeown	Non-executive	
Debra L Goodin	Independent non-executive	
John Warburton	Independent non-executive	commenced as KMP when appointed 15 March 2016
Ralph H Craven	Independent non-executive	
Timothy B I Crommelin	Non-executive	
Yanina A Barila	Alternate director, non-executive	alternate for Mr McKeown and Mr Crommelin
Denis F Patten	Independent non-executive	ceased as KMP when retired 18 November 2015
Executive KMP – Executive Director		
Ian R Davies	Managing Director and Chief Executive Officer (CEO)	
Executive KMP – Senior Executives (referred to in this report as "Senior Executives")		
David E Spring	Executive General Manager Exploration	
Francis L Connolly	Company Secretary	
Graham K Yerbury	Chief Financial Officer	commenced as KMP 26 October 2015
Andrew J Price	Chief Financial Officer	ceased as KMP on 5 August 2015
Julie A Whitcombe	Executive General Manager Strategic Planning	parental leave until 1 February 2016
Suzanne L Hockey	Executive General Manager People, Health Safety and Environment	commenced as KMP 4 January 2016
Brett Smith	Executive General Manager Safety, People and Systems	ceased as KMP on 23 October 2015
Craig J Stallan	Chief Operating Officer	ceased as KMP 3 March 2016

Unless otherwise indicated, each individual named above served as KMP for all of FY16. Details of the qualifications and experience of Directors and current Executive KMP are set out on pages 44-47.

Senex’s Executive Committee

The Senex Executive Committee in FY16 comprised the CEO and the Senior Executives who served as Executive KMP. The Executive Committee generally meets on a fortnightly basis to discuss strategic and operational matters.

Secretary

Mr Francis L Connolly is the Company Secretary. Details of his qualifications and experience are set out on page 46.

Mr David A Pegg, Senex General Counsel, was appointed as an additional secretary from 8 March 2013 for each Group company. Mr Pegg is an experienced senior executive in the energy and resources sector with a background in law, corporate governance development, project oversight and government relations. He holds a Graduate Diploma in Applied Corporate Governance from Institute of Chartered Secretaries Australia. Prior to joining Senex, Mr Pegg was General Counsel and Company Secretary at Ergon Energy Limited and Queensland Energy Resources Limited and a senior associate in the Corporate and Resources group at national law firm Blake Dawson (now part of global law firm Ashurst).

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 (2015: $6,100,000).

Operating and financial review

The Group’s areas of strategic focus include oil and gas exploration and production in the Cooper-Eromanga Basin, and appraisal and development of coal seam gas tenements in the Surat Basin.

The Group’s sales revenue for the year was $69,287,000 (2015: $115,910,000). The Group’s net profit/(loss) for the year was $(33,196,000) (2015: ($80,646,000)). The Group’s underlying profit/(loss) for the year was nil (2015: $5,600,000). The reconciliation of underlying net profit/(loss) after tax to statutory net profit/(loss) after tax is set out on page 16 of this report.

A detailed operating and financial review is provided on pages 14 to 27 of this Directors’ Report. Information on Senex’s business strategy is provided on pages 10 to 13. Material business risks are discussed on pages 28 to 31 of the Risk review.

Ordinary fully paid shares issued during the year

	PARENT ENTITY			
	FY16		FY15	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,149,657,377	451,233	1,146,343,917	450,966
Issues of share during the period:				
– Exercise of unlisted options	–	–	667,000	267
– Performance rights (nil consideration)	3,029,045	–	2,646,460	–
Balance at the end of the period	**1,152,686,422**	**451,233**	**1,149,657,377**	**451,233**

Interests in Shares, Options, Performance Rights and SARs of the Company and related bodies corporate

In FY16 the Company had on issue four kinds of equity securities – Shares, Options, Performance Rights and SARs. The glossary describes each of those equity securities. At the date of this report, the interests of the Directors in the Shares, Options, Performance Rights and SARs of the Company were as follows:

CLASS OF SECURITY	SHARES	OPTIONS	PERFORMANCE RIGHTS	SARS
Trevor Bourne	355,000	–	–	–
Ian R Davies	2,839,047	2,000,000	1,644,851	3,566,084
Benedict M McKeown*	–	–	–	–
Debra L Goodin	180,000	–	–	–
John Warburton	–	–	–	–
Ralph H Craven	250,000	–	–	–
Timothy BI Crommelin	3,926,812	–	–	–
Yanina A Barilá*	–	–	–	–

* Mr McKeown and Ms Barilá are executives of The Sentient Group which held relevant interests in 188,212,276 Shares (16.33% of issued Shares) at the date of this report.

In FY16 the only equity securities on issue in each related body corporate of the Company were fully paid ordinary shares, all of which were held by the Company. No Director had any interest in any equity security of any related body corporate of the Company.

Significant changes in the state of affairs

There was no other significant change in the state of affairs of the Group during the year that is not detailed elsewhere in this Directors' report.

Significant events after reporting date

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the Company or the Group, the results of the operations of the Company or the Group, or the state of affairs of the Company or the Group in subsequent financial years.

Likely developments and expected results

During the next financial year, the Group will continue to focus on its key projects. Further information on the likely developments and expected results are included in the review of operations on pages18 to 27.

Environmental regulation and performance

The Group's operations are subject to environmental obligations 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 Company's environmental management system. Compliance is monitored on a regular basis via the conduct of environmental audits by regulatory authorities, independent consultants and by Senex. No significant environmental breach or infringement has been notified by any government agency in FY16.

Share options and other rights to unissued shares

At the date of this report, the rights to Senex unissued shares were the following Options, Performance Rights and SARs (all unlisted):

TYPE OF SECURITY	NUMBER	EXERCISE PRICE	CONDITIONS	VESTING	EXPIRY
FY11 LTI Options – tranche 3	1,000,000	$0.255	–	19 July 2012	19 July 2017
FY11 LTI Options – tranche 4	1,000,000	$0.255	–	19 July 2013	19 July 2018
FY15 LTI Rights	1,425,411	–	performance test & vesting	1 July 2017	July 2017
FY16 STI Rights	4,020,690	–	vesting	1 July 2017	July 2017
FY16 SARs – tranche 1	14,459,037	–	performance test & vesting	September 2018	9 September 2022
FY16 SARs – tranche 2	5,250,009	–	performance test & vesting	September 2018	9 September 2022

Note: following the end of the performance period, the Board will assess whether the Performance Rights or SARS will vest or lapse.

Options issued from 1 July 2015 to date of this report

From 1 July 2015 to the date of this report:

- no Options were issued;
- 160,000 Options were exercised;
- 2,506,000 Options expired and lapsed.

Details of these movements were as follows:

DATE	EVENT	NUMBER OF OPTIONS	EXERCISE PRICE
9 September 2015	all FY11 LTI Options tranche 1 expired and lapsed	1,200,000	$0.255
1 July 2016	all FY12 LTI Options tranche 3 expired and lapsed	666,000	$0.400
19 July 2016	FY11 LTI Options tranche 2 exercised	160,000	$0.255
20 July 2016	all remaining FY11 LTI Options tranche 2 expired and lapsed	640,000	$0.255

An Option holder has no right, by virtue of the Option, to participate in any share issue of the Company or any related body corporate.

Performance Rights issued from 1 July 2015 to date of this report

From 1 July 2015 to the date of this report:

- 6,758,228 Performance Rights were issued;
- 3,029,045 Performance Rights vested (and Shares were provided);
- 12,183,533 Performance Rights lapsed.

Details of these movements were as follows:

DATE	EVENT	NUMBER OF RIGHTS
1 July 2015	FY13 EIP Rights (tranche 2) vested	893,060
1 July 2015	FY13 EIP Rights (tranche 2) lapsed	326,272
1 July 2015	FY14 EIP Rights (tranche 2) vested	1,254,098
1 July 2015	FY14 EIP Rights (tranche 2) lapsed	274,273
1 July 2015	FY 13 LTI Rights lapsed	4,770,703
1 July 2015	FY14 STI Rights vested	881,887
2 August 2015	FY14 LTI Rights lapsed	189,451
17 August 2015	FY15 STI Rights lapsed	852,129
5 September 2015	FY14 LTI Rights lapsed	301,471
5 September 2015	FY15 LTI Rights lapsed	398,058
23 November 2015	FY15 LTI Rights lapsed	258,465
4 December 2015	FY 16 STI Rights issued	6,758,228
21 March 2016	FY15 LTI Rights lapsed	402,181
21 March 2016	FY16 STI Rights lapsed	1,062,329
20 July 2016	FY 14 LTI Rights lapsed	1,672,992
20 July 2016	FY 16 STI Rights lapsed	1,675,209

The terms of those Rights, including performance conditions and vesting conditions are described on pages 59 to 64 of this report.

A Performance Right holder has no right, by virtue of the Right, to participate in any share issue of the Company or any related body corporate.

SARs issued from 1 July 2015 to date of this report

From 1 July 2015 to the date of this report:

- 23,384,934 SARs were issued;
- no SARs vested;
- 3,675,888 SARs lapsed.

Details of those movements are disclosed on page 75 of this report.

A SAR holder has no right, by virtue of the SAR, to participate in any share issue of the Company or any related body corporate.

Shares issued as result of exercise of Options or vesting of Performance Rights

Senex issued:

- 160,000 shares to the Senex Employee Share Trust for the holder of the FY11 LTI Options tranche 2 on the exercise of their Options on 19 July 2016; and
- 3,029,045 shares to the Senex Employee Share Trust for the holders of the following Performance Rights on the vesting of their Performance Rights in FY16:

DATE ISSUED	EVENT	NUMBER OF SHARES	ISSUE PRICE PER SHARE ($)
1 July 2015	FY13 EIP Rights (tranche 2) vested	893,060	–
1 July 2015	FY14 EIP Rights (tranche 2) vested	1,254,098	–
1 July 2015	FY14 STI Rights vested	881,887	–

Indemnification and insurance of Directors and officers

In FY16, Senex incurred a premium of $65,332 (FY15: $66,605) 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 insurance against legal costs and amounts relating to insurance against other liabilities.

Directors' meetings (unaudited)

The number of meetings of Senex's Board of Directors and of each Board Committee held in FY16, and the number of meetings attended by each Director were:

			MEETINGS OF COMMITTEES			
	BOARD MEETINGS		AUDIT AND RISK		REMUNERATION AND NOMINATION	
	A	B	A	B	A	B
Trevor Bourne	10	10	6	*	2	*
Ian R Davies	10	10	6	*	2	*
Benedict M McKeown	10	10	6	*	2	2
Debra L Goodin	9	10	6	6	2	2
John Warburton	3	3	1	*	1	1
Ralph H Craven	9	10	4	6	2	2
Timothy BI Crommelin	7	10	5	6	1	2
Yanina A Barilá	9	10	6	*	2	2
Denis F Patten	4	4	2	2	1	1

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the Committee during the year
* = 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 s.307C of the Corporations Act is set out on page 82.

Rotation of lead audit partner

Mr Andrew Carrick, a partner of Ernst & Young, is the lead audit partner for his firm's audit of the Company's accounts. FY16 was the sixth successive financial year in which he was the lead audit partner. As lead audit partner he is, under the Corporations Act, "an individual who plays a significant role in the audit".

The Corporations Act prohibits any individual from playing a significant role in the audit of a listed company for more than five successive financial years without approval of the company's board.

In April 2015, on the recommendation of the Audit & Risk Committee, the Board granted approval pursuant to s.324DAA(1) of the Corporations Act for Mr Carrick to play a significant role in the audit of Senex Energy Limited group after FY15. The Board considered that:

- the interests of the Company would be best served by retaining the services of Mr Carrick as lead audit partner, especially in view of his experience, his industry knowledge and exposure, and his knowledge of the company's business;
- the extension of Mr Carrick's term as lead audit partner would maintain the quality of the audit and would not give rise to a conflict of interest;
- the extension would allow the Board to review the role, responsibilities and membership of the Audit & Risk Committee from FY16 onwards before it is required to choose the lead audit partner who will take over from Mr Carrick;
- in the event of a change in the membership of the Audit & Risk Committee, the extension would also facilitate an orderly handover; and
- the existing independence and service metrics in place were sufficient to ensure that auditor independence would not be diminished by the extension.

In recognition of the six successive financial years in which he has been the lead audit partner, and in acknowledgement of Corporations Act requirements and corporate governance expectations, Mr Carrick will not act as lead audit partner for Ernst & Young's audit of the Company's accounts for FY17. The Board has approved the engagement of Mr Anthony Jones in place of Mr Carrick as lead audit partner for the firm's audit of the Company's accounts for FY17.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission. Accordingly, amounts have been rounded off in accordance with that legislative instrument, unless otherwise indicated.

REMUNERATION REPORT (AUDITED)

The Directors of Senex Energy Limited present this remuneration report for the consolidated entity for the year ended 30 June 2016 (FY16). This report outlines Senex's key remuneration activities in FY16 and provides details of remuneration and performance outcomes for FY16 and from prior years.

The information provided in this report has been audited as required by s.308(3C) of the Corporations Act and forms part of the Directors' report.

At the 2015 annual general meeting, the Company's remuneration report for FY15 was approved without dissent on a show of hands, and 97% of the proxies were voted in favour.

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Remuneration philosophy

The performance of Senex depends upon the quality and performance of its Non-executive Directors, the CEO, Senior Executives and 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;
- incentivising performance and rewarding performance outcomes 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 other than Non-executive Directors 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. Remuneration incentives are considered annually and aligned with prevailing market conditions to ensure attraction and retention of appropriately skilled employees and 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.

Remuneration governance

Remuneration and Nomination Committee

The Remuneration and Nomination 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 advise the Board on alignment of the interests of employees and shareholders in remuneration matters.
- 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.

Dr Ralph Craven serves as the Chair of the Committee. Mr Trevor Bourne, although not a member of the Committee, attends Committee meetings ex officio as Chairman of the Board. 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, as required.

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.

The Board will continue to assess the remuneration policy and practices for the CEO and Senior Executives to ensure they are appropriate for the Company in future years. Senex has a policy relating to Directors and Senior Executives limiting their exposure to risk in equity instruments they hold in or relating to the Company.

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. These assist the Directors to make informed decisions when considering Senex's remuneration policies and practices.

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

In accordance with the Board approved protocol the Committee engaged Guerdon Associates in March 2016 to assist with review of Executive KMP remuneration for FY17.

Table 1: Fees paid to remuneration consultants

REMUNERATION CONSULTANT	ADVICE AND/OR SERVICE PROVIDED	FEES (INCL GST)
Guerdon Associates	review of Executive KMP remuneration for FY17, March-July 2016	$45,861

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 Guerdon 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 appointment of Guerdon included:
  - That the Board or Committee will from time to time commission specific projects related to KMP remuneration.
  - That the remuneration consultant may only provide KMP remuneration recommendations to Non-executive Directors of Senex.
  - That if the remuneration consultant is approached by a Senex executive or executives to perform work that will not give rise to KMP remuneration recommendations then the remuneration consultant should ensure that the Board is aware of and accepts that it is reasonable for the remuneration consultant to undertake that work and will not affect the remuneration consultant's independence.

The Board is satisfied that the remuneration advice was provided free from undue influence.

Remuneration of employees other than CEO and Senior Executives

The Company seeks to offer remuneration to Senex employees, and periodically review their remuneration, in accordance with the remuneration philosophy described on page 57 of this report.

On 20 July 2016 the Board approved an incentive payment to eligible Senex employees (other than the CEO and Senior Executives) in recognition of corporate performance in FY16.

The Board determined that the incentive payment was justified on the basis of several factors, including the outcomes of the FY16 corporate performance scorecard. The corporate performance scorecard for Senex employees was substantially the same as the FY16 STI corporate performance scorecard for the CEO and Senior Executives, which is discussed on pages 62 and 63 of this report. The Board noted that:

- the Company's achievement in three of the four areas of Focus in the scorecard (Licence to Operate, Reserves and Financial Performance) had been at or above the Stretch hurdle;
- even though the Company's achievement in the other area of Focus (Production) had not contributed to the rating, the production outcome had been within market guidance;
- the results in both Production and Reserves were achieved notwithstanding severe cutbacks in capital expenditure and reductions in operating expenditure in FY16, in both cases below budget;
- the results in all areas had been achieved with significantly reduced personnel and at significantly lower cost; and
- the Company had ended the year in a strong financial position with oil price hedging in place, over $100 million in cash and access to an $80 million unsecured corporate debt facility.

The Board approved the incentive payment to eligible Senex employees for FY16 corporate performance in lieu of an offer of Performance Rights under the Senex Employee Incentive Plan (EIP).

An outline of the structure purpose and operation of the EIP was provided in the Company's 2013, 2014 and 2015 annual reports, and the Board approved offers of Performance Rights to Senex employees under the EIP in recognition of corporate performance in FY13 and FY14.

The Company will not make an offer under the EIP for FY16, and incentive arrangements for Senex employees (other than the CEO and Senior Executives) for FY17 and beyond are under review.

FY16 Executive Remuneration snapshot

Executive KMP receive an annual remuneration package consisting of:

- a total fixed remuneration (TFR), principally base salary and superannuation contributions, that is not at risk;
- an offer of a short term incentive (STI); and
- an offer of a long term incentive (LTI).

REMUNERATION STRUCTURE FOR EXECUTIVE KMP IN FY16	The Board approved for each Executive KMP (including the CEO) a remuneration package for FY16 consisting of: ▪ an agreed level of **TFR**; plus ▪ an STI (**FY16 STI**) that represented (at STI Grant Date) a maximum uplift of up to 66% of the executive's FY16 TFR (Maximum STI); plus ▪ an LTI (**FY16 LTI**) in two tranches that represented (at LTI Grant Date) a maximum uplift of up to 50% of the executive's FY16 TFR (Maximum LTI).
TFR FOR EXECUTIVE KMP IN FY16	▪ There was no increase in TFR for the CEO in FY16. His TFR remained at the level that was first provided to him in FY14. ▪ There was no increase in full time equivalent (FTE) TFR in FY16 for four of the six individuals (other than the CEO) who continued as Executive KMP from FY15. ▪ The aggregate FTE TFR for FY16 for those six Senior Executives was only 2.2% higher than their aggregate FTE TFR for FY15. ▪ Three of the six individuals (other than the CEO) who continued as Executive KMP from FY15 ceased to be KMP during FY16. The TFR of the two new hired executives who became Executive KMP in FY16 was market determined. ▪ The aggregate FTE TFR for FY16 for the five individuals (other than the CEO) who served as Executive KMP at the end of FY16 was only 2.5% higher than the aggregate FTE TFR of the five individuals (other than the CEO) who served in those positions at the start of FY16.
STI OFFERED TO EXECUTIVE KMP FOR FY16	▪ The STI offered to the Executive KMP (including the CEO) for FY16 was similar to the STI offered to the Executive KMP for FY15. It was an opportunity to receive an STI award determined by the Board on the basis of corporate performance for FY16. ▪ The performance condition for the STI was the Board's determination of the corporate performance rating for FY16 based on criteria relevant to corporate performance (see page 62 of this report). The Board also considered the extent to which the performance, team work and adherence to Senex values by the executives contributed to the performance of the Group. ▪ If the Board determined to make an STI award, 50% of the award was to be paid in cash after Board approval of the full year financial report for FY16 and the other 50% was to be provided by the vesting of contingent Performance Rights (FY16 STI Rights) subject to 12 month deferral, (i.e. not vesting until 1 July 2017). ▪ The offer of FY16 STI Rights to the CEO was subject to shareholder approval (granted at 2015 AGM).

OUTCOME OF FY16 STI	▪ The Board determined that the corporate performance rating for FY16 was 75% (see page 63 of this report). ▪ On that basis the Board awarded STI for FY16 to the Executive KMP averaging 70.6% of their maximum STI, representing an average 46.6% uplift of their FY16 Participating TFR. ▪ Of the FY16 STI Rights granted to the Executive KMP, 29.4% lapsed on 20 July 2016 (the date of the Board's determination) and the remaining 70.6% will vest if they are Senex employees on the vesting date, 1 July 2017.
LTI OFFERED TO EXECUTIVE KMP FOR FY16	▪ The LTI offered to the Executive KMP (including the CEO) for FY16 was different in terms, level and structure from the LTI offered to the Executive KMP for FY15 and previous years. ▪ The FY16 LTI was provided in the form of two tranches of share appreciation rights under the Senex SARs Plan (FY16 LTI SARs) subject to three year performance and three year vesting. ▪ Each tranche is subject to a performance condition and a vesting condition over a three year performance period, and will only vest if and to the extent that the Board determines that the LTI performance condition for that tranche (LTI Performance Condition) is satisfied at the end of the three year performance period for that tranche and the executive is a Senex group employee on the vesting date for that tranche. ▪ SARs representing 70% of FY16 LTI (Tranche 1 SARs) are subject to an LTI Performance Condition (Relative TSR Performance Condition) that the Company achieves total shareholder return (TSR) at or above the 50th percentile of the TSR of a comparator group of companies (S&P/ASX 300 Energy Index) over the three year performance period. ▪ SARs representing 30% of FY16 LTI (Tranche 2 SARs) are subject to an LTI Performance Condition (2P Reserves Target Performance Condition) that the Company achieve a stated target number of 2P oil and gas reserves (100 – 125 mmboe) over the three year performance period. ▪ The offers of FY16 LTI SARs, including the offer to the CEO, were approved by shareholders at the 2015 AGM.
LTI PROGRAM CHANGES FROM PREVIOUS YEAR	▪ For FY13, FY14 and FY15, the Board granted LTI Rights that were subject to a performance condition and a vesting condition over a three year performance period. ▪ FY13 LTI Rights, FY14 LTI Rights and FY15 LTI Rights only vest if and to the extent that the Board determines that the LTI performance condition is satisfied at the end of the respective three year performance period and the executive is a Senex group employee at the end of the performance period (the LTI vesting date). ▪ The performance condition for FY13 LTI Rights, FY14 LTI Rights and FY15 LTI Rights was absolute TSR over the three year period in each case, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. ▪ All FY13 LTI Rights lapsed on 1 July 2015 when the Board determined that the three year absolute TSR performance condition was not satisfied. ▪ All FY14 LTI Rights lapsed on 20 July 2016 when the Board determined that the three year absolute TSR performance condition was not satisfied. ▪ The three year absolute TSR performance period for FY15 LTI Rights ends on 30 June 2017. ▪ No LTI Rights granted in FY13, FY14 or FY15 vested in FY16.
NON-EXECUTIVE DIRECTORS	▪ Fees paid to Non-executive Directors did not increase in FY16.

Remuneration framework

Framework for Executive KMP remuneration

The table below shows the key objectives of Senex's remuneration policy for Executive KMP and how these are implemented through the Company's remuneration framework.

ATTRACT AND RETAIN TALENTED AND QUALIFIED EXECUTIVE KMP	▪ Remuneration levels are market-aligned against similar roles within industry peer companies and other listed companies of comparable size and complexity.
ENCOURAGE EXECUTIVE KMP TO STRIVE FOR SUPERIOR PERFORMANCE	▪ A significant component of remuneration is 'at risk' under short term and long term incentive plans. Value to the executive is dependent on meeting challenging targets. ▪ Consistently high-performing executives are also rewarded through higher base remuneration. ▪ Short term incentives are aligned to key performance milestones including safety, profitability and growth.
ALIGN EXECUTIVE KMP AND SHAREHOLDER INTERESTS	▪ Long term incentives are delivered through equity instruments linked to ordinary shares. ▪ Long term incentives are subject to a three year performance condition and a three year vesting condition. ▪ Long term incentives are 'at risk' and executives cannot hedge equity instruments that are unvested or subject to restrictions.

Vesting on change of control

The Senex Performance Rights Plan and the Senex SARs Plan respectively provide that in the event of change of control of the Company:

- All unvested Performance Rights and all unvested SARs that are subject only to a service condition will vest immediately on change of control.
- All unvested Performance Rights and all unvested SARs that are subject to a performance condition will be tested for satisfaction of the performance condition on two alternative bases, and to the extent that the performance condition is satisfied under those tests part or all of those unvested Performance Rights and unvested SARs will vest immediately on change of control.
- All vested SARs (including those that vest on Change of Control) will be deemed to have been exercised at the time the Change of Control occurs
- The Board has an overriding discretion to vest or increase vesting of unvested Performance Rights and unvested SARs in the event of change of control.

Clawback

Each offer of STI or LTI to Executive KMP has included a term that, in the event that any measure of the Company's performance against an STI or LTI performance condition is subsequently discovered to have been misstated, the Board will have a right at its discretion to clawback, out of any unvested entitlements (including unvested Performance Rights and SARs) and any vested but unexercised entitlements (including vested Performance Rights and SARs) that the executive holds at that time or subsequently, the amount or value of any incentive remuneration (e.g. the number of Performance Rights or SARs, if any) that vested incorrectly in reliance on the misstated level of performance.

Employment agreements and termination entitlements

The employment agreement that the Company has entered into with each member of Executive KMP has no fixed term of employment. The termination provisions applicable to the Executive KMP are shown below.

	NOTICE PERIOD		PAYMENT IN LIEU OF NOTICE	
	CEO	SENIOR EXECUTIVES	CEO	SENIOR EXECUTIVES
Employer-initiated termination	6 months	4 months	6 months	4 months
Termination for serious misconduct	None	None	None	None
Employee-initiated termination	6 months	4 months	6 months	4 months

Link between performance and remuneration for CEO and Senior Executives

Short term incentive (STI)

At the commencement of each performance year, the Board determines the corporate performance scorecard for the year, including the metrics by which short term (12 month) corporate performance will be measured and the level of achievement required to achieve "Threshold", "Target" and "Stretch" performance under each metric. At the end of the year the Board determines the corporate performance rating for the year on the basis of the level of achievement under those metrics, and awards STI to the CEO and Senior Executives for that year on the basis of that determination. The Board also takes into account other factors that are material to the exercise of their discretion.

The short term performance metrics and hurdles in the corporate performance scorecard were 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 2 presents the corporate performance metrics and Target level hurdles for FY16 and the rationale for their selection to determine the corporate performance rating.

For each metric the Board also determined:

- a Stretch level hurdle that was perceived to represent the upper limit of possible outcomes that were planned for and a very challenging goal that was unlikely to be achieved. The Stretch hurdle was generally aligned with outstanding performance and the reward associated with it was 150% of the reward for achievement of the Target hurdle;
- a Threshold level hurdle that was perceived to be the minimum level of performance deserving of reward. The Threshold hurdle was generally set just below the challenging but achievable Target hurdle and the reward associated with it was 50% of the reward for achievement of the Target hurdle.

Table 2: FY16 STI corporate performance metrics and Target level hurdles for CEO and Senior Executives

FOCUS	PERFORMANCE METRIC	TARGET HURDLE	RATIONALE AND COMMENTARY
Licence to Operate	Improvement in total recordable injury frequency rate (TRIFR)[1]	reduction in TRIFR[2] to 4.5	Safety is paramount in all Senex operations and is key to the Company's licence to operate
	process safety (LOCI Tier 1)[3]	zero loss of containment incidents[3]	Senex strives to eliminate any unintended environmental damage
Production	boe[4]	1.2 mmboe net to Senex	Production of oil & gas is at the core of Senex's business and demonstrates the Company's value to investors
Reserves	RRR (% of Production)[5]	110% RRR[5]	Increase in 2P reserves is a key outcome that is created by the Company's investment in exploration and appraisal activities
Financial	UOC ($ per boe Production)[6]	a stated A$ amount per boe, being less than FY16 budget UOC	Reducing costs of production is a tangible demonstration of operating efficiency
	net G&A ($)[7]	a stated A$ amount, being less than FY16 budget net G&A	Minimisation of general and administrative costs is another way that the Company uses its resources efficiently

1 Recordable injuries are fatalities, lost time injuries, restricted work injuries and medical treatment injuries
2 TRIFR is calculated in accordance with the APPEA Incident Reporting Guidelines and is equal to recordable injuries per million man hours worked
3 A loss of containment incident is an LOCI Tier 1, calculated in accordance with APPEA guidelines
4 Production is measured in barrels of oil equivalent (boe) produced at well head in the period
5 RRR (%) = reserves replacement ratio = boe of 2P Reserves added (excluding acquisitions & divestments) ÷ boe of Production
6 UOC = unit operating cost per boe of Production = (cost of sales – depreciation & amortisation – royalties) ÷ boe of Production
7 Net G&A = net general and administrative costs as reported, but subject to adjustment for purpose of assessment to ensure fair comparison on basis of material assumptions underlying budget

FY16 STI Performance

The Board conducted performance evaluation of the CEO in FY16, and the CEO (in consultation with the human resources team and the Remuneration and Nomination Committee) conducted performance evaluations of each Senior Executive. The performance evaluation of each Senior Executive involved obtaining feedback from employees in the executive's business unit and the executive's peers as well as an assessment of the individual executive's performance against agreed measures, an examination of their effectiveness in their role, identification of areas of potential improvement and assessment as to whether expectations of the CEO, shareholders and other stakeholders had been met by the individual.

The Board noted the following outcomes in the FY16 STI corporate performance scorecard:

- the achievement in three of the four areas of Focus in the scorecard (Licence to Operate, Reserves and Financial Performance) had been at or above the Stretch hurdle;
- even though the achievement in the other area of Focus (Production) had not contributed to the rating, it had been within market guidance;
- the results in both Production and Reserves were achieved notwithstanding severe cutbacks in capital expenditure and reductions in operating expenditure in FY16, in both cases below budget;
- the results in all areas had been achieved with significantly reduced personnel and at significantly lower cost; and
- the Company had ended the year in a strong financial position with oil price hedging in place, over $100 million in cash and access to an $80 million unsecured corporate debt facility.

On that basis the Board determined that the corporate performance rating for FY16 was 75%.

After adjustments for individual performance, the Board awarded STI for FY16 to the CEO and Senior Executives averaging 70.6% of their maximum STI (representing an average 46.6% uplift of their FY16 Participating TFR).

Of the FY16 STI Rights granted to the CEO and Senior Executives, 29.4% lapsed on 20 July 2016, the date of the Board's determination and the remaining 70.6% will vest if they are Senex employees on the vesting date, 1 July 2017.

The offer of FY16 STI Rights to the CEO was subject to shareholder approval (granted at 2015 AGM).

Long term incentive (LTI)

FY16 LTI

The LTI offered to the CEO and Senior Executives for FY16 was different in terms, level and structure from the LTI offered to the Executive KMP for FY15 and previous years.

The FY16 LTI was provided in the form of two tranches of share appreciation rights (SARs) under the Senex SARs Plan (FY16 LTI SARs) subject to three year performance and three year vesting.

Each tranche is subject to a performance condition and a vesting condition over a three year performance period, and will only vest if and to the extent that the Board determines that the LTI performance condition for that tranche (LTI Performance Condition) is satisfied at the end of the three year performance period for that tranche and the executive is a Senex group employee on the vesting date for that tranche.

SARs representing 70% of FY16 LTI (Tranche 1 SARs) are subject to an LTI Performance Condition (Relative TSR Performance Condition) that the Company achieves total shareholder return (TSR) at or above the 50th percentile of the TSR of a comparator group of companies (S&P/ASX 300 Energy Index) over the three year performance period.

SARs representing 30% of FY16 LTI (Tranche 2 SARs) are subject to an LTI Performance Condition (2P Reserves Target Performance Condition) that the Company achieve a stated target number of 2P oil and gas reserves (100 – 125 mmboe) over the three year performance period.

Relative TSR was chosen as the metric for Tranche 1 SARs (representing 70% of FY16 LTI) because it provides a benchmark of performance against Senex's peers in the market. The S&P/ASX 300 Energy Index was chosen based on consideration of a number of factors including the number of constituents, its median volatility rank, its size and the fact that the group operates in largely the same industry and is faced with the same operational and economic risks as Senex.

A 2P oil and gas reserves target of 100 – 125 mmboe was chosen as the metric for Tranche 2 SARs (representing 30% of FY16 LTI) to reflect median market expectations for Senex's asset portfolio at the end of the three year performance period, including having regard to the current level of reserves, future budgets and drilling programs and likelihood of success in those programs recognising what is already known about the properties held and their prospectivity.

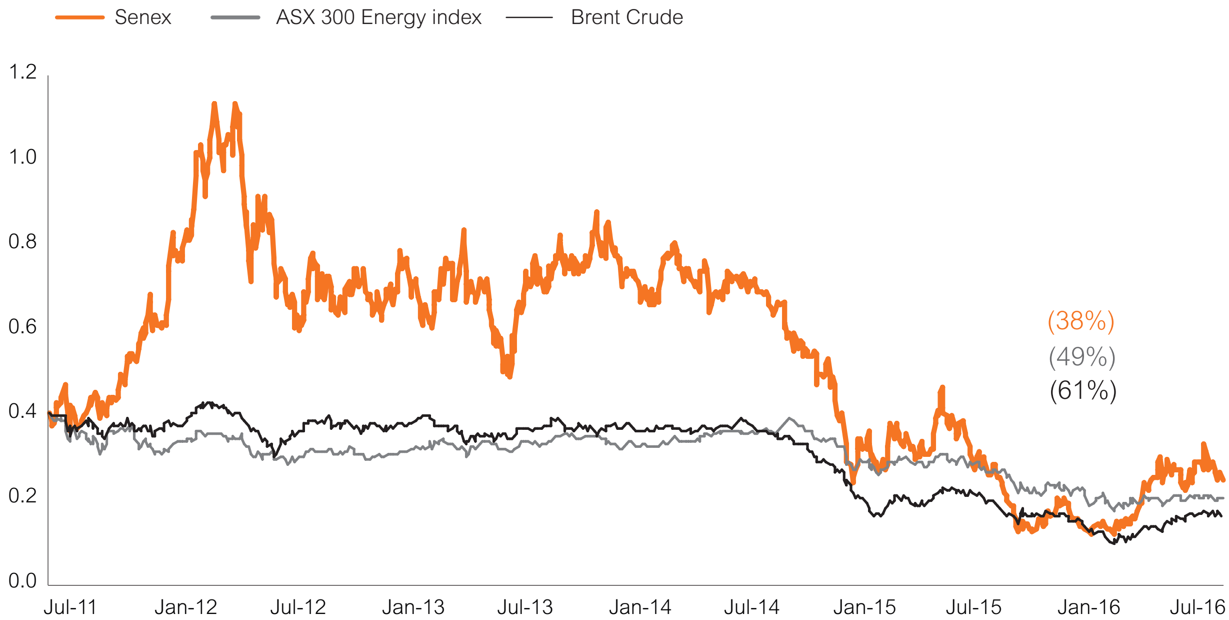
The potential remuneration uplift that the FY16 LTI offered to the CEO and Senior Executives represented at grant date up to 50% of each executive's FY16 TFR (their maximum LTI).

The number of FY16 LTI SARs granted to the CEO and each Senior Executive was calculated by dividing the executive's maximum LTI by the participation price for FY16 LTI SARs.

The participation price for FY16 LTI SARs was $0.061 for Tranche 1 and $0.072 for Tranche 2, being the Company's determination of the value of each FY16 LTI SAR granted 9 September 2015, taking into account the LTI Performance Conditions, the vesting condition, the starting price, the exercise period, the prices at which Senex shares trade on ASX and the risk and volatility of the ASX market in Senex shares, rounded to three decimal places of the currency unit (the dollar).

The offers of FY16 LTI SARs, including the offer to the CEO, were approved by shareholders at the 2015 AGM.

Graph 1 is an illustration of the consequences of the Company's performance on shareholder wealth in FY16 and over the previous four financial years (FY12 – FY15).



FY13, FY14 and FY15 LTI

For FY13, FY14 and FY15, the Board granted LTI Rights that were subject to a performance condition and a vesting condition over a three year performance period.

The performance condition for FY13 LTI Rights, FY14 LTI Rights and FY15 LTI Rights respectively was absolute TSR over the three year period in each case, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition in each case required the executive to be a Senex employee at the end of the performance period.

All FY13 LTI Rights lapsed 1 July 2015 when the Board determined that the three year absolute TSR performance condition was not satisfied.

All FY14 LTI Rights lapsed 20 July 2016 when the Board determined that the three year absolute TSR performance condition was not satisfied.

The three year absolute TSR performance period for FY15 LTI Rights ends 30 June 2017.

No LTI Rights granted in FY13, FY14 or FY15 vested in FY16.

FY15 LTI Rights – summary of terms:

Table 3: LTI remuneration measures, targets and potential uplift offered to Senior Executives in FY15

LTI PERFORMANCE MEASURE[1]	THRESHOLD[2]	TARGET[3]	STRETCH[3]
Senex compound annual growth rate in absolute TSR	≥10% pa	≥15% pa	≥ 20% pa
Absolute TSR over three year measurement period	≥33.1%	≥52.1%	≥72.8%
% of CEO LTI Rights to vest if hurdle achieved after 3 years	–	–	100%[4]
% of Senior Executive LTI Rights to vest if hurdle achieved after 3 years	~14%	50%	100%

1 Performance for the TSR condition will be measured by the increase in value of a Senex share over the LTI Performance Period principally by comparing the 20 day VWAP of Senex shares traded in the last 20 trading days on ASX up to the end of June 2017 with the 20 day VWAP of Senex shares traded in the last 20 trading days on ASX up to the end of June 2014.

2 Where TSR achieved is below Threshold level, vesting (if any) of FY 15 LTI Rights for Senior Executives will be at the Senex Board's discretion, and the Senior Executives will have no entitlement.

3 Where TSR achieved is between performance levels, vesting is pro rata.

4 Where TSR achieved is below Stretch level, vesting (if any) of FY15 LTI Rights for the CEO will be at the Senex Board's discretion, and the CEO will have no entitlement.

Overview of CEO remuneration

The Non-executive Directors directly engaged and received independent external advice on Mr Davies' remuneration package, which was benchmarked against the remuneration paid to CEOs of a group of ASX-listed companies identified as the most comparable peers of Senex in the oil and gas sector. This advice was received and considered by the Remuneration and Nomination Committee and the Board without management being present.

Overview of earnings

FIXED REMUNERATION	
What was the CEO's TFR?	The CEO's TFR was $850,000 in FY16 which has not increased since FY14.
SHORT TERM INCENTIVES	
What was the maximum STI that the CEO could achieve in FY16?	The maximum STI that the CEO could achieve for FY16 represented at grant date an uplift of up to 66% of his FY16 TFR, with 50% of any FY16 STI award (if any) to be paid in cash after Board approval of the full year financial report for FY 2016, and the other 50% provided by the vesting of contingent Performance Rights (FY16 STI Rights) subject to 12 month deferral, (i.e. not vesting until 1 July 2017 and subject to the CEO still being a Senex employee on that date). The offer of FY16 STI Rights to the CEO was subject to shareholder approval (granted at 2015 AGM).
How much STI did the CEO receive for FY16 performance?	On the basis of its determination of a 75% corporate performance rating for FY16 the Board awarded an STI to the CEO representing an uplift of 48.375% of his FY16 TFR.
How is overall performance assessed for STI purposes?	These are discussed on page 62 and table 2.

LONG TERM INCENTIVES	
How much annual LTI was granted to the CEO in FY16?	FY16 LTI is described on page 63 of this report. Senex granted to the CEO: ▪ 4,877,049 Tranche 1 FY16 LTI SARs, and ▪ 1,770,833 Tranche 2 FY16 LTI SARs as his LTI for FY16. These SARs are the maximum LTI that the CEO can earn for FY16, representing at grant date an uplift of 50% of his FY16 TFR. The number of FY16 LTI SARs granted was calculated by dividing: ▪ 70% of the maximum LTI that the Company offered the CEO for FY16 (35% of his FY16 TFR) by the participation price for Tranche 1 FY16 LTI SARs, and ▪ 30% of the maximum LTI that the Company offered the CEO for FY16 (15% of his FY16 TFR) by the participation price for Tranche 2 FY16 LTI SARs. The offer of FY16 LTI SARs to the CEO was subject to shareholder approval (granted at 2015 AGM).
What are the applicable performance conditions?	These are discussed on page 63 of this report.
What proportion of prior year LTI grants vested in FY16?	All FY13 LTI Rights lapsed on 1 July 2015 when the Board determined that the three year absolute TSR performance condition was not satisfied. All FY14 LTI Rights lapsed on 20 July 2016 when the Board determined that the three year absolute TSR performance condition was not satisfied. The three year absolute TSR performance period for FY15 LTI Rights ends on 30 June 2017. No LTI Rights granted in FY13, FY14 or FY15 vested in FY16.
OUTLOOK	
Will the CEO's remuneration increase in FY17?	Following a review of the CEO's performance and remuneration in FY16, the Board intends to offer him the same TFR for FY17 that he received in FY16, and to offer him amounts levels and structures of STI and LTI for FY17 substantially similar to the STI and LTI that he was offered for FY16.
What is the outlook for the CEO's remuneration beyond FY17?	The Board expects to review the CEO's remuneration annually in accordance with the key objectives of Senex's remuneration policy.

At risk remuneration – CEO

In FY16, 53.7% of the maximum potential remuneration offered to the CEO was at risk being subject to performance conditions (30.6% for short term performance, 23.1% for long term performance) and vesting conditions (15.3% vesting 1 July 2017, 23.1% vesting September 2018).

Table 4: Relative weights of remuneration components for CEO[1]

	FIXED REMUNERATION	MAXIMUM POTENTIAL STI VALUED AT GRANT DATE	MAXIMUM POTENTIAL LTI VALUED AT GRANT DATE
FY16	46.3%	30.6%	23.1%
FY15	38.5%	38.5%	23.0%
FY14	38.5%	38.5%	23.0%
FY13	17.1%	9.3%	73.6%
FY12	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.

Overview of Senior Executive remuneration

FIXED REMUNERATION	
What was the increase in fixed remuneration for Senior Executives in FY16?	There was no increase in FTE TFR in FY16 for four of the six individuals (other than the CEO) who continued as Executive KMP from FY15. The aggregate FTE TFR for FY16 for those six Executive KMP was only 2.2% higher than their aggregate FTE TFR for FY15. Three of the six individuals (other than the CEO) who continued as Executive KMP from FY15 ceased to be KMP during FY16. The TFR of the two new hired executives who became Executive KMP in FY16 was market determined. The aggregate FTE TFR for FY16 for the five individuals (other than the CEO) who served as Executive KMP at the end of FY16 was only 2.5% higher than the aggregate FTE TFR of the five individuals (other than the CEO) who served in those positions at the start of FY16.
SHORT TERM INCENTIVES	
What was the maximum STI that the Senior Executives could achieve in FY16?	The terms, level and structure of FY16 STI for the Senior Executives were the same as for FY16 STI for the CEO (see page 62 of this report). The maximum STI that each executive could achieve for FY16 represented at grant date an uplift of up to 66% of their FY16 TFR, with 50% of any FY16 STI award (if any) to be paid in cash after Board approval of the full year financial report for FY16, and the other 50% provided by the vesting of contingent Performance Rights (FY16 STI Rights) subject to 12 month deferral, (i.e. not vesting until 1 July 2017 and subject to the executive still being a Senex employee on that date).
How were STI payments calculated?	The STI offered to the Executive KMP (including the CEO) for FY16 was similar to the STI offered to the Executive KMP for FY15. It was an opportunity to receive an STI award determined by the Board on the basis of corporate performance for FY16. The performance condition for the STI was the Board's determination of the corporate performance rating for FY16 based on criteria relevant to corporate performance (see page 62 of this report). The Board also considered the extent to which the performance, team work and adherence to Senex values by the executives contributed to the performance of the Group. If the Board determined to make an STI award, 50% of the award was to be paid in cash after Board approval of the full year financial report for FY16 and the other 50% was to be provided by the vesting of contingent Performance Rights (FY16 STI Rights) subject to 12 month deferral, (i.e. not vesting until 1 July 2017). The Board determined that the corporate performance rating for FY16 was 75% (see page 63 of this report). On that basis the Board awarded STI for FY16 to the Executive KMP averaging 70.6% of their maximum STI, representing an average 46.6% uplift of their FY16 Participating TFR. Of the FY16 STI Rights granted to the Executive KMP, 29.4% lapsed 20 July 2016, the date of the Board's determination and the remaining 70.6% will vest if they are Senex employees on the vesting date, 1 July 2017. The offer of FY16 STI Rights to the CEO was subject to shareholder approval (granted at the 2015 AGM).
How was FY16 performance assessed for STI purposes?	The performance measures for STI for the Senior Executives were the same as the performance measures for STI for the CEO for FY16 (see page 62 of this report).

SHORT TERM INCENTIVES CONTINUED	
What proportion of prior year STI grants vested in FY16?	All FY15 STI Rights lapsed 17 August 2015 when the Board determined that there would be no award of STI to the CEO or the Senior Executives for FY15. On the basis of the Board's determination of the corporate performance rating for FY14, 66.3% of the FY14 STI Rights held by the FY14 Senior Executives lapsed in August 2014. The remaining FY14 STI Rights were due to vest 1 July 2015, subject to satisfaction of the vesting condition. 67.7% of the remaining FY14 STI Rights vested 1 July 2015, and the others lapsed when the vesting condition was not satisfied.
LONG TERM INCENTIVES	
How much annual LTI was granted in FY16?	The terms, level and structure of FY16 LTI for the Senior Executives were the same as for FY16 LTI for the CEO. The FY16 LTI offered to the Executive KMP (including the CEO) was different in terms, level and structure from the LTI offered to the Executive KMP for FY15 and previous years (see page 63 to 65 of this report). The number of FY16 LTI SARs granted to each executive was calculated by dividing: ▪ 70% of the maximum LTI that the Company offered the executive for FY16 (35% of their FY16 TFR) by the participation price for Tranche 1 FY16 LTI SARs, and ▪ 30% of the maximum LTI that the Company offered the executive for FY16 (15% of their FY16 TFR) by the participation price for Tranche 2 FY16 LTI SARs. The offers of FY16 LTI SARs, including the offer to the CEO, were approved by shareholders at the 2015 AGM.
What proportion of prior year LTI grants vested in FY16?	For FY13, FY14 and FY15, the Board granted LTI Rights that were subject to a performance condition and a vesting condition over a three year performance period. The performance condition for FY13 LTI Rights, FY14 LTI Rights and FY15 LTI Rights respectively was absolute TSR over the three year period in each case, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition in each case required the executive to be a Senex employee at the end of the performance period. All FY13 LTI Rights lapsed 1 July 2015 when the Board determined that the three year absolute TSR performance condition was not satisfied. All FY14 LTI Rights lapsed 20 July 2016 when the Board determined that the three year absolute TSR performance condition was not satisfied. The three year absolute TSR performance period for FY15 LTI Rights ends 30 June 2017. No LTI Rights granted in FY13, FY14 or FY15 vested in FY16.
What are the performance conditions for the FY16 LTI?	These are discussed on page 63 of this report.

OUTLOOK	
Will the Senior Executives' remuneration increase in FY17?	Senex offers levels of fixed and total remuneration for Senior Executives to be competitive with industry peers and other listed companies of comparable size and complexity. Following a review of the Senior Executives performance and remuneration in FY16, the Board intends: ▪ to offer some of them an increase in their TFR for FY17 to ensure their remuneration level is market-aligned against similar roles within industry peer companies and other listed companies of comparable size and complexity; and ▪ to offer all of them amounts levels and structures of STI and LTI for FY17 substantially similar to the STI and LTI that the Company offered to the Senior Executives for FY16.
What is the outlook for the Senior Executives' remuneration beyond FY17?	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.

At risk remuneration – Senior Executives

In FY16, 53.7% of the maximum potential remuneration offered to each Senior Executive was 'at risk' (compared to 58.3% in FY15), being subject to performance conditions (30.6% for short term performance, 23.1% for long term performance) and vesting conditions (15.3% vesting 1 July 2017, 23.1% vesting September 2018).

Table 5: Relative weightings of remuneration components for Senior Executives[1]

	FIXED REMUNERATION	MAXIMUM POTENTIAL STI VALUED AT GRANT DATE	MAXIMUM POTENTIAL LTI VALUED AT GRANT DATE
FY16	46.3%	30.6%	23.1%
FY15	41.7%	29.2%	29.2%
FY14	42.0%	41.2%	16.8%
FY13	41.7%	29.2%	29.1%

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.

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.

Framework for Non-executive Director remuneration

The table 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.

ATTRACT AND RETAIN TALENTED AND QUALIFIED DIRECTORS	Fee levels are set with regard to: ▪ time commitment and workload; ▪ the risk and responsibility attached to the role; ▪ experience and expertise; and ▪ market benchmarking.
ENCOURAGE INDEPENDENCE AND IMPARTIALITY	▪ Fee levels do not vary according to Company performance or individual Director performance from year to year. ▪ Market capitalisation is considered in setting the aggregate fee pool and in benchmarking Board and Committee fees.
ALIGN DIRECTOR AND SHAREHOLDER INTERESTS	▪ Senex encourages its Non-executive Directors to build a long term stake in the Company. ▪ Non-executive Directors can acquire shares through acquisition on market during trading windows.

Maximum aggregate amount of annual remuneration

The maximum aggregate annual remuneration of Non-executive Directors must not exceed $950,000, being the amount determined by Senex shareholders at the 2014 annual general meeting. 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 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 committee to which they are appointed, with a higher fee for the chair of each Board committee.

Table 6: Annual fees for Non-executive Directors in FY16[1]

	CHAIR	MEMBER
From 1 July 2015 to 30 June 2016:		
Board	$220,000 pa	$110,000 pa
Audit and Risk Committee	$12,000 pa	$5,000 pa
Remuneration and Nominations Committee	$12,000 pa	$5,000 pa

1 Fees are shown exclusive of superannuation contributions.

Superannuation and retirement benefits

In addition to the fees set out above, the Company made superannuation contributions on behalf of Non-executive Directors at the statutory rate of superannuation contribution in FY16. Non-executive Directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

Realised remuneration

Table 7 shows the remuneration actually realised in FY16 by the CEO and the Senior Executives who were KMP at 30 June 2016, and includes any STI received in respect of short term performance measures for FY16, and the value of any LTI from prior years that was actually received in FY16. 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 8 and 9 on pages 72 and 74.

As a general principle, the Accounting Standards require a value to be placed on LTI based 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 for the quantity of rights that actually vest. 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 7 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 7: Realised remuneration (non-IFRS)

	YEAR	TFR[1] $	STI[2] $	LTI[3] $	OTHER[4] $	TOTAL
Ian R Davies	2016	850,000	313,211	–	25,425	1,188,636
	2015	850,000	–	196,765	25,855	1,072,620
David Spring	2016	470,000	75,788	–	112,804	658,592
	2015	78,108	–	–	18,286	96,394
Francis L Connolly	2016	395,000	129,759	–	11,516	536,275
	2015	395,000	–	108,251	10,979	514,230
Graham K Yerbury[5]	2016	305,445	111,263	–	7,782	424,490
	2015	–	–	–	–	–
Julie A Whitcombe[6]	2016	146,100	80,203	–	4,756	231,059
	2015	269,683	–	117,484	10,979	398,146
Suzanne L Hockey[7]	2016	168,727	40,491	–	56,676	265,894
	2015	–	–	–	–	–
Andrew J Crowley[8]	2016	–	–	–	–	–
	2015	37,680	–	–	2,846	40,526
Darren B Stevenson[9]	2016	–	–	–	–	–
	2015	32,153	–	–	915	33,068
Susan L Mallan[10]	2016	–	–	–	–	–
	2015	19,358	–	–	864	20,222
Gary J Proctor[11]	2016	–	–	–	–	–
	2015	134,798	–	–	134,840	269,638
Andrew J Price[12]	2016	81,888	35,517	–	1,025	118,430
	2015	410,000	–	–	11,590	421,590
Brett Smith[13]	2016	134,267	–	–	173,508	307,775
	2015	270,351	–	–	6,803	277,154
Craig Stallan[14]	2016	319,841	–	–	86,010	405,851
	2015	417,190	–	–	99,685	516,875
Total	**2016**	**2,871,268**	**786,232**	**–**	**479,502**	**4,137,002**
	2015	**2,914,321**	**–**	**422,500**	**323,642**	**3,660,463**

1 TFR comprises base salary and superannuation. TFR is stated only for the period that the Executive was a member of KMP.

2 STI represents the amount of the cash bonus that will be paid in September 2016 for FY16 performance together with shares issued for FY14 STI rights that vested in FY16.

3 No FY16 LTI was realised in FY16. FY15 LTI is the pre-tax value of shares provided in FY15 in respect of LTI that vested or were exercised in FY15 and relate to FY11 and FY12 LTI rights granted to Mrs Julie Whitcombe and Mr Francis Connolly in prior years that vested in FY15 and FY12 LTI options granted to Mr Ian Davies in a prior year that were exercised in FY15.

4 Other comprises adhoc payments treated as remuneration such as parking (including fringe benefit tax paid), relocation costs and termination payments.

5 Mr Yerbury became a KMP on 26 October 2015.

6 Mrs Whitcombe commenced maternity leave on 11 May 2015 and returned to work on 01 February 2016 and was remunerated on a 0.8 FTE basis from this date. Mrs Whitcombe was remunerated on the following basis in FY15.

0.8 FTE TFR for 6 months
0.6 FTE TFR for 5 months
0.4 FTE TFR for 1 month

7 Mrs Hockey became a KMP on 04 January 2016.

8 Mr Crowley ceased being a KMP on 31 July 2014.

9 Mr Stevenson ceased being a KMP on 31 July 2014.

10 Mrs Mallan ceased being a KMP on 31 July 2014.

11 Mr Proctor ceased being a KMP on 31 October 2014.

12 Mr Price ceased being a KMP on 05 August 2015.

13 Mr Smith ceased being a KMP on 23 October 2015.

14 Mr Stallan ceased being a KMP on 03 March 2016.

Directors' Report and Remuneration Report

Detailed remuneration information

Summarised details of the remuneration for each of the CEO, Non-executive Directors and Senior Executives in FY15 and FY16 as required under the Corporations Act are provided below.

Table 8: CEO and Non-executive Directors' FY15 and FY16 remuneration details

		SHORT-TERM				POST EMPLOYMENT				% OF TOTAL RENUMERATION AT RISK SUBJECT TO:	
	YEAR	SALARY & DIRECTORS FEES $	BONUS $	OTHER $	NON-MONETARY BENEFITS* $	SUPER-ANNUATION $	TERMINATION $	SHARE-BASED PAYMENT[1] $	TOTAL $	PERFORMANCE $	OPTIONS $
Directors											
Trevor Bourne	2016	220,000	–	–	7,731	19,308	–	–	247,039	–	–
	2015	98,333	–	–	2,821	9,342	–	–	110,496	–	–
Ian R Davies	2016	830,692	205,594	–	25,425	19,308	–	340,251	1,421,270	38%	–
	2015	831,217	–	–	25,855	18,783	–	710,080	1,585,935	45%	–
Benedict M McKeown[2]	2016	–	–	–	7,731	–	–	–	7,731	–	–
	2015	–	–	–	9,112	–	–	–	9,112	–	–
Debra L Goodin	2016	125,972	–	–	7,731	11,967	–	–	145,670	–	–
	2015	120,000	–	–	9,112	11,400	–	–	140,512	–	–
John Warburton	2016	32,681	–	–	2,288	3,105	–	–	38,074	–	–
	2015	–	–	–	–	–	–	–	–	–	–
Ralph H Craven	2016	125,333	–	–	7,731	11,907	–	–	144,971	–	–
	2015	127,500	–	–	9,112	12,113	–	–	148,725	–	–
Timothy BI Crommelin	2016	115,000	–	–	7,731	10,925	–	–	133,656	–	–
	2015	120,000	–	–	9,112	11,400	–	–	140,512	–	–
Yanina A Barila[2]	2016	–	–	–	7,731	–	–	–	7,731	–	–
	2015	–	–	–	9,112	–	–	–	9,112	–	–
Denis F Patten	2016	48,885	–	–	3,315	4,644	–	–	56,844	–	–
	2015	195,625	–	–	11,319	18,584	–	–	225,528	–	–
Subtotal Directors	**2016**	**1,498,563**	**205,594**	**–**	**77,414**	**81,164**	**–**	**340,251**	**2,202,986**		
	2015	**1,492,675**	**–**	**–**	**85,555**	**81,622**	**–**	**710,080**	**2,369,932**		

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 were valued using the Black-Scholes option pricing model and performance rights are calculated using the Monte-Carlo valuation model. Although a value is ascribed and included in the total key management personnel compensation, it should be noted this amount was not received in cash.

2 $125,925 (2015: $122,906) 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.

Table 9: Senior Executives' FY15 and FY16 remuneration details

		SHORT-TERM				POST EMPLOYMENT				% OF TOTAL RENUMERATION AT RISK SUBJECT TO:	
	YEAR	SALARY & DIRECTORS FEES $	BONUS $	OTHER $	NON-MONETARY BENEFITS* $	SUPER-ANNUATION $	TERMINATION $	SHARE-BASED PAYMENT[1] $	TOTAL $	PERFORMANCE $	OPTIONS $
Executives											
David Spring	2016	450,692	75,788	16,667	62,804	19,308	–	92,818	718,077	26%	–
	2015	73,411	–	33,333	18,286	4,697	–	1,269	130,996	26%	–
Francis L Connolly	2016	375,692	95,541	–	11,516	19,308	–	149,233	651,290	38%	–
	2015	376,217	–	–	10,979	18,783	–	111,001	516,980	21%	–
Graham K Yerbury[2]	2016	290,964	111,263	–	7,782	14,481	–	121,429	545,919	43%	–
	2015	–	–	–	–	–	–	–	–	–	–
Julie A Whitcombe[3]	2016	133,425	58,345	–	4,756	12,675	–	88,946	298,147	49%	–
	2015	252,048	–	–	10,979	17,635	–	86,779	367,441	24%	–
Suzanne L Hockey[4]	2016	159,073	40,491	51,000	5,676	9,654	–	44,191	310,085	44%	–
	2015	–	–	–	–	–	–	–	–	–	–
Andrew J Crowley[5]	2016	–	–	–	–	–	–	–	–	–	–
	2015	34,580	–	–	2,846	3,100	–	(99,023)	(58,497)	**	–
Darren B Stevenson[6]	2016	–	–	–	–	–	–	–	–	–	–
	2015	30,588	–	–	915	1,565	–	5,848	38,916	15%	–
Susan L Mallan[7]	2016	–	–	–	–	–	–	–	–	–	–
	2015	18,184	–	–	864	1,174	–	(8,225)	11,997	**	–
Gary J Proctor[8]	2016	–	–	–	–	–	–	–	–	–	–
	2015	125,406	–	–	4,819	9,392	147,013	(101,400)	185,230	**	–
Andrew J Price[9]	2016	77,061	–	–	1,025	4,827	–	–	82,913	–	–
	2015	391,217	–	–	11,590	18,783	–	14,445	436,035	3%	–
Brett Smith[10]	2016	126,359	–	–	4,008	7,908	169,500	(16,088)	291,687	**	–
	2015	256,263	–	–	6,803	14,088	–	16,088	293,242	–	–
Craig Stallan[11]	2016	305,360	–	–	7,677	14,481	78,333	(25,062)	380,789	**	–
	2015	398,407	–	50,000	49,685	18,783	–	25,062	541,937	14%	–
Subtotal Executives	**2016**	**1,918,626**	**381,428**	**67,667**	**105,244**	**102,642**	**247,833**	**455,467**	**3,278,907**		
	2015	1,956,321	–	83,333	117,766	108,000	147,013	51,844	2,464,277		
Total – Directors and Executives	**2016**	**3,417,189**	**587,022**	**67,667**	**182,658**	**183,806**	**247,833**	**795,718**	**5,481,893**		
	2015	3,448,996	–	83,333	203,321	189,622	147,013	761,924	4,834,209		

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 were valued using the Black-Scholes option pricing model and performance rights are calculated using the Monte-Carlo valuation model. Although a value is ascribed and included in the total key management personnel compensation, it should be noted this amount was not received in cash.

2 Mr Yerbury became a KMP on 26 October 2015.

3 Mrs Whitcombe commenced maternity leave on 11 May 2015 and returned to work on 01 February 2016 and was remunerated on the a 0.8 FTE basis from this date.

4 Mrs Hockey became a KMP on 04 January 2016.

5 Mr Crowley ceased being a KMP on 31 July 2014.

6 Mr Stevenson ceased being a KMP on 31 July 2014.

7 Mrs Mallan ceased being a KMP on 31 July 2014.

8 Mr Proctor ceased being a KMP on 31 October 2014.

9 Mr Price ceased being a KMP on 05 August 2015.

10 Mr Smith ceased being a KMP on 23 October 2015.

11 Mr Stallan ceased being a KMP on 03 March 2016.

* 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.

** Percentage not disclosed as the total amount of STI and/or LTI remuneration expense was negative for the relevant period.

Outcome in FY16 of Options, Performance Rights and SARs for Executive KMP

The Company offers Options, Performance Rights and SARs to Executive KMP as part of their incentive remuneration, to provide them with additional incentive to develop the Group and create value for shareholders. Offers of such incentives form part of Executive KMP remuneration packages. The outcome in FY16 of Options, Performance Rights and SARs provided as incentives to Executive KMP is set out in the following sections of this report.

FY16 LTI Outcome

As LTI for FY16, the Company granted 6,647,882 unlisted contingent share appreciation rights (FY16 LTI SARs) to the CEO on 9 September 2015, in two tranches each subject to a performance condition over a three year period to September 2018 and a vesting condition that requires the CEO to be an employee at the end of the performance period. The FY16 LTI SARs were issued on 4 December 2015 with shareholder approval.

The Company also granted 16,737,052 FY16 LTI SARs to Senior Executives subject to the same three year performance conditions and three year vesting condition.

The Board will determine the outcome of each tranche of FY16 LTI SARs in September 2018, after the end of the performance period.

In the event of change of control of the Company:

- all unvested SARs subject to a performance test will vest immediately to the extent that the performance test is satisfied;
- all vested SARs (including those that vest on change of control) will be deemed to be exercised; and
- the Board has an overriding discretion to vest or increase vesting of unvested SARs.

Table 10: FY16 LTI SARs granted to Executive KMP

EXECUTIVE	DATE ISSUED	SARS ISSUED	SARS LAPSED	DATE LAPSED
Ian Davies	4 December 2015	6,647,882		
David Spring	4 December 2015	3,675,888		
Craig Stallan	4 December 2015	3,675,888	(3,675,888)	21 March 2016
Suzanne Hockey	4 December 2015	1,309,278		
Julie Whitcombe	4 December 2015	1,389,011		
Graham Yerbury	4 December 2015	3,597,677		
Frank Connolly	4 December 2015	3,089,310		
Total		**23,384,934**	**(3,675,888)**	

FY15 LTI Outcome

As LTI for FY15, the Company granted 707,351 unlisted contingent Performance Rights (FY15 LTI Rights) to the CEO on 1 July 2014, subject to a performance condition based on total shareholder return over the three years to 30 June 2017 and a vesting condition that requires the CEO to be an employee on 1 July 2017. The FY15 LTI Rights were issued on 19 December 2014 with shareholder approval.

The Company also granted 1,776,764 FY15 LTI Rights to Senior Executives subject to the same three year performance condition and three year vesting condition.

The Board will determine the outcome of FY15 LTI Rights in July/August 2017, after the end of the performance period.

In the event of change of control of the Company, all unvested Performance Rights subject to a performance test will vest immediately to the extent that the performance test is satisfied, and the Board has an overriding discretion to vest or increase vesting of unvested Performance Rights.

Table 11: FY15 LTI Rights issued to Executive KMP

EXECUTIVE	DATE ISSUED	RIGHTS ISSUED	RIGHTS LAPSED	DATE LAPSED
Ian Davies	19 December 2014	707,351		
David Spring	8 May 2015	72,510		
Craig Stallan	19 December 2014	402,181	(402,181)	21 March 2016
Brett Smith	19 December 2014	258,465	(258,465)	23 November 2015
Julie Whitcombe	19 December 2014	230,097		
Julie Whitcombe	8 May 2015	31,958		
Andrew Price	19 December 2014	398,058	(398,058)	5 September 2015
Frank Connolly	19 December 2014	383,495		
Total		**2,484,115**	**(1,058,704)**	

FY14 LTI Outcome

As LTI for FY14, the Company granted 937,500 unlisted contingent Performance Rights (FY14 LTI Rights) to the CEO on 1 July 2013, subject to a performance condition based on total shareholder return over the three years to 30 June 2016 and a vesting condition that required the CEO to be an employee on 1 July 2016. The FY14 LTI Rights were issued on 6 December 2013 with shareholder approval.

The Company also granted 1,825,679 FY14 LTI Rights to Senior Executives subject to the same three year performance condition and three year vesting condition.

All FY14 LTI Rights lapsed on 20 July 2016 when the Board determined that the performance test was not satisfied.

Table 12: FY14 LTI Rights issued to Executive KMP

EXECUTIVE	DATE ISSUED	RIGHTS ISSUED	RIGHTS LAPSED	DATE LAPSED
Ian Davies	6 December 2013	937,500	(937,500)	20 July 2016
James Crowley	6 December 2013	308,824	(308,824)	31 January 2015
Susan Mallan	6 December 2013	189,451	(189,451)	2 August 2015
Gary Proctor	6 December 2013	290,441	(290,441)	1 December 2014
Darren Stevenson	6 December 2013	290,441	(290,441)	20 July 2016
Julie Whitcombe	6 December 2013	154,610	(154,610)	20 July 2016
Andrew Price	6 December 2013	301,471	(301,471)	5 September 2015
Frank Connolly	6 December 2013	290,441	(290,441)	20 July 2016
Total		**2,763,179**	**(2,763,179)**	

FY13 LTI Outcome

As LTI for FY13, the Company granted 3,000,000 unlisted contingent Performance Rights (FY13 LTI Rights) to the CEO on 1 July 2012, subject to a performance condition based on total shareholder return over the three years to 30 June 2015 and a vesting condition that required the CEO to be an employee on 1 July 2015. The FY13 LTI Rights were issued on 30 November 2012 with shareholder approval.

The Company also granted 2,436,103 FY13 LTI Rights to Senior Executives subject to the same three year performance condition and three year vesting condition.

All FY13 LTI Rights lapsed on 1 July 2015 when the Board determined that the performance test was not satisfied.

Table 13: FY13 LTI Rights issued to Executive KMP

EXECUTIVE	DATE ISSUED	RIGHTS ISSUED	RIGHTS LAPSED	DATE LAPSED
Ian R Davies	30 November 2012	3,000,000	(3,000,000)	1 July 2015
Andrew J Price	4 December 2012	284,643	(284,643)	1 July 2015
Julie A Whitcombe	4 December 2012	266,160	(266,160)	1 July 2015
Francis L Connolly	4 December 2012	310,520	(310,520)	1 July 2015
Andrew J Crowley	4 December 2012	166,350	(166,350)	31 January 2015
Darren B Stevenson	4 December 2012	221,800	(221,800)	1 July 2015
Susan L Mallan	4 December 2012	332,700	(332,700)	1 July 2015
Gary J Proctor	4 December 2012	332,700	(332,700)	1 December 2014
Steven G Scott	4 December 2012	354,880	(354,880)	1 July 2015
Timothy J Wyatt	4 December 2012	166,350	(166,350)	19 January 2015
Total		**5,436,103**	**(5,436,103)**	

Option holdings of Executive KMP

FY12 LTI Options issued to the CEO

As LTI for FY12, the Company granted 2,000,000 unlisted Options to Mr Davies on 1 July 2011 (FY12 LTI Options), exercisable at $0.40 each, in three tranches:

- 667,000 Options vesting 23 November 2011, expiring 1 July 2014 which were exercised by Mr Davies on 1 July 2014;
- 667,000 Options vesting 1 July 2012, expiring 1 July 2015 which were cancelled for no consideration on 30 June 2015; and
- 666,000 Options vesting 1 July 2013, expiring 1 July 2016 which lapsed on 1 July 2016.

The FY12 LTI Options were issued on 23 December 2011, with shareholder approval.

FY11 LTI options issued to the CEO

As LTI for FY11, the Company granted 4,000,000 unlisted options to Mr Davies on commencement of employment (FY11 options) to compensate for loss of contingent bonus payments of equity foregone on leaving his former employer. The FY11 LTI Options are exercisable at $0.255 each, in four tranches:

- 1,200,000 Options vested 9 September 2010, expiring 9 September 2015 which lapsed on 9 September 2015;
- 800,000 Options vested 19 July 2011, expiring 19 July 2016, 160,000 of which were exercised by Mr Davies on 19 July 2016 and the remaining 640,000 lapsed on 19 July 2016;
- 1,000,000 Options vested 19 July 2012, expiring 19 July 2017; and
- 1,000,000 Options vested 19 July 2013, expiring 19 July 2018.

The FY11 LTI Options were issued on 9 September 2010, with shareholder approval.

Options and interests in Options held by KMP

No Director or Senior Executive of the Company, and no personally related entity of a Director or Senior Executive, held Options during the financial year other than as follows:

- Mr Davies held 4,666,000 Options on 1 July 2015, 1,200,000 of which lapsed on 9 September 2015, leaving Mr Davies holding 3,466,000 vested Options as at 30 June 2016.

Further information on Options is in note 32 to the financial statements.

There were no vested and un-exercisable Options at 30 June 2016.

Shares, Options and Performance Rights held by KMP in FY16 and FY15

Table 14 aggregates all Performance Rights held by KMP during the past two financial years.

Table 14: Performance rights held by KMP in FY16 and FY15

NUMBER OF RIGHTS	YEAR	BALANCE AT START OF FY	GRANTED AS COMPENSATION	VESTED AND ISSUED	LAPSED OR EXPIRED	NET CHANGE OTHER	BALANCE AT END OF FY
Directors							
Trevor Bourne	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Ian R Davies	2016	5,015,945	1,921,233	(371,094)	(3,000,000)	–	3,566,084
	2015	4,718,750	707,351	–	(410,156)	–	5,015,945
Benedict M McKeown	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Debra L Goodin	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
John Warburton	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Ralph H Craven	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Timothy BI Crommelin	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Yanina A Barila	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Denis F Patten	2016	–	–	–	–	–	–
	2015	–	–	–	–	–	–
Executive KMP							
David E Spring	2016	72,510	1,062,329	–	–	–	1,134,839
	2015	–	72,510	–	–	–	72,510
Francis L Connolly	2016	1,294,195	892,808	(117,992)	(502,268)	–	1,566,743
	2015	1,114,320	575,243	(157,570)	(237,798)	–	1,294,195
Graham K Yerbury[1]	2016	–	1,039,726	–	–	–	1,039,726
	2015	–	–	–	–	–	–
Julie A Whitcombe	2016	889,226	401,424	(75,372)	(397,189)	–	818,089
	2015	781,177	393,084	(171,010)	(114,025)	–	889,226
Suzanne L Hockey[2]	2016	–	378,380	–	–	–	378,380
	2015	–	–	–	–	–	–
Andrew J Crowley[3]	2016	–	–	–	–	–	–
	2015	853,483	–	–	–	(853,483)	–
Darren B Stevenson[4]	2016	–	–	–	–	–	–
	2015	868,031	–	–	–	(868,031)	–
Susan L Mallan[5]	2016	–	–	–	–	–	–
	2015	754,229	–	–	–	(754,229)	–
Gary J Proctor[6]	2016	–	–	–	–	–	–
	2015	978,931	–	–	–	(978,931)	–
Andrew J Price[7]	2016	1,305,672	–	(122,472)	(1,183,200)	–	–
	2015	955,415	597,086	–	(246,829)	–	1,305,672
Brett Smith[8]	2016	387,699	–	–	(387,699)	–	–
	2015	–	387,699	–	–	–	387,699
Craig J Stallan[9]	2016	603,271	1,062,329	–	(1,665,600)	–	–
	2015	–	603,271	–	–	–	603,271
Total	**2016**	**9,568,518**	**6,758,229**	**(686,930)**	**(7,135,956)**	**–**	**8,503,861**
	2015	**11,024,336**	**3,336,244**	**(328,580)**	**(1,008,808)**	**(3,454,674)**	**9,568,518**

1 Mr Yerbury commenced as KMP on 26 October 2015.
2 Ms Hockey commenced as KMP on 4 January 2016.
3 Mr Crowley ceased as KMP on 31 July 2014.
4 Mr Stevenson ceased as KMP on 31 July 2014.
5 Ms Mallan ceased as KMP on 31 July 2014.
6 Mr Proctor ceased as KMP on 31 October 2014.
7 Mr Price ceased as KMP on 5 August 2015.
8 Mr Smith ceased as KMP on 23 October 2015.
9 Mr Stallan ceased as KMP on 3 March 2016.

The 'net change other' column includes movement for other allocations of Performance Rights and movement due to becoming or ceasing to be key management personnel.

The balance of Performance Rights at 30 June 2016 had not vested.

Shares and interests in Shares held by KMP

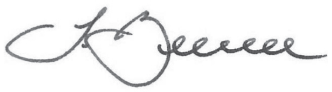
The Board encourages Non-executive Directors to hold shares in the Company (purchased by Directors on market). It is considered good governance for a Director to have a stake in the company in which they serve as a Board member.

Table 15: Ordinary fully paid shares held by KMP in FY16 and FY15

NUMBER OF ORDINARY FULLY PAID SHARES	YEAR	BALANCE AT START OF FY	GRANTED AS COMPENSATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE AT END OF FY
Directors						
Trevor Bourne	2016	105,000	–	–	250,000	355,000
	2015	–	–	–	105,000	105,000
Ian R Davies	2016	2,107,953	371,094	–	200,000	2,679,047
	2015	1,163,953	–	667,000	277,000	2,107,953
Benedict M McKeown	2016	–	–	–	–	–
	2015	–	–	–	–	–
Debra L Goodin	2016	41,839	–	–	138,161	180,000
	2015	–	–	–	41,839	41,839
John Warburton	2016	–	–	–	–	–
	2015	–	–	–	–	–
Ralph H Craven	2016	250,000	–	–	–	250,000
	2015	200,000	–	–	50,000	250,000
Timothy BI Crommelin	2016	3,726,812	–	–	200,000	3,926,812
	2015	3,546,812	–	–	180,000	3,726,812
Yanina A Barila	2016	–	–	–	–	–
	2015					
Denis F Patten	2016	2,000,000	–	–	(2,000,000)	–
	2015	1,819,616	–	–	180,384	2,000,000
Executive KMP						
David E Spring	2016	–	–	–	–	–
	2015	–	–	–	–	–
Francis L Connolly	2016	1,227,554	117,992	–	–	1,345,546
	2015	1,069,984	157,570	–	–	1,227,554
Graham K Yerbury	2016	–	–	–	172,000	172,000
	2015	–	–	–	–	–
Julie A Whitcombe	2016	1,593,416	75,372	–	–	1,668,788
	2015	882,406	171,010	–	540,000	1,593,416
Suzanne L Hockey	2016	–	–	–	–	–
	2015	–	–	–	–	–
Andrew J Crowley	2016	–	–	–	–	–
	2015	83,000	–	–	(83,000)	–
Darren B Stevenson	2016	–	–	–	–	–
	2015	13,876	–	–	(13,876)	–
Susan L Mallan	2016	–	–	–	–	–
	2015	146,574	–	–	(146,574)	–
Gary J Proctor	2016	–	–	–	–	–
	2015	16,333	–	–	(16,333)	–
Andrew J Price	2016	152,000	122,472	–	(274,472)	–
	2015	22,000	–	–	130,000	152,000
Brett Smith	2016	–	–	–	–	–
	2015	–	–	–	–	–
Craig J Stallan	2016	–	–	–	–	–
	2015	–	–	–	–	–
Total	**2016**	**11,204,574**	**686,930**	**–**	**(1,314,311)**	**10,577,193**
	2015	**8,964,554**	**328,580**	**667,000**	**1,244,440**	**11,204,574**

* The net change other column includes movement for other acquisitions or disposals of shares and movement due to becoming or ceasing to be key management personnel during the year.

Signed in accordance with a resolution of the Directors.



Trevor Bourne
Chairman

Ian R Davies
Managing Director

Brisbane, Queensland
22 August 2016

Auditor's Independence Declaration

Building a better working world

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

As lead auditor for the audit of Senex Energy Limited for the year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Senex Energy Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Carrick
Partner
22 August 2016

Financial Statements

Consolidated Statement of Financial Position
As at 30 June 2016

		CONSOLIDATED	
	NOTE	AS AT 30 JUNE 2016 $'000	AS AT 30 JUNE 2015 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	102,450	49,004
Prepayments	12	2,091	2,151
Trade and other receivables	13	10,613	21,323
Inventory	14	14,010	17,085
Other financial assets	15	742	171
Total Current Assets		**129,906**	**89,734**
Non-current Assets			
Trade and other receivables	16	229	482
Property, plant and equipment	17	55,685	56,798
Intangibles	18	1,260	1,408
Exploration assets	19	162,734	227,631
Oil and gas properties	20	104,291	108,121
Total Non-current Assets		**324,199**	**394,440**
TOTAL ASSETS		**454,105**	**484,174**
LIABILITIES			
Current Liabilities			
Trade and other payables	21	10,081	14,561
Other financial liability	22	512	–
Provisions	23	24,897	15,270
Total Current Liabilities		**35,490**	**29,831**
Non-current Liabilities			
Other financial liability	24	1,875	–
Provisions	25	47,095	52,427
Total Non-current Liabilities		**48,970**	**52,427**
TOTAL LIABILITIES		**84,460**	**82,258**
NET ASSETS		**369,645**	**401,916**
EQUITY			
Contributed equity	26	451,233	451,233
Reserves	27	12,348	11,423
Retained earnings	28	(93,936)	(60,740)
TOTAL EQUITY		**369,645**	**401,916**

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 2016

		CONSOLIDATED	
	NOTE	2016 $'000	2015 $'000
Revenue from sales	6(a)	69,287	115,910
Cost of sales	6(b)	(51,083)	(77,178)
Gross profit		**18,204**	**38,732**
Other revenue	6(c)	5,278	5,524
Other income	6(d)	38,502	78
Oil and gas exploration expenses		(2,268)	(18,430)
General and administrative expenses	7(a)	(17,098)	(9,665)
Other operating expenses	7(b)	(3,410)	(9,299)
Impairment	7(d)	(69,673)	(96,963)
Finance expense	7(e)	(2,731)	(1,304)
Profit / (loss) before tax		**(33,196)**	**(91,327)**
Income tax benefit / (expense)	8	–	10,681
Profit / (loss) after tax		**(33,196)**	**(80,646)**
Net profit for the period attributable to owners of the parent entity		**(33,196)**	**(80,646)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in fair value of cash flow hedges (net of tax)	27	(341)	(2,047)
		(341)	**(2,047)**
Total comprehensive income for the period attributable to owners of the parent entity		**(33,537)**	**(82,693)**
Earnings per share attributable to the ordinary equity holders of the parent entity:		**cents**	**cents**
Basic earnings per share	10	(2.88)	(7.02)
Diluted earnings per share	10	(2.88)	(7.02)

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 2016

	NOTE	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Cash flows from operating activities			
Receipts from customers		80,356	124,277
Payments to suppliers and employees		(18,512)	(21,735)
Payments for exploration expenditure		(2,821)	(20,064)
Payments for production expenditure		(32,058)	(55,596)
Interest received		1,319	649
Interest paid – Halliburton		(61)	–
Fees received for technical services		7,365	8,508
Other operating payments		(1,323)	(6,150)
Net payments for commodity hedges		(3,130)	(1,995)
Other receipts		3,209	5,570
Net cash flows from operating activities	29	**34,344**	**33,464**
Cash flows from investing activities			
Payments for oil and gas properties		(4,189)	(23,651)
Purchase of property, plant and equipment & intangibles		(5,918)	(9,797)
Payments for exploration assets		(15,570)	(51,157)
Proceeds from sale of Maisey block		42,000	–
Proceeds from sale of fixed assets		70	–
Proceeds received for rehabilitation of wells		–	20,000
Net cash flows used in investing activities		**16,393**	**(64,605)**
Cash flows from financing activities			
Proceeds from share issues		–	267
Net proceeds from Halliburton tight oil agreement		2,001	–
Payments for debt facility fees		(784)	(760)
Net cash flows from financing activities		**1,217**	**(493)**
Net increase / (decrease) in cash and cash equivalents		**51,954**	**(31,634)**
Net foreign exchange differences		1,492	4,006
Cash and cash equivalents at the beginning of the year		49,004	76,632
Cash and cash equivalents at the end of the year	11	**102,450**	**49,004**

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 2016

The following table presents the Consolidated Statement of Changes in Equity for the year ended 30 June 2016:

	CONSOLIDATED					
	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS / (ACCUMULATED LOSSES) $'000	SHARE BASED PAYMENTS RESERVE $'000	HEDGING RESERVE $'000	OTHER RESERVE $'000	TOTAL $'000
Balance at 1 July 2015	**451,233**	**(60,740)**	**13,653**	**(2,047)**	**(183)**	**401,916**
Profit / (loss) for the year	–	(33,196)	–	–	–	(33,196)
Other comprehensive income	–	–	–	(341)	–	(341)
Total comprehensive income	**–**	**(33,196)**	**–**	**(341)**	**–**	**(33,537)**
Transactions with owners, recorded directly in equity:						
Shares issued	–	–	–	–	–	–
Transaction costs on share issue	–	–	–	–	–	–
Share based payments	–	–	1,266	–	–	1,266
Balance at 30 June 2016	**451,233**	**(93,936)**	**14,919**	**(2,388)**	**(183)**	**369,645**

The following table presents the Consolidated Statement of Changes in Equity for the year ended 30 June 2015:

	CONSOLIDATED					
	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS / (ACCUMULATED LOSSES) $'000	SHARE BASED PAYMENTS RESERVE $'000	HEDGING RESERVE $'000	OTHER RESERVE $'000	TOTAL $'000
Balance at 1 July 2014	**450,966**	**19,906**	**11,835**	**–**	**(183)**	**482,524**
						–
Profit / (loss) for the year	–	(80,646)	–	–	–	(80,646)
Other comprehensive income	–	–	–	(2,047)	–	(2,047)
Total comprehensive income	**–**	**(80,646)**	**–**	**(2,047)**	**–**	**(82,693)**
Transactions with owners, recorded directly in equity:						
Shares issued	267	–	–	–	–	267
Transaction costs on share issue	–	–	–	–	–	–
Share based payments	–	–	1,818	–	–	1,818
Balance at 30 June 2015	**451,233**	**(60,740)**	**13,653**	**(2,047)**	**(183)**	**401,916**

Notes to the Financial Statements
For the year ended 30 June 2016

NOTE 1: CORPORATE INFORMATION

The financial statements of Senex Energy Limited and its controlled entities / subsidiaries (the Group) for the year ended 30 June 2016 were authorised for issue on 22 August 2016 in accordance with a resolution of the Directors.

Senex Energy Limited is a company limited by shares incorporated and domiciled 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 derivative instruments, 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 ($).

Comparative information has been reclassified where appropriate to enhance comparability.

(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

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 are:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11];
- AASB 2015-2 Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality;
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]
- AASB 1057 Application of Australian Accounting Standards;
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.

None of these standards or amendments to standards affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. These standards are summarised below. The Group has assessed these standards and interpretations below and has summarised the perceived impact on the financial statements of the Group.

REFERENCE	TITLE (SUMMARISED)	SUMMARY	APPLICATION DATE FOR SENEX
AASB 15	Revenue from Contracts with Customers	"AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 supersedes: (a) IAS 11 Construction Contracts. (b) IAS 18 Revenue. (c) IFRIC 13 Customer Loyalty Programmes. (d) IFRIC 15 Agreements for the Construction of Real Estate. (e) IFRIC 18 Transfers of Assets from Customers. (f) SIC-31 Revenue – Barter Transactions Involving Advertising Services. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer. (b) Step 2: Identify the performance obligations in the contract. (c) Step 3: Determine the transaction price. (d) Step 4: Allocate the transaction price to the performance obligations in the contract. (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Early application of this standard is permitted. The initial application of AASB 15 is not expected to materially affect the recognition of revenue in the Groups financial statements. Application of the standard is expected to result in changes in the presentation and disclosure of information relating to revenue. The Group is currently in the process of assessing the impact, if any, of AASB15.	1 July 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE (SUMMARISED)	SUMMARY	APPLICATION DATE FOR SENEX
AASB 16	Leases	AASB 16 supersedes: (a) AASB 117 Leases; (b) Interpretation 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases – Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 introduces a single lessee accounting model and requires: Lessee accounting ▪ Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. ▪ A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. ▪ Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. ▪ AASB 16 contains disclosure requirements for lessees. Lessor accounting ▪ AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. ▪ AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Group is in the process of assessing the impact of AASB 16 on the Group's accounting for its operating leases.	1 July 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE (SUMMARISED)	SUMMARY	APPLICATION DATE FOR SENEX
AASB 9	AASB 9 Financial Instruments (December 2014)	AASB 9 Financial Instruments, published in December 2014, which replaces AASB 9 Financial Instruments (December 2009), AASB 9 Financial Instruments (December 2010), existing guidance in AASB 139 Financial Instruments: Recognition and Measurement and Interpretation 9 Reassessment of Embedded Derivatives. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedging accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning 1 July 2018, with early adoption permitted. The Group is in the process of assessing the impact of the application of AASB 9. Application of the standard is expected to result in changes in the presentation and disclosure of information relating to financial instruments.	1 July 2018

(d) Basis of consolidation

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

The controlled entities are all those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect its returns.

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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

(i) Inventories

Inventories include consumable supplies, maintenance spares and materials and parts used in the process of drilling wells and the construction of associated surface facilities. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs. 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) Financial instruments

During the year ended 30 June 2015, the Group elected to early adopt AASB 9 Financial Instruments as issued in December 2013 (AASB 2013-9) and the consequential amendments in AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (as amended). AASB 2013-9 replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and hedge accounting. The Group has not early adopted AASB 9 Financial Instruments as issued in December 2014, including the expected-loss impairment model or consequential amendments to AASB 2014-1 Amendments to Australian Accounting Standards and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).

Non-derivative financial assets

The Group initially recognises financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are initially measured at fair value. In the case of financial assets not subsequently accounted for at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the assets are included in the initial measurement.

On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using effective interest method and net of any impairment loss, if:

- The asset is held within the business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group assesses at each reporting period whether there is objective evidence that a financial asset (or group of financial assets) is impaired. For financial assets carried at amortised cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

Financial assets measured at fair value through other comprehensive income

The Group may make an irrevocable election on initial recognition to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies.

Non-derivative liabilities

The Group initially recognises loans and debt securities issued on the date when they are originated. Other financial liabilities are initially recognised on the trade date. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are initially recognised a fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(l) Interest in joint operations

The Group has interests in joint arrangements that are joint operations. A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly.
- Liabilities, including its share of any liabilities incurred jointly.
- Revenue from the sale of its share of the output arising from the joint operation.
- Expenses, including its share of any expenses incurred jointly.

(m) Farm-outs in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for as a gain on disposal.

(n) Farm-outs – outside the exploration and evaluation phase

In accounting for a farm-out arrangement outside the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee;
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor;
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets; and
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for at amortised cost.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are recognised in profit or loss as incurred unless the costs are eligible for capitalisation.

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; and
- Motor vehicles – over 5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

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.

(p) Intangible assets

Software

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

(q) Oil and gas properties

Oil and gas properties are carried at cost less accumulated amortisation and any accumulated impairment losses 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 Group's reserves determination.

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

(r) Impairment of non-financial assets (excluding goodwill and exploration assets)

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an internal review of asset values at each reporting date, 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 of disposal 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 straight line basis over its remaining useful life.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 part of the total lease expense.

(t) 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.

(u) Provisions and employee leave 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.

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 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 employees' 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 present 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.

(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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

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.

(x) 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.

Flowline revenue

Flowline revenue represents third party charges for usage of flowlines for transport of oil from Lycium to Moomba. Revenue is recognised in the period in which it is earned.

(y) Technical service fees

Technical service fees represent charges for services provided to joint operations by Senex employees. These recharges are offset against general and administration expenditure and are recognised in the period in which they are earned.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Oil and gas exploration costs

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

Each potential or recognised area of interest is reviewed at each reporting date 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, an 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.

(aa) 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.

Income tax consolidation legislation

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

Senex Energy Limited is responsible for recognising the current and deferred tax assets and liabilities for the income tax consolidated group.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a consequence, individual entities within the consolidated group will recognise current and deferred tax amounts relating to their own transactions, events and balances. Any recognised balances relating to income tax payable or receivable, or to tax losses incurred by the individual entity will then be transferred to the head entity of the consolidated group, Senex Energy Limited, by way of inter-company loan.

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.

(ab) Goods and Services Tax

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.

(ac) Non-current assets and disposal groups held for sale

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.

(ad) 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 income.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as crude oil collars and put options, to hedge its commodity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value on each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and the time value of options, which are recognised in Other Comprehensive Income (OCI) and later reclassified to profit and loss when the hedged item affects profit or loss.

Cash flow hedges are those derivatives that hedge the Group's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge transaction, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria of hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss as other operating expense.

The Group uses Australian dollar and US dollar denominated Brent oil puts and collars as hedges of its exposure to foreign currency and commodity price risk for forecast oil sales. The ineffective portion of the commodity hedge is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the forecast oil sales occur.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs.

(af) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission.

Amounts in the financial statements have been rounded off in accordance with that legislative instrument 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, cash flow hedges, receivables, payables and other financial liabilities.

Risk measurement

All financial assets are recognised initially at fair value plus transaction costs, and financial liabilities are recognised initially at fair value. Subsequent measurement of financial assets and liabilities depends on their classification, summarised in the table below.

	AS AT 30 JUNE 2016		AS AT 30 JUNE 2015	
	AMORTISED COST $'000	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $'000	AMORTISED COST $'000	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $'000
Financial Assets				
Cash and cash equivalents	102,450	–	49,004	–
Trade and other receivables	10,842	–	21,805	–
Cash flow hedges – crude oil price contracts*	–	742	–	171
	113,292	**742**	**70,809**	**171**
Financial Liabilities				
Trade and other payables	10,081	–	14,561	–
Other financial liability**	2,387	–	–	–
	12,468	**–**	**14,561**	**–**

Financial assets and liabilities carried at amortised cost are measured by taking into account any discount or premium on acquisition, and fees or costs associated with the asset or liability. Due to the short-term nature of these assets and liabilities, their carrying value is assumed to approximate their fair value.

AASB 7 Financial Instruments: Disclosures requires disclosures 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 1 financial instruments as at 30 June 2016 or 30 June 2015.

* Level 2 – the fair value of crude oil price contracts has been determined by reference to the Brent ICE forward price (USD) and forward exchange rate (AUD:USD) compared to the exercise price of the instrument (AUD) along with the volatility of the underlying commodity price and the expiry of the instrument. Gains or losses arising from movements in the fair value of the crude oil price contracts are recognised in OCI.

** Level 3 – The carrying value of the other financial liability owing to Halliburton under the tight oil agreement approximates fair value at 30 June 2016. Fair value has been determined by reference to the initial amount funded by Halliburton and discounted cash flows across the term of the agreement, with reference to expected production from the wells subject to the agreement, Brent ICE forward price (USD), forward exchange rate (AUD:USD), forecast operating costs and royalties and other commercial terms under the agreement.

Risk exposures and management

The Group manages its exposure to key financial risks through the Audit and Risk Committee and the Group's risk management framework. The primary function of the Committee is to assist the Board to fulfil its responsibility to ensure that the Group's internal control framework is effective and efficient.

The main risks arising from the Group's financial instruments are foreign currency risk and price 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 foreign exchange risk and assessments of market forecasts for foreign exchange, commodity prices and others.

The Committee reviews and agrees policies for managing each of these risks.

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

Market Risk

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.

The Group constantly analyses its transactional currency exposures.

At reporting date, the Group had the following exposure to foreign currency risk from its continuing operations, which are disclosed in Australian dollars (AUD):

	CONSOLIDATED	
	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	10,617	21,193
Trade and other receivables	9,415	18,591
Net exposure	**20,032**	**39,784**

The following table details the Group's sensitivity to a 10.0% increase or decrease in AUD against the USD, with all other variables held constant. The sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date.

	CONSOLIDATED HIGHER /(LOWER)	
	2016 $'000	2015 $'000
Judgements of reasonably possible movements		
Pre tax gain / (loss)		
AUD / USD +10%	(2,003)	(3,978)
AUD / USD –10%	2,003	3,978

These movements would not have any impact on other reserves other than retained earnings.

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

Commodity price risk

The Group's exposure to commodity price risk relates to the market price of oil and natural gas. The Group entered into a series of Australian and US dollar denominated put and zero cost collar instruments covering a total of 1,000,000 barrels of oil production for the period 1 July 2015 to 30 June 2016. The Group has also entered into a series of oil price hedges for the first half of the 2017 financial year covering a total of 400,000 barrels (see note 15 for further details). The Board will continue to monitor this risk and seek to mitigate it, if considered necessary. The effect on profit before tax disclosure below takes into consideration the Brent oil derivatives in place at 30 June 2016.

The sensitivity analysis is based on the commodity risk exposures in existence at the reporting date.

	CHANGE IN YEAR-END PRICE	EFFECT ON PROFIT BEFORE TAX $'000	EFFECT ON EQUITY $'000
2016			
Oil	+ 10%	130	130
	–10%	–	–
2015			
Oil	+ 10%	471	471
	–10%	(1,554)	(1,554)

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

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	
	2016 $'000	2015 $'000
Financial liabilities		
Trade and other payables – 6 months or less	10,081	14,561
Other financial liability – Halliburton tight oil agreement:		
– 6 months or less	280	–
– greater than 6 months less than 1 year	232	–
– 1 to 5 years	1,515	–
– greater than 5 years	360	–
	12,468	**14,561**

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

In April 2015, the Group also established an $80 million unsecured three-year debt facility for general corporate purposes. The multi-currency facility has a three year term and contains appropriate and non-restrictive covenants. Drawdowns have been made for bank guarantees on the debt facility as at 30 June 2016 totalling $2,788,000 (2015: nil) and the establishment fee of A$760,000 is being amortised over the term of the facility.

Funding available to the Group from undrawn facilities at 30 June 2016 is $77.2 million (2015: $80 million).

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.

Recoverability of oil and gas properties and exploration assets

The carrying value of oil and gas properties is tested for impairment annually (as at 30 June) and when circumstances indicate the carrying value may be impaired. Exploration assets are assessed at each reporting date to determine if any indicators of impairment exist. The Group's accounting policy for exploration and evaluation is set out in note 2(z). 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.

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

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.

Oil and gas properties

The Group has determined that the significant decline in global oil prices and the deficiency of its market capitalisation compared with the carrying amount of its net assets are impairment indicators and as such performed impairment testing at 31 December 2015 and 30 June 2016.

The Group considers its producing Cooper Basin oil assets are a single cash generating unit ("CGU") and has measured the recoverable amount of these assets using a fair value less costs of disposal ("FVLCD") methodology. This methodology applies the level 3 of fair value hierarchy. In estimating the FVLCD, the Group has estimated the recoverable amount of the CGU by measuring the present value of future cash flows from the CGU. In estimating the future cash flows assumptions are made as to key variables including: economically recoverable reserves; future production profiles; commodity prices; foreign exchange rates; operating costs and future development costs necessary to produce the reserves.

In estimating its forecast cash flows at 31 December 2015, the Group adopted Brent oil price assumptions of US$48/bbl in 2016, US$57/bbl in 2017 and a long term average of US$74/bbl real and a long term AUD/USD exchange rate of 0.77. The recoverable amount is then determined by discounting the CGU's forecast cash flows to their present values using a post-tax discount rate of 10.5% (30 June 2015: 10.1%).

In estimating its forecast cash flows for 30 June 2016 the Group has adopted Brent oil price assumptions based on consensus data of US$49/bbl in 2017, US$60/bbl in 2018 and a long term average of US$70/bbl and an AUD/USD long term exchange rate of 0.72. The recoverable amount is then determined by discounting the CGU's forecast cash flows to their present values using a post-tax discount rate of 10.5%.

The Group's impairment testing of its Cooper Basin oil CGU determined no impairment was present at 31 December 2015 or 30 June 2016, with limited valuation headroom. The recoverable amount and the FVLCD is sensitive to:

- Forecast oil prices and exchange rates;
- Production volumes and timing; and
- Cost assumptions.

Exploration assets

Consistent with the decline in global oil price and reduction in planned capital expenditure, the Group has assessed if impairment indicators exist in respect of its various exploration assets.

This analysis concluded that aside from expenditure on the gas exploration assets covered by the CBOS farm-in with Origin Energy, further expenditure in the near term on the Group's Cooper basin conventional and unconventional gas exploration assets is not planned. This being the case, the Group has identified individual exploration assets with a nil FVLCD and accordingly, the cumulative carrying amount of these assets of $69,673,000 is not regarded as recoverable and a corresponding impairment charge against the carrying value of these assets has been booked.

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 as detailed in Note 32.

Reserves estimates

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

Units of production method of depreciation and amortisation

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

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

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 ten year government bond 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(u).

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.

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.

Under the PRRT, Senex Energy Limited and its controlled entities impacted by the PRRT regime are 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 Senex Energy Limited and its controlled entities impacted by the PRRT regime was 1 June 2014, and these returns were duly lodged. Senex Energy Limited and its controlled entities impacted by the PRRT regime have 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 2016. If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of $173,120,000 may have been recognised in the financial statements at 30 June 2016 (2015: $124,185,000).

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.

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.

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

Geographical segments

Cooper/Eromanga Basins

The Cooper/Eromanga Basins are sedimentary geological basins located mainly in the north east part of South Australia and extending 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 two major customers – IOR Petroleum and 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 in the current and 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.

During the year an impairment of $69,673,000 (2015: $96,963,000) was recognised for the Cooper/Eromanga Basins.

NOTE 5: OPERATING SEGMENTS (CONTINUED)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2016 and 30 June 2015:

	CONSOLIDATED					
	SURAT / BOWEN BASIN		COOPER/ EROMANGA BASINS		TOTAL	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue						
Oil sales[1]	–	–	69,188	115,445	69,188	115,445
Gas sales	–	–	99	465	99	465
Flowline revenue	–	–	3,768	4,890	3,768	4,890
Total segment revenue	**–**	**–**	**73,055**	**120,800**	**73,055**	**120,800**
Unallocated item:						
Interest income					1,510	634
Total revenue per statement of comprehensive income					**74,565**	**121,434**

	CONSOLIDATED					
	SURAT / BOWEN BASIN[2]		COOPER/ EROMANGA BASINS[3]		TOTAL	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Results						
Segment profit / (loss)	**37,819**	**496**	**(47,053)**	**(74,161)**	**(9,234)**	**(73,665)**
Reconciliation of segment net profit / (loss) before tax to net profit / (loss) from continuing operations before tax						
Unallocated items:						
Interest income					1,510	634
Other income					70	78
Finance expense					(1,093)	(318)
General and administrative expense					(24,449)	(18,056)
Net profit / (loss) before tax per the statement of comprehensive income					**(33,196)**	**(91,327)**

1 Inclusive of hedge gains

2 Segment profit relates to technical service fees and is offset by unallocated costs included within general and administrative expenses. In FY16, segment profit also includes the net gain on sale of the Maisey block of $38,238,000 included in other income.

3 Segment profit includes amortisation & depreciation of $20,437,000 (2015 $21,264,000) and impairment of $69,673,000 (2015 $96,963,000)

NOTE 5: OPERATING SEGMENTS (CONTINUED)

Segment assets and segment liabilities at 30 June 2016 and 30 June 2015 are as follows:

	CONSOLIDATED					
	SURAT / BOWEN BASIN		COOPER/ EROMANGA BASINS		TOTAL	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Segment assets						
Segment operating assets	24,270	24,032	335,084	412,781	359,354	436,813
Unallocated assets[1]					94,751	47,361
Total assets per the statement of financial position					**454,105**	**484,174**
Segment liabilities	28,001	28,692	42,928	43,620	70,929	72,312
Unallocated liabilities[2]					13,531	9,946
Total liabilities per the statement of financial position					**84,460**	**82,258**
Additions and acquisitions of non current assets (other than financial assets and deferred tax assets):						
Property, plant and equipment and intangibles	33	298	6,848	6,810	6,881	7,108
Exploration assets	6,022	19,123	10,845	39,025	16,867	58,148
Oil and gas properties	–	–	4,825	9,329	4,825	9,329
	6,055	**19,421**	**22,518**	**55,164**	**28,573**	**74,585**
Unallocated additions[3]					7	1,690
Total Additions					**28,580**	**76,275**

1 The unallocated assets include cash and cash equivalents of $85,111,000 (2015: $34,802,000), accrued interest of $204,000 (2015; $13,000), prepayments of $692,000 (2015: $1,006,000), commodity hedges of $742,000 (2015: $171,000), receivables of $306,000 (2015: nil) and property, plant, equipment and intangibles of $7,695,000 (2015: $11,369,000).

2 The unallocated liabilities include trade and other payables of $7,147,000 (2015: $4,975,000), deferred tax liabilities of nil (2015: nil) and provisions of $6,384,000 (2015: $4,971,000).

3 The unallocated additions include chargeable plant and equipment $7,000 (2015: $628,000), corporate office furniture and computer equipment nil (2015: $421,000), motor vehicles nil (2015: $13,000), intangibles nil (2015: $376,000) and other corporate assets under construction nil (2015: $252,000).

NOTE 6: REVENUE

	CONSOLIDATED	
	2016 $'000	2015 $'000
(a) Revenue from sales		
Oil sales[1]	69,188	115,445
Gas sales	99	465
	69,287	**115,910**
(b) Cost of sales		
Operating costs	(30,645)	(55,914)
Amortisation of oil and gas properties	(15,854)	(16,889)
Depreciation of facilities	(4,584)	(4,375)
	(51,083)	**(77,178)**
(c) Other revenue		
Interest income	1,510	634
Flowline revenue	3,768	4,890
	5,278	**5,524**
(d) Other income		
Net gain on sale of Maisey block	38,238	–
Net gain on sale of fixed assets	70	–
Other income	194	78
	38,502	**78**

1 Includes $13,041,000 of hedge gains (2015: $223,000)

NOTE 7: EXPENSES

	NOTE	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
(a) General and administrative expenses			
Employee expenses		(15,175)	(15,141)
Restructuring expenses		(1,751)	(706)
Depreciation, amortisation and write-offs		(3,167)	(3,480)
Technical service fees (recovery of costs)		7,351	8,392
Other general and administrative expenses		(5,848)	(5,564)
		(18,590)	**(16,499)**
Foreign exchange gain/(loss)		1,492	6,834
		(17,098)	**(9,665)**
(b) Other operating expenses			
Flowline operating costs		(862)	(965)
Rig standby costs		(1,791)	(5,700)
Joint operations recharges		(757)	(2,634)
		(3,410)	**(9,299)**
(c) Depreciation, amortisation and write-offs			
Included in cost of sales:			
Amortisation of oil and gas properties		(15,854)	(16,889)
Depreciation of facilities		(4,584)	(4,375)
		(20,438)	**(21,264)**
Not included in cost of sales:			
Depreciation expense		(1,943)	(1,699)
Amortisation of intangibles		(1,091)	(1,312)
Write off fixed assets		(531)	(223)
Write (off)/back of inventory		398	(246)
		(3,167)	**(3,480)**
(d) Impairment			
Exploration assets and in-field consumables		(69,673)	(62,163)
Oil and gas properties		–	(34,800)
		(69,673)	**(96,963)**
(e) Finance expense			
Rehabilitation accretion		(1,639)	(986)
Debt facility fees		(1,030)	(205)
Other financial liability interest		(62)	–
Other		–	(113)
		(2,731)	**(1,304)**
(f) Employee costs[1]			
Wages, salaries and bonuses		(30,407)	(32,385)
Restructuring expenses		(1,751)	(706)
Share based payments		(1,265)	(1,818)
Employee admin expenses		(3,907)	(4,686)
		(37,330)	**(39,595)**
(g) Rental expense relating to operating leases			
Included in general and administrative expenses:		(1,377)	(1,324)
Operating lease expenses		**(1,377)**	**(1,324)**

1 Includes all employee-related costs, including those costs that form part of cost of sales and costs capitalised as part of an exploration or development project, as well as costs that may be recovered from other joint venture parties.

NOTE 8: INCOME TAX

Income tax expense

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax benefit	–	–
Adjustments in respect of current income tax of previous years	–	–
Deferred income tax		
Relating to origination and reversal of temporary differences	10,028	26,903
Net tax asset not / (previously) brought to account	(10,028)	(16,222)
Income tax benefit / (expense) reported in the Statement of Comprehensive Income	**–**	**10,681**

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

Reconciliation of income tax expense calculated on profit / (loss) before tax to income tax charged in the income statement is as follows:

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Accounting profit / (loss) before income tax	**(33,196)**	**(91,327)**
At the Group's statutory income tax rate of 30% (2015: 30%)	9,959	27,398
Share-based payments	(64)	(802)
Other	(45)	(29)
Research and development benefit	178	336
Recognition / (derecognition) of deferred tax on losses	(10,028)	(16,222)
Income tax benefit / (expense) reported in the Statement of Comprehensive Income	**–**	**10,681**

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax assets / (liabilities)				
Receivables	297	–	297	–
Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties	(41,918)	(60,059)	18,141	13,421
Trade and other payables	807	121	686	(972)
Provisions	15,797	20,888	(6,805)	10,810
Income tax losses	44,744	52,071	(7,327)	2,906
Other	558	3,299	(1,027)	836
Deferred tax losses not brought to account as realisation is not regarded as probable	(20,285)	(16,320)	(3,965)	(16,320)
Net deferred income tax asset / (liability) recognised	–	–	–	**10,681**

Tax transparency

The Group currently only operates and has subsidiaries in Australia. During the financial year, the Group paid $5,185,000 of state taxes, fringe benefits tax and royalties in Australia (2015: $14,136,000).

Income tax losses

The above reconciliation of accounting profit/ (loss) to income tax expense shows that the Group did not pay income tax during the year ended 30 June 2016. At 30 June 2016, the Group had $149,145,000 (2015: $173,570,000) of carry-forward tax losses and offsets that are available for use in Australia. The Group therefore has deferred tax assets arising from these tax losses and offsets (not all of which have been recognised at 30 June 2016) of $44,744,000 (2015: $52,071,000) 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.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Tax losses (not all of which have been recognised)		
Unused tax losses	37,728	64,528
Unused research and development incentive credits	111,417	109,042
Potential tax benefit at 30% (2015: 30%)	**44,744**	**52,071**

Unrecognised temporary differences – Petroleum Resource Rent Tax (PRRT)

The PRRT legislation provides for Senex Energy Limited and its controlled entities impacted by the PRRT regime to adopt a starting base for projects existing at 1 May 2010, which is deductible in determining any future taxable profit. Senex Energy Limited and its controlled entities impacted by the PRRT regime have 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 2016. As a result, no deferred tax asset has been recognised in the financial statements for PRRT purposes for the period ended 30 June 2016.

The total of unrecognised temporary differences in respect of PRRT for existing projects is $618,286,000 (2015: $443,519,000). If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of $173,120,000 (2015: $124,185,000) may have been recognised in the financial statements at 30 June 2016. 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 $247,314,000 (2015: $177,407,000).

Senex Energy Limited and its controlled entities impacted by the PRRT regime also have a number of exploration permits which will not be subject to PRRT until they meet the definition of a production licence for PRRT purposes. Carry forward PRRT expenditures 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 temporary differences for the exploration permits as its realisation is not regarded as probable at 30 June 2016. The total amount of unrecognised temporary differences in relation to PRRT for exploration permits is $964,976,000 (2015: $935,221,000).

NOTE 9: AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
Audit or review of the financial report of the Group	299,741	244,265
Other assurance services	42,000	40,000
	341,741	**284,265**

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	
	2016 $'000	2015 $'000
For basic and diluted earnings per share:		
Net profit / (loss) attributable to ordinary equity holders of the parent entity	**(33,196)**	**(80,646)**

Weighted average number of shares

	CONSOLIDATED	
	2016 NUMBER	2015 NUMBER
Weighted average number of ordinary shares for basic earnings per share	1,152,686,422	1,149,307,488
Effect of dilution – share options	–	1,434,789
Effect of dilution – performance rights	1,299,138	6,675,668
Effect of dilution – share appreciation rights	519,941	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,154,505,501**	**1,157,417,945**

Earnings per share

	CONSOLIDATED	
	2016 CENTS	2015 CENTS
Earnings per share attributable to the ordinary equity holders of the parent entity:		
Basic earnings per share	(2.88)	(7.02)
Diluted earnings per share	(2.88)	(7.02)

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.

During the period, a number of performance rights were granted (refer to note 32).

Share appreciation rights

Share appreciation 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.

During the period, a number of share appreciation rights were granted (refer to note 32).

NOTE 11: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2016 $'000	2015 $'000
Cash at bank and in hand	88,860	34,802
Cash advanced to joint operations	13,590	14,202
	102,450	**49,004**

Cash and cash equivalent balances advanced to joint operations are not available for use by the Group for settlement of corporate liabilities.

NOTE 12: CURRENT ASSETS – PREPAYMENTS

	CONSOLIDATED	
	2016 $'000	2015 $'000
Prepayment of pipeline charges	1,602	1,602
Prepayments – debt facility establishment fee	253	253
Prepayments – other	236	296
	2,091	**2,151**

NOTE 13: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2016 $'000	2015 $'000
Trade receivables[1]	9,639	20,233
Sundry receivables[2]	653	473
Receivables for joint operations[3]	321	617
	10,613	**21,323**

1 These receivables relate to monies owing from oil sales, and are receivable 14 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 operations 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.

NOTE 14: CURRENT ASSETS – INVENTORY

	CONSOLIDATED	
	2016 $'000	2015 $'000
Inventory		
Warehouse inventory (net of provision)	13,411	16,769
Oil inventory	599	316
	14,010	**17,085**

NOTE 15: CURRENT ASSETS – OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2016 $'000	2015 $'000
Other financial assets		
Cash flow hedges – crude oil price contracts	742	171
	742	**171**

Cash flow hedges

Crude oil put and collar instruments measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast oil sales in US and Australian dollars. These forecast transactions are highly probable and comprise the Group's forecast expected production from existing well stock for the period 1 July 2016 to 31 December 2016.

The Group entered into a series of US dollar denominated put instruments covering a total of 400,000 barrels of oil production for the period 1 July 2016 to 31 December 2016. The puts have a floor price of USD$45 per barrel for 400,000 barrels of sales over the July 2016 to December 2016 period.

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

	CONSOLIDATED	
	2016 $'000	2015 $'000
Sundry receivables [1]	25	25
Prepayments – debt facility establishment fee	204	457
	229	**482**

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

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

		CONSOLIDATED		
	NOTE	PROPERTY, PLANT & EQUIPMENT $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
At 30 June 2015				
Cost		68,483	2,679	71,162
Accumulated depreciation		(14,364)	–	(14,364)
Net book amount		**54,119**	**2,679**	**56,798**
Movements for the year ended 30 June 2016				
Opening net book amount		54,119	2,679	56,798
Additions		785	6,103	6,888
Disposals		–	–	–
Transfers		4,145	(5,088)	(943)
Write-offs	7(c)	–	(531)	(531)
Depreciation charge for the year	7(c)	(6,527)	–	(6,527)
Closing net book amount		**52,522**	**3,163**	**55,685**
At 30 June 2016				
Cost		73,413	3,163	76,576
Accumulated depreciation		(20,891)	–	(20,891)
Net book amount		**52,522**	**3,163**	**55,685**
At 30 June 2014				
Cost		58,942	4,896	63,838
Accumulated depreciation		(8,290)	–	(8,290)
Net book amount		**50,652**	**4,896**	**55,548**
Movements for the year ended 30 June 2015				
Opening net book amount		50,652	4,896	55,548
Additions		2,514	5,906	8,420
Disposals		(9)	–	(9)
Transfers		7,037	(7,901)	(864)
Write-offs		(1)	(222)	(223)
Depreciation charge for the year	7(c)	(6,074)	–	(6,074)
Closing net book amount		**54,119**	**2,679**	**56,798**
At 30 June 2015				
Cost		68,483	2,679	71,162
Accumulated depreciation		(14,364)	–	(14,364)
Net book amount		54,119	2,679	56,798

NOTE 18: NON-CURRENT ASSETS – INTANGIBLES

	NOTE	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
At the beginning of the year			
Cost		4,620	3,462
Accumulated amortisation		(3,212)	(1,900)
Net book amount		**1,408**	**1,562**
Movements for the year ended 30 June			
Opening net book amount		1,408	1,562
Additions		–	376
Transfers		943	782
Amortisation charge for the year	7(c)	(1,091)	(1,312)
Closing net book amount		**1,260**	**1,408**
At 30 June			
Cost		5,563	4,620
Accumulated amortisation		(4,303)	(3,212)
Net book amount		**1,260**	**1,408**

NOTE 19: NON-CURRENT ASSETS – EXPLORATION ASSETS

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Exploration assets		
Balance at the beginning of the period, net of accumulated amortisation and impairment	227,631	237,913
Additions	16,867	53,064
Acquisition of additional interests	–	15,544
Disposals	(4,892)	(9,072)
Transfers to development assets	(7,199)	(9,305)
Impairment	(69,673)	(60,513)
Balance at the end of the period	**162,734**	**227,631**

Disposals

During the period the Group entered into a series of major agreements for the development of the Western Surat Gas Project in Queensland. The Group received $42,000,000 million in cash, plus a comprehensive suite of subsurface, production and other technical data from Santos GLNG in exchange for the sale of the 77 km^2 Maisey block within ATP 889, resulting in a net gain of $38,238,000.

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

	NOTE	CONSOLIDATED 2016 $'000	2015 $'000
Oil and gas properties			
Balance at the beginning of the period, net of accumulated amortisation and impairment		108,121	141,094
Additions		4,825	9,329
Transfers from exploration assets		7,199	9,305
Transfers from property plant & equipment		–	82
Amortisation charge for the period	7(c)	(15,854)	(16,889)
Impairment		–	(34,800)
Balance at the end of the period, net of accumulated amortisation and impairment		**104,291**	**108,121**
Balance at the beginning of the period			
Cost		216,542	197,826
Accumulated amortisation		(70,946)	(54,057)
Accumulated impairment, net of reversals		(37,475)	(2,675)
Net carrying amount		**108,121**	**141,094**
Balance at the end of the period			
Cost		228,566	216,542
Accumulated amortisation		(86,800)	(70,946)
Accumulated impairment, net of reversals		(37,475)	(37,475)
Net carrying amount		**104,291**	**108,121**

NOTE 21: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED 2016 $'000	2015 $'000
Other creditors and accruals – unsecured[1]	5,817	4,125
Payables to joint operations creditors[2]	4,264	10,436
	10,081	**14,561**

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 operations which is attributable to the Group.

NOTE 22: CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

	CONSOLIDATED 2016 $'000	2015 $'000
Other financial liability – Halliburton tight oil agreement*	512	–
	512	**–**

NOTE 23: CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED 2016 $'000	2015 $'000
Annual and long service leave	1,040	1,211
Rehabilitation	18,901	10,530
Onerous contracts	1,256	–
Other provisions	3,700	3,529
	24,897	**15,270**

NOTE 24: NON-CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

	CONSOLIDATED	
	2016 $'000	2015 $'000
Other financial liability – Halliburton tight oil agreement*	1,875	–
	1,875	**–**

* Under the Halliburton tight oil agreement, Halliburton has funded 2/3rd of the cost of the fracture stimulation of certain wells and in return, is entitled to receive 60% of the revenue less specified costs from production from the wells over the term specified in the agreement. A financial liability has been recognised for the present value of expected future cashflows to be paid to Halliburton.

NOTE 25: NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2016 $'000	2015 $'000
Rehabilitation	46,707	52,197
Long service leave	321	230
Onerous contracts	67	–
	47,095	**52,427**

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	
	2016 $'000	2015 $'000
Rehabilitation		
Balance at the beginning of the year	62,727	31,815
Additional provision recognised during the year	1,218	5,961
Acquisitions during the year (refer Note 19)	–	24,909
Unwinding and discount rate adjustment	2,945	1,481
Disposals (refer Note 19)	(1,282)	(1,439)
Balance at the end of the year	**65,608**	**62,727**

	CONSOLIDATED	
	2016 $'000	2015 $'000
Onerous contracts		
Balance at the beginning of the year	–	–
Provision recognised during the year	1,389	–
Payments made during the year	(66)	–
Balance at the end of the year	**1,323**	**–**

	CONSOLIDATED	
	2016 $'000	2015 $'000
Other provisions		
Balance at the beginning of the year	3,529	301
Additional provision recognised during the year:	171	3,228
Balance at the end of the year	**3,700**	**3,529**

The rehabilitation provision is split between a current portion of $18,901,000 (2015: $10,530,000) based on rehabilitation expected to occur in the next 12 months and the non-current portion of $46,707,000 (2015: $52,197,000).

NOTE 25: NON-CURRENT LIABILITIES – PROVISIONS (CONTINUED)

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 Group 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 eighteen years.

Long service leave

Refer to note 2(u) for the relevant accounting policy applied in the measurement of this provision.

Onerous contracts

A provision has been recognised for certain contracts which are regarded as onerous due to the unavoidable costs of meeting the obligations under the contracts exceeding the economic benefits expected to be received under the contract.

The onerous contracts include a rig standby contract under which the Group is required to pay certain standby charges for a drill rig. The amount of the charges payable varies depending on thresholds in the agreement and the extent to which the rig is used by the Group or third parties. Payments are made under the agreement on a six monthly basis and the final payment is due upon expiry of the contract in July 2017.

The onerous contracts also include a portion of the Group's head office lease space (net of sub-let income) that is surplus to the Group's current requirements. The lease expires on 30 June 2019 and the payments (net of the sub-let income) will vary depending on the duration and commercial terms of the sub-lease.

Other provisions

Other provisions include provisions relating to legal disputes, contractors' claims and lease liability adjustments.

NOTE 26: CONTRIBUTED EQUITY

	PARENT ENTITY	
	2016 $'000	2015 $'000
1,152,686,422 ordinary fully paid shares (2015: 1,149,657,377)	451,233	451,233
Total issued capital	**451,233**	**451,233**

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			
	2016		2015	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,149,657,377	451,233	1,146,343,917	450,966
Issue of shares during the period:				
– Exercise of unlisted options	–	–	667,000	267
– Performance rights (nil consideration)	3,029,045	–	2,646,460	–
Balance at the end of the period	**1,152,686,422**	**451,233**	**1,149,657,377**	**451,233**

3,029,045 ordinary fully paid shares were issued during the year as a result of the vesting of performance rights.

NOTE 26: CONTRIBUTED EQUITY (CONTINUED)

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 32.

Performance rights

Information relating to performance rights, including details of shares issued during the financial year, is set out in note 32.

Capital management

When managing capital (being total contributed equity of $451,233,000 at 30 June 2016), 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 in April 2015 also established an $80 million unsecured three-year debt facility for general corporate purposes. Drawdowns have been made on the debt facility for bank guarantees at 30 June 2016 totalling $2,788,000 (2015: nil). The financial performance of the business is monitored against an approved annual budget and approved work plans to ensure that adequate funding will be available to carry out planned activities.

NOTE 27: RESERVES

		CONSOLIDATED	
	NOTE	2016 $'000	2015 $'000
Share-based payments reserve			
Balance at the beginning of the year		13,653	11,835
Share based payment expenses		1,266	1,818
Balance at the end of the year		**14,919**	**13,653**
Other reserve			
Balance at the beginning of the year		(183)	(183)
Balance at the end of the year		**(183)**	**(183)**
Cash flow hedge			
Balance at the beginning of the year		(2,047)	–
Reclassification to profit or loss[1]		2,047	–
Net gain / (loss) recognised on re-measurement		(2,388)	(2,047)
Tax effect on (net gain) / reversal of net gain recognised on re-measurement		–	–
Balance at the end of the year		**(2,388)**	**(2,047)**
Total reserves		**12,348**	**11,423**

1 Recognised as part of sales revenue

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.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedge transactions that have not yet occurred and changes in the time value of instruments. At 30 June 2016, the full amount of the reserve relates to time value of instruments. Amounts in the reserve will be recycled to the profit and loss account as the underlying hedged transactions occur.

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 does not result in a loss of control.

The reserve is attributable to the equity of the parent.

NOTE 28: RETAINED EARNINGS

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Balance at the beginning of the year	(60,740)	19,906
Net profit / (loss) attributable to ordinary equity holders of the parent entity	(33,196)	(80,646)
Balance at the end of the year	**(93,936)**	**(60,740)**

NOTE 29: CONSOLIDATED STATEMENT OF CASH FLOWS RECONCILIATION

	NOTE	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Reconciliation of the net profit / (loss) after tax to net cash flows used in operations			
Net profit/(loss)		**(33,196)**	**(80,646)**
Adjustments:			
Depreciation, amortisation and impairment		23,473	24,278
(Gain) / loss on foreign exchange translation		(1,492)	(4,005)
(Gain) / loss on sale of Maisey block		(38,238)	–
(Gain) / loss on sale of assets		(70)	3
Rehabilitation liability accretion		1,639	986
Share based payments		1,266	1,818
Impairment expenses		69,673	96,963
Write off fixed assets		531	223
Write off inventory		(398)	243
Increase / (decrease) in hedges reserve		(341)	(2,047)
Rehabilitation expense		(553)	(1,634)
Debt facility expense		1,030	206
Income tax expense / (benefit)	8	–	(10,681)
Changes in assets and liabilities:			
(Increase) / decrease in prepayments		60	142
(Increase) / decrease in trade and other receivables		12,412	10,310
(Increase) / decrease in inventory		(282)	(214)
(Increase) / decrease in other financial assets		(571)	(171)
(Increase) / decrease in make good asset		27	27
Increase / (decrease) in trade and other payables		(2,039)	(5,529)
Increase / (decrease) in provisions		1,413	3,192
Net cash flows used in operating activities		**34,344**	**33,464**

NOTE 30: COMMITMENTS

Leasing commitments

These commitments represent payment due for lease premises under non-cancellable operating leases. The Group has lease agreements for head office premises in Brisbane and office premises in Adelaide. The terms of the leases range between 3 to 5 years.

Future minimum payments under the non-cancellable leases as at 30 June 2016 are as follows:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Corporate		
Minimum lease payments		
– not later than one year	1,467	1,399
– later than one year and not later than five years	3,084	4,551
	4,551	**5,950**

Capital commitments

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

		CONSOLIDATED	
	NOTE	2016 $'000	2015 $'000
Corporate			
– not later than one year		1,021	3,178
		1,021	**3,178**

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 2017 approximately $43,055,000 (2015: $38,493,000). Expenditure beyond 30 June 2017 is expected to total approximately $115,043,000 (2015: $136,076,000) to maintain the same interests.

Exploration and evaluation commitments disclosed above do not include amounts free carried by other parties under separate arrangements. These free carry amount totals approximately $43,580,000 (2015: $59,000,000).

NOTE 31: 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 2016.

NOTE 32: SHARE-BASED PAYMENTS

Equity-settled share-based payments

Employee share options, performance rights and share appreciation rights

Performance rights, share appreciation 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. All options on issue have vested and are exercisable at any time up to their expiry. When exercised, 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 during the year ended 30 June 2016 (2015: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.91 years (2015: 1.47 years).

The following table presents movements in options for the year ended 30 June 2016:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	BALANCE AS AT 1 JULY 2015	OPTIONS GRANTED	OPTIONS EXERCISED	OPTIONS FORFEITED	BALANCE AS AT 30 JUNE 2016	VESTED AND EXERCISABLE AS AT 30 JUNE 2016
9 September 2010	9 September 2015	25.5	1,200,000	–	–	(1,200,000)	–	–
1 July 2011	1 July 2016	40.0	666,000	–	–	–	666,000	666,000
9 September 2010	19 July 2016	25.5	800,000	–	–	–	800,000	800,000
9 September 2010	19 July 2017	25.5	1,000,000	–	–	–	1,000,000	1,000,000
9 September 2010	19 July 2018	25.5	1,000,000	–	–	–	1,000,000	1,000,000
Total			**4,666,000**	**–**	**–**	**(1,200,000)**	**3,466,000**	**3,466,000**
Weighted average exercise price			27.6	–	–	25.5	28.3	28.3

The following table presents movements in options for the year ended 30 June 2015:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	BALANCE AS AT 1 JULY 2014	OPTIONS GRANTED	OPTIONS EXERCISED	OPTIONS FORFEITED	BALANCE AS AT 30 JUNE 2015	VESTED AND EXERCISABLE AS AT 30 JUNE 2015
1 July 2011	1 July 2014	40.0	667,000	–	(667,000)	–	–	–
1 July 2011	30-Jun-15	40.0	667,000	–	–	(667,000)	–	–
9 September 2010	9 September 2015	25.5	1,200,000	–	–	–	1,200,000	1,200,000
1 July 2011	1 July 2016	40.0	666,000	–	–	–	666,000	666,000
9 September 2010	19 July 2016	25.5	800,000	–	–	–	800,000	800,000
9 September 2010	19 July 2017	25.5	1,000,000	–	–	–	1,000,000	1,000,000
9 September 2010	19 July 2018	25.5	1,000,000	–	–	–	1,000,000	1,000,000
Total			**6,000,000**	**–**	**(667,000)**	**(667,000)**	**4,666,000**	**4,666,000**
Weighted average exercise price			30.3	–	40.0	40.0	27.6	27.6

NOTE 32: SHARE-BASED PAYMENTS (CONTINUED)

(b) Performance rights

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

Short term incentive performance rights were granted to the CEO and Senior Executives during the year ended 30 June 2016 (FY16 STI rights) subject to a performance condition requiring the Board's determination of the corporate performance rating for FY16 on the basis of safety, oil production, reserves growth, operating costs and individual performance targets and a vesting condition requiring the executive to be a Senex employee on 1 July 2017. Those rights were valued with reference to employees' total fixed remuneration, estimated corporate performance percentage and average individual performance percentage.

On the basis of the Board's determination of the corporate performance rating for FY16, the Board awarded FY16 STI bonuses averaging 70.6% of maximum STI to the CEO and Senior Executives, so 29.4% of the FY16 STI Rights held by the CEO and Senior Executives lapsed on 20 July 2016, the date of the Board's determination, and the remaining 70.6% will vest if they are Senex employees on the vesting date, 1 July 2017.

On the basis of the Board's determination of the corporate performance rating for FY15, all FY15 STI rights granted on similar terms to the CEO and Senior Executives during the year ended 30 June 2015 lapsed on 17 August 2015.

Long term incentive performance rights were granted to the CEO and Senior Executives during the years ended 30 June 2013, (FY13 LTI rights), 30 June 2014, (FY14 LTI rights) and 30 June 2015 (FY15 LTI rights), and each annual grant was subject to a performance condition requiring achievement of absolute total shareholder return hurdle over a three-year period, and subject to a vesting condition requiring the executive to be a Senex employee at the end of the three year period. Those 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.

All FY 13 LTI rights lapsed on 1 July 2015 and all FY14 LTI rights lapsed on 20 July 2016, in each case on the basis of the Board's determination that the absolute total shareholder return hurdle for those rights was not achieved. The three year performance period for FY15 LTI rights ends on 30 June 2017. No FY13 LTI rights, FY14 LTI rights or FY15 LTI rights vested in FY16.

Performance rights were granted to employees (other than the CEO and Senior Executives) under the EIP for the year ended 30 June 2013 (FY13 EIP rights) and the year ended 30 June 2014 (FY14 EIP rights) in recognition of corporate performance in the areas of safety, oil production and reserves growth and individual performance in those years. 50% of each grant vested immediately and the other 50% was subject to a vesting condition requiring the employee to be a Senex employee on 1 July 2015. When the vesting condition was satisfied, remaining FY13 EIP rights and FY14 EIP rights vested on 1 July 2015. Those rights were valued with reference to employees' total fixed remuneration, estimated corporate performance percentage and average individual performance percentage.

On the basis of the Board's determination of the corporate performance rating for FY15, no FY15 EIP performance rights were granted to employees under the EIP for the year ended 30 June 2015. Similarly, no FY16 EIP performance rights will be granted. The Board has determined that the company will provide shares in FY17 to certain employees (other than the CEO and senior executives) in recognition of corporate performance for FY16.

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

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

NOTE 32: SHARE-BASED PAYMENTS (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 2015				**13,900,452**
FY13 rights exercised	1 July 2015		(893,060)	(893,060)
FY13 rights lapsed	1 July 2015		(5,096,975)	(5,096,975)
FY14 rights exercised	1 July 2015		(1,254,098)	(1,254,098)
FY14 rights lapsed	1 July 2015		(274,273)	(274,273)
FY14 rights exercised	1 July 2015		(881,887)	(881,887)
FY14 rights lapsed	2 August 2015		(189,451)	(189,451)
FY15 rights lapsed	17 August 2015		(852,129)	(852,129)
FY14 rights lapsed	5 September 2015		(301,471)	(301,471)
FY15 rights lapsed	5 September 2015		(398,058)	(398,058)
FY15 rights lapsed	23 November 2015		(258,465)	(258,465)
FY16 rights granted	4 December 2015	6,758,228		6,758,228
FY15 rights lapsed	21 March 2016		(402,181)	(402,181)
FY16 rights lapsed	21 March 2016		(1,062,329)	(1,062,329)
Closing balance as at 30 June 2016		**6,758,228**	**(11,864,377)**	**8,794,303**

The weighted average fair value of performance rights granted during the year was 16 cents.

	GRANT DATE/ EXERCISE DATE	PERFORMANCE RIGHTS GRANTED	PERFORMANCE RIGHTS EXERCISED/LAPSED	TOTAL
Opening balance as at 1 July 2014				**13,554,344**
FY12 rights exercised	25 July 2014		(901,940)	(901,940)
FY13 rights exercised	25 July 2014		(216,084)	(216,084)
FY14 rights lapsed	22 August 2014		(1,892,366)	(1,892,366)
FY14 rights granted	2 September 2014	3,056,807		3,056,807
FY14 rights exercised	2 September 2014		(1,528,436)	(1,528,436)
FY13 rights lapsed	1 December 2014		(332,700)	(332,700)
FY14 rights lapsed	1 December 2014		(408,433)	(408,433)
FY15 rights granted	19 December 2014	3,215,797		3,215,797
FY13 rights lapsed	19 January 2015		(166,350)	(166,350)
FY13 rights lapsed	31 January 2015		(166,350)	(166,350)
FY14 rights lapsed	31 January 2015		(434,284)	(434,284)
FY15 rights granted	1 February 2015	47,937		47,937
FY15 rights granted	4 May 2015	72,510		72,510
Closing balance as at 30 June 2015		**6,393,051**	**(6,046,943)**	**13,900,452**

(c) Share appreciation rights

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

Long term incentive share appreciation rights were granted to the CEO and Senior Executives during the year ended 30 June 2016 (FY16 LTI SARs) in two tranches, each subject to a performance condition over a three-year period, and subject to a vesting condition requiring the executive to be a Senex employee at the end of the three year period. The expiry date of FY17 LTI SARs is seven years after grant date. Any SAR that vests will be exercisable at any time up until expiry date.

SARs representing 70% of FY16 LTI (Tranche 1 SARs) are subject to an LTI Performance Condition (Relative TSR Performance Condition) that the Company achieves total shareholder return (TSR) at or above the 50th percentile of the TSR of a comparator group of companies (S&P/ASX 300 Energy Index) over the three year performance period.

NOTE 32: SHARE-BASED PAYMENTS (CONTINUED)

SARs representing 30% of FY16 LTI (Tranche 2 SARs) are subject to an LTI Performance Condition (2P Reserves Target Performance Condition) that the Company achieve a stated target number of 2P oil and gas reserves (100 – 125 mmboe) over the three year performance period.

Those SARs 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.

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

	DATE GRANTED, EXERCISED OR LAPSED	SARS GRANTED	SARS EXERCISED OR LAPSED	TOTAL
Opening balance at 1 July 2015				–
FY16 LTI Tranche 1 SARs granted	4 December 2015	17,155,758		17,155,758
FY16 LTI Tranche 2 SARs granted	4 December 2015	6,229,176		6,229,176
FY16 LTI Tranche 1 SARs lapsed	21 March 2016		(2,696,721)	(2,696,721)
FY16 LTI Tranche 2 SARs lapsed	21 March 2016		(979,167)	(979,167)
Closing balance at 30 June 2016		**23,384,934**	**(3,675,888)**	**19,709,046**

The weighted average fair value of share appreciation rights granted during the year was 8.0 cents.

Cash-settled share-based payments

There were no cash-settled share-based payments during the year ended 30 June 2016 (2015: nil).

Expenses arising from share-based payment transactions

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

	CONSOLIDATED 2016 $	CONSOLIDATED 2015 $
Equity-settled share-based payments		
– Performance rights	948,023	1,818,701
– Share appreciation rights	317,793	–
	1,265,816	**1,818,701**

NOTE 33: KEY MANAGEMENT PERSONNEL

Compensation of key management personnel

	CONSOLIDATED 2016 $	CONSOLIDATED 2015 $
Short-term	4,254,536	3,735,650
Post employment	183,806	189,622
Termination benefits	247,833	147,013
Share-based payment	795,718	761,924
	5,481,893	**4,834,209**

NOTE 33: KEY MANAGEMENT PERSONNEL (CONTINUED)

Options, performance rights and share appreciation rights held by key management personnel

Options

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	2016 NUMBER OUTSTANDING	2015 NUMBER OUTSTANDING
2010	2015	0.255	–	1,200,000
2010	2016	0.255	800,000	800,000
2010	2017	0.255	1,000,000	1,000,000
2010	2018	0.255	1,000,000	1,000,000
2011	2016	0.40	666,000	666,000
			3,466,000	**4,666,000**

Performance Rights

ISSUE DATE	VESTING	2016 NUMBER OUTSTANDING	2015 NUMBER OUTSTANDING
2012	2015	–	3,861,322
2013	2015	1,382,551	2,370,952
2014	2016	1,320,943	3,215,797
2015	2016	104,468	120,447
2015	2017	5,695,899	–
		8,503,861	**9,568,518**

Share Appreciation Rights

ISSUE DATE	VESTING	EXPIRY	2016 NUMBER OUTSTANDING	2015 NUMBER OUTSTANDING
2015	2018	2022	14,459,037	–
2015	2018	2022	5,250,009	–
			19,709,046	**–**

Detailed disclosures relating to key management personnel are contained in the remuneration report.

Other transactions and balances with key management personnel

During FY16, the Group made payments of $14,886 (FY15: $22,716) to Morgans Financial Limited, a company associated with Mr Tim Crommelin (a non-executive director), for provision of data services. In FY15 the Company engaged Morgan Corporate Limited, a member company of the Morgans Financial group, as an additional corporate adviser in the Company's strategic review project until 31 December 2016. Under that engagement, the Company agreed to reward Morgan Corporate for corporate advisory services on a value basis on the occurrence of certain events, on terms substantially similar to the terms on which the Company agreed to remunerate the corporate adviser first engaged for the project. The Company is not obliged to pay any retainer or other service fee to Morgan Corporate. None of the services referred to above were 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.

NOTE 34: PARENT ENTITY INFORMATION

(a) Summary financial information

	PARENT ENTITY 2016 $'000	PARENT ENTITY 2015 $'000
Total current assets	227,049	225,064
Total non-current assets	111,337	115,436
TOTAL ASSETS	**338,386**	**340,500**
Total current liabilities	11,207	9,320
Total non-current liabilities	3,978	2,532
TOTAL LIABILITIES	**15,185**	**11,852**
NET ASSETS	**323,201**	**328,648**
EQUITY		
Contributed equity	451,233	451,233
Share based payments reserve	14,919	13,653
Other reserve	(2,571)	(2,230)
Retained earnings / (accumulated losses)	(140,380)	(134,008)
TOTAL EQUITY	**323,201**	**328,648**
Net profit / (loss) of the parent entity	**(6,371)**	**(5,242)**
Other comprehensive income of the parent entity	**(341)**	**(2,047)**
Total comprehensive income / (loss) of the parent entity	**(6,712)**	**(7,289)**

(b) Guarantees entered into by the parent entity

There are cross guarantees provided as described in note 37.

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 2016 (2015: nil).

(d) Contractual commitments for capital acquisitions

The parent entity had contractual commitments for capital acquisitions at 30 June 2016 of $1,021,000 (2015: nil).

NOTE 35: INTEREST IN JOINT OPERATIONS

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

Exploration

PERMITS	CONSOLIDATED WORKING INTEREST 2016 PERCENTAGE %	CONSOLIDATED WORKING INTEREST 2015 PERCENTAGE %
Cooper / Eromanga Basins		
ATP 736P*	80.0%	80.0%
ATP 737P*	80.0%	80.0%
ATP 738P*	80.0%	80.0%
ATP 794P (Barcoo)	35.0%	35.0%
ATP 794P (Barcoo Junction Prospect Area)	12.0%	12.0%
ATP 794P (Springfield)	24.0%	24.0%
ATP 794P (Regleigh)	24.0%	24.0%
PEL 87*	60.0%	60.0%
PEL 90* (Kiwi)	75.0%	75.0%
PEL 93*	70.0%	70.0%
PEL 94	15.0%	15.0%
PEL 100*	55.0%	55.0%
PEL 110* [1]	0.0%	80.0%
PEL 182*	57.0%	57.0%
PEL 424*	60.0%	60.0%
PEL 637*	60.0%	60.0%
PEL 638* (Deeps)	53.8%	53.8%
PEL 638* (Shallows)	80.0%	80.0%

PERMITS	CONSOLIDATED WORKING INTEREST 2016 PERCENTAGE %	CONSOLIDATED WORKING INTEREST 2015 PERCENTAGE %
Surat Basin		
ATP 1190 (Weribone)	20.7%	20.7%
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%

NOTE 35: INTEREST IN JOINT OPERATIONS (CONTINUED)

Retention

	CONSOLIDATED WORKING INTEREST	
PERMITS	2016 PERCENTAGE %	2015 PERCENTAGE %
Cooper / Eromanga Basins		
PRL 15*	60.0%	60.0%
PRL 84*	65.0%	65.0%
PRL 106*	60.0%	60.0%
PRL 108*	50.0%	50.0%
PRL 109*	50.0%	50.0%
PRL 110*	50.0%	50.0%
PRL 118 – 128*	80.0%	80.0%
PRL 135*	57.0%	57.0%
PRL 136 – 141*	60.0%	60.0%
PRL 142 – 150*	60.0%	60.0%
PRL 183 – 190*[1]	80.0%	0.0%

Production

	CONSOLIDATED WORKING INTEREST	
PERMITS	2016 PERCENTAGE %	2015 PERCENTAGE %
Cooper / Eromanga Basins		
PPL 206 (Derrilyn)[2]	35.0%	35.0%
PPL 207 (Worrior)*	70.0%	70.0%
PPL 208 (Derrilyn)	35.0%	35.0%
PPL 211 (Reg Sprigg West)	25.0%	25.0%
PPL 215 (Toparoa)	2.3%	2.3%
PPL 240 (Snatcher)*	60.0%	60.0%
PPL 242 (Growler)*	60.0%	60.0%
PPL 243 (Mustang)*	60.0%	60.0%
PPL 251 (Burruna)*	100.0%	100.0%
PPL 258 (Spitfire)*	60.0%	60.0%

	CONSOLIDATED WORKING INTEREST	
PERMITS	2016 PERCENTAGE %	2015 PERCENTAGE %
Bowen Basin		
PL 231*	0.0%	40.0%

1 PEL110 was relinquished during the financial year and replaced by PRLs 183-190
2 Santos PPL 206 forms part of Derrilyn Unitisation Agreement with PPLs 208 & 215
* Interest in PL231 was transferred to Triangle Energy (Global) Limited during the financial year.

NOTE 35: INTEREST IN JOINT OPERATIONS (CONTINUED)

The Group's share of the joint operations assets and liabilities consists of:

	NOTE	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Current Assets			
Cash and cash equivalents	11	13,590	10,272
Trade and other receivables		220	448
Non-current Assets			
Property, plant and equipment		21,871	17,880
Exploration assets		69,138	69,003
Oil and gas properties		79,174	78,458
TOTAL ASSETS		**183,993**	**176,061**
Current Liabilities			
Trade and other payables		3,423	6,810
Non-current Liabilities			
Provision for rehabilitation		17,299	15,254
TOTAL LIABILITIES		**20,722**	**22,064**
NET ASSETS		**163,271**	**153,997**

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

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Revenue		
Oil sales	47,663	90,477
	47,663	**90,477**
Expenses		
Cost of sales	(33,767)	(48,129)
Oil and gas exploration expenses	(2,495)	(14,557)
	(36,262)	**(62,686)**

NOTE 36: 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 % 2016	EQUITY INTEREST % 2015
Parent entity			
Senex Energy Limited	Australia		
Directly controlled by Senex Energy Limited			
Azeeza Pty Ltd	Australia	100	100
Victoria Oil Pty Ltd	Australia	100	100
Senex Weribone Pty Ltd	Australia	100	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	100
Senex Energy Employee Share Trust	Australia	100	100
Directly controlled by Stuart Petroleum Pty Ltd			
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	100	100
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	100	100

The principal activities of Senex Energy Limited and its controlled entities were oil and gas exploration and production in the Cooper, Eromanga and Surat Basins.

NOTE 37: DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, Stuart Petroleum Pty Ltd, Victoria Oil Exploration (1977) Pty Ltd and Permian Oil Pty Ltd (wholly owned subsidiaries) are parties to a deed of cross guarantee with Senex Energy Limited (holding company) and were granted relief from the *Corporations Act 2001* requirement for preparation, audit and lodgement of financial statements, and directors' reports for the year ended 30 June 2016.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into the 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 of cross guarantee and represent a 'closed group' for the purposes of the Class Order:

- Senex Energy Limited
- 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 Cooper Basin Oil Pty Ltd
- Stuart Petroleum Cooper Basin Gas Pty Ltd
- Senex Assets Pty Ltd

NOTE 37: DEED OF CROSS GUARANTEE (CONTINUED)

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'.

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':

	2016 $'000	2015 $'000
Revenue	69,287	115,910
Cost of sales	(51,083)	(77,178)
Gross profit	**18,204**	**38,732**
Other revenue	5,278	5,524
Other income	38,502	78
Oil and gas exploration expenses	(2,268)	(18,430)
General and administrative expenses	(17,098)	(9,665)
Other operating expenses	(3,410)	(9,299)
Impairment	(69,673)	(96,963)
Finance expense	(2,731)	(1,304)
Profit / (loss) before tax	**(33,196)**	**(91,327)**
Income tax expense	–	10,681
Profit / (loss) after tax	**(33,196)**	**(80,646)**
Net profit / (loss) for the period attributable to owners of the parent entity	**(33,196)**	**(80,646)**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges (net of tax)	(341)	(2,047)
	(341)	(2,047)
Total comprehensive income for the period attributable to owners of the parent entity	**(33,537)**	**(82,693)**

NOTE 37: 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 2016 $'000	AS AT 30 JUNE 2015 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	102,450	49,004
Prepayments	2,091	2,151
Trade and other receivables	10,613	21,323
Inventory	14,010	17,085
Other financial assets	742	171
Total Current Assets	**129,906**	**89,734**
Non-current Assets		
Trade and other receivables	229	482
Property, plant and equipment	55,685	56,798
Intangibles	1,260	1,408
Exploration assets	162,734	227,631
Oil and gas properties	104,291	108,121
Total Non-current Assets	**324,199**	**394,440**
TOTAL ASSETS	**454,105**	**484,174**
LIABILITIES		
Current Liabilities		
Trade and other payables	10,081	14,561
Other financial liability	512	–
Provisions	24,897	15,270
Total Current Liabilities	**35,490**	**29,831**
Non-current Liabilities		
Other financial liability	1,875	–
Provisions	47,095	52,427
Total Non-current Liabilities	**48,970**	**52,427**
TOTAL LIABILITIES	**84,460**	**82,258**
NET ASSETS	**369,645**	**401,916**
EQUITY		
Contributed equity	451,233	451,233
Reserves	12,348	11,423
Retained earnings / (accumulated losses)	(93,936)	(60,740)
TOTAL EQUITY	**369,645**	**401,916**

NOTE 38: EVENTS AFTER THE REPORTING DATE

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, we 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 2016 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 37, 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 37.

(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 2016.

On behalf of the Board

Trevor Bourne
Chairman

Ian R Davies
Managing Director

Brisbane, Queensland
22 August 2016

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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 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Independent Audit Report

EY
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 2016 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 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Senex Energy Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
22 August 2016

Additional Information

Tenement Interests

Senex's portfolio of exploration, development and production assets at 30 June 2016

PERMIT (*OPERATED BY SENEX)	AREA (KM²)	INTEREST (%)	JOINT VENTURERS (*OPERATOR)	ORIGINAL PEL
EXPLORATION				
Cooper / Eromanga Basins				
ATP 736*	4811.76	80	Bridgeport	–
ATP 737*	621.96	80	Bridgeport	–
ATP 738*	1077.91	80	Bridgeport	–
ATP 794 (Barcoo)	2631.63	35	Bridgeport*	–
ATP 794 (Barcoo Junction Prospect Area)	80.75	12	Bridgeport*	–
ATP 794* (Springfield)	1544.38	24	Bridgeport, Icon	–
ATP 794* (Regleigh)	695.81	24	Bridgeport, Icon	–
PEL 87*	2853.74	60	Beach	–
PEL 88*	1633.76	100		–
PEL 90* (Remainder)	1.20	100		–
PEL 90* (Kiwi)	146.08	75	Cooper	–
PEL 93*	621.68	70	Cooper	–
PEL 94	900.00	15	Beach*, Strike	–
PEL 100*	296.59	55	Cooper, Santos	–
PEL 182*	1741.53	57	Beach	–
PEL 424*	6137.61	60	Beach	–
PEL 516*	1552.30	100		–
PEL 636*	65.27	100		–
PEL 637*	1007.59	60	Origin	–
PEL 638* (Deeps)	904.05	53.75	Planet Gas, Origin	–
PEL 638* (Shallows)		80	Planet Gas	–
PELA 639* – application	904.07	100		–
PELA 642* – application	3113.93	100		–
Surat Basin				
ATP 1190 (Weribone)	12.19	20.65	AGL, Amour Energy*	–
ATP 767*	456.5	100		–
ATP 795*	308.3	100		–
ATP 889*	442.74	100		–
ATP 593* (Don Juan CSG)	384.60	45	Arrow	–
ATP 593* (Deep)		24	Arrow	–
ATP 771* (Don Juan CSG)	538.36	45	Arrow	–
ATP 771* (Deep)		100		–

Additional Information

PERMIT (*OPERATED BY SENEX)	AREA (KM²)	INTEREST (%)	JOINT VENTURERS (*OPERATOR)	ORIGINAL PEL
Simpson / Eromanga / Pedirka Basins (Poolowanna Trough)				
PEL 288*	9,867.00	100		–
PEL 289*	7,061.00	100		–
PEL 290*	6,376.00	100		–
PEL 331*	9,690.00	100		–
GSEL 612*	2,490.28	100		–
GSEL 613*	2,465.79	100		–
GSEL 614*	2,462.62	100		–
GSEL 615*	2,449.65	100		–
GSEL 616*	2,344.66	100		–
GSEL 617*	2,388.79	100		–
GSEL 618*	2,328.05	100		–
GSEL 619*	2,141.08	100		–
GSEL 620*	2,120.98	100		–
GSEL 621*	2,114.29	100		–
GSEL 622*	2,470.00	100		–
GSEL 623*	2,436.35	100		–
GSEL 624*	2,298.61	100		–
GSEL 625*	2,481.10	100		–
PRODUCTION				
Cooper / Eromanga Basins				
PPL 203 (Acrasia)*	2.03	100		–
PPL 206 (Derrilyn[2])	1.40	35	Santos*	–
PPL 207 (Worrior)*	6.41	70	Cooper	–
PPL 208 (Derrilyn)	0.26	35	Santos*	–
PPL 209 (Harpoono)*	10.02	100		–
PPL 211 (Reg Sprigg West[3])	0.12	25	Santos*, Beach, Origin	–
PPL 213 (Mirage)*	9.69	100		–
PPL 214 (Ventura)*	1.56	100		–
PPL 215 (Toparoa)	0.89	2.33	Santos*, Bengal	–
PPL 217 (Arwon)*	0.81	100		–
PPL 218 (Arwon East)*	0.62	100		–
PPL 221 (Padulla)*	4.56	100		–
PPL 241 (Vintage Crop)*	0.53	100		–
PPL 240 (Snatcher)*	3.08	60	Beach	–
PPL 242 (Growler)*	7.87	60	Beach	–
PPL 243 (Mustang)*	3.61	60	Beach	–
PPL 251 (Burruna)*	1.02	100		–
PPL 258 (Spitfire)*	8.10	60	Beach	–
RETENTION				
Cooper / Eromanga Basins				
PRL 15*	6.87	60	Beach	104
PRL 16*	3.09	100		113
PRL 50*	97.76	100		88
PRL 51*	99.34	100		88
PRL 52*	97.33	100		88
PRL 53*	99.63	100		88
PRL 54*	96.07	100		88
PRL 55*	99.63	100		88
PRL 56*	99.36	100		88
PRL 57*	99.19	100		88

PERMIT (*OPERATED BY SENEX)	AREA (KM²)	INTEREST (%)	JOINT VENTURERS (*OPERATOR)	ORIGINAL PEL
PRL 58*	98.59	100		88
PRL 59*	99.14	100		88
PRL 60*	99.68	100		88
PRL 61*	98.87	100		88
PRL 62*	98.83	100		88
PRL 63*	94.35	100		88
PRL 64*	98.04	100		88
PRL 65*	97.70	100		88
PRL 66*	96.27	100		88
PRL 67*	96.95	100		90
PRL 68*	98.52	100		90
PRL 69*	94.08	100		90
PRL 70*	77.35	100		90
PRL 71*	75.96	100		90
PRL 72*	72.53	100		90
PRL 73*	94.48	100		90
PRL 74*	82.57	100		90
PRL 75*	49.05	100		90
PRL 76*	84.77	100		102
PRL 77*	77.21	100		102
PRL 78*	98.23	100		113
PRL 79*	96.99	100		113
PRL 80*	60.28	100		113
PRL 81*	78.46	100		113
PRL 82*	76.66	100		113
PRL 83*	98.58	100		113
PRL 84*	52.89	65	Bengal	113
PRL 105*	82.54	100		115
PRL 106*	23.27	60	Origin	115
PRL 107*	94.03	100		115
PRL 108*	41.89	50	PNC Aust Pty Ltd	105
PRL 109*	93.22	50	PNC Aust Pty Ltd	105
PRL 110*	83.79	50	PNC Aust Pty Ltd	105
PRL 116*	63.92	100		115
PRL 117*	1.59	100		115
PRL 118*	99.70	80	Planet Gas	514
PRL 119*	99.74	80	Planet Gas	514
PRL 120*	99.30	80	Planet Gas	514
PRL 121*	98.58	80	Planet Gas	514
PRL 122*	96.84	80	Planet Gas	514
PRL 123*	98.08	80	Planet Gas	514
PRL 124*	84.83	80	Planet Gas	514
PRL 125*	91.57	80	Planet Gas	514
PRL 126*	81.86	80	Planet Gas	514
PRL 127*	75.45	80	Planet Gas	514
PRL 128*	86.58	80	Planet Gas	514
PRL 135*	2.54	57	Beach	182
PRL 136*	76.05	60	Beach	104
PRL 137*	73.84	60	Beach	104
PRL 138*	89.23	60	Beach	104
PRL 139*	94.85	60	Beach	104

Additional Information

PERMIT (*OPERATED BY SENEX)	AREA (KM^2)	INTEREST (%)	JOINT VENTURERS (*OPERATOR)	ORIGINAL PEL
PRL 140*	98.41	60	Beach	104
PRL 141*	77.29	60	Beach	104
PRL 142*	99.36	60	Beach	111
PRL 143*	94.97	60	Beach	111
PRL 144*	88.87	60	Beach	111
PRL 145*	97.77	60	Beach	111
PRL 146*	98.03	60	Beach	111
PRL 147*	85.18	60	Beach	111
PRL 148*	94.12	60	Beach	111
PRL 149*	94.62	60	Beach	111
PRL 150*	22.82	60	Beach	111
PRL 183*	82.58	80	Cooper	110
PRL 184*	93.50	80	Cooper	110
PRL 185*	86.78	80	Cooper	110
PRL 186*	86.67	80	Cooper	110
PRL 187*	97.32	80	Cooper	110
PRL 188*	93.83	80	Cooper	110
PRL 189*	88.70	80	Cooper	110
PRL 190*	98.13	80	Cooper	110
Surat Basin				
PCA 5* – application	154.20	100		
PCA 6* – application	147.90	100		
PCA 7* – application	154.40	100		
PL 311* – application	92.50	100		
PL 312* – application	215.80	100		
PCA 125* – application (East)	154.00	100		
PCA 126* – application (West)	154.00	100		
PCA 127* – application (Central)	231.00	100		

	(KM^2)
Total Gross Area (incl applications)	**75,200**
Total Net Senex Area	**62,711**

1 Santos GLNG's interest in Maisey Block has not been included

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

3 Santos PPL 194 forms part of Reg Sprigg West agreement with PPL 211

4 Senex interest in PPL 211 licence is 100%, working interest in RSW-1 well is 25%. No unitisation agreement (as with Derrilyn), letter agreement in place.

Additional Information

Shareholder statistics

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

(a) A distribution schedule of the number of holders in each class of equity securities as at 1 August 2016:

NUMBER OF SHARES	FULLY PAID SHARES	NUMBER OF HOLDERS UNLISTED OPTIONS	PERFORMANCE RIGHTS	SHARE APPRECIATION RIGHTS
1 – 1,000	1,226	-	-	-
1,001 – 5,000	4,131	-	-	-
5,001 – 10,000	2,463	-	-	-
10,001 – 100,000	6,082	-	-	-
100,001+	1,119	1	6	6
Total	**15,021**	**1**	**6**	**6**

(b The number of holders holding less than a marketable parcel of fully paid shares as at 1 August 2016 was 2,123.

(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 1 August 2016:

NO.	NAME	NUMBER	%
1	National Nominees Limited	260,557,433	22.60
2	HSBC Custody Nominees (Australia) Limited	78,174,386	6.78
3	JP Morgan Nominees Australia Limited	71,608,225	6.21
4	Citicorp Nominees Pty Limited	31,698,877	2.75
5	Mr Robert Bryan	29,000,000	2.52
6	Elphinstone Holdings Pty Ltd	21,730,309	1.88
7	Bow Energy Limited	12,738,621	1.10
8	BNP Paribas Noms Pty Ltd	9,776,526	0.85
9	ABN Amro Clearing Sydney Nominees Pty Ltd	5,318,687	0.46
10	Mr Timothy Bryce Kleemann	4,936,070	0.43
11	Mr Michael Ryalls & Mrs Dulcie Ellen Ryalls	4,173,870	0.36
12	Mr Roberto Ganci & Mrs Tina Lingenti-Ganci	4,070,622	0.35
13	Pacific Development Corporation Pty Ltd	4,000,000	0.35
14	Mr Dallas John William Allman & Mrs Judith Dawn Allman	3,889,000	0.34
15	UBS Nominees Pty Ltd	3,803,785	0.33
16	Mr Alan Robins & Mr Melville Robins & Mr Kevin Robins	3,800,000	0.33
17	Miss Almut Winter	3,383,500	0.29
18	Mr Murray Shaw & Mr Benjamin Shaw & Ms Lee Anne Shaw	3,000,000	0.26
19	Miller Anderson Pty Ltd	2,500,000	0.22
20	Gillilodge Pty Limited	2,470,000	0.21

(d) A substantial holder has given notice to the Company of its interest. The most recent notice that the Company received from the substantial holder was dated 28 September 2011. As at 1 August 2016 the name of the substantial holder and the number and percentage of equity securities in which the substantial holder and the substantial holder's associates had a relevant interest at 28 September 2011, as disclosed in the substantial holding notice dated 28 September 2011, were:

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

Information disclosed to Senex under beneficial ownership tracing notices

Under Part 6C.2 (including s.672A) of the *Corporations Act 2001* Senex routinely requires the registered holders of certain shareholdings in its register of members (and persons previously named as having relevant interests in those shares) to make the disclosure required by s.672B of the Act.

The disclosure that those persons are required to make under s.672B of the Act includes:

a. full details of their own relevant interest in the shares and of the circumstances that give rise to that interest; and

b. the name and address of each other person who has a relevant interest in any of the shares together with full details of:

   i. the nature and extent of the interest; and

   ii. the circumstances that give rise to the other person's interest; and

c. the name and address of each person who has given the person instructions about:

   i. the acquisition or disposal of the shares or interests; or

   ii. the exercise of any voting or other rights attached to the shares or interests; or

   iii. any other matter relating to the shares or interests;

   together with full details of those instructions (including the date or dates on which they were given).

The information disclosed to Senex in response to enquiries under s.672A is not materially different information to the information disclosed by the Sentient Group notice of change of interests dated 28 September 2011. In particular:

- each relevant response has disclosed that Sentient Group still has a substantial holding of 188,212,276 Senex shares (16.33% of issued shares); and
- on 29 June 2016 (the date of the most recent response) National Nominees held 188,212,276 shares (16.33% of issued shares)
  on behalf of Sentient Group funds, being:
- 85,033,938 shares (7.38% of issued shares) held on behalf of Sentient Executive Gp III Limited, and
- 103,178,338 shares (8.95% of issued shares) held on behalf of Sentient Executive Gp IV Limited.

(e) Director's security holdings and relevant interests as at 1 August 2016:

CLASS OF SECURITY	FULLY PAID SHARES	NUMBER OF SECURITIES UNLISTED OPTIONS	PERFORMANCE RIGHTS	SHARE APPRECIATION RIGHTS
T Bourne	355,000	-	-	
IR Davies	2,839,047	2,000,000	3,566,084	6,647,882
BM McKeown[1]	-	-	-	
DL Goodin	180,000	-	-	
J Warburton	-			
RH Craven	250,000	-	-	
TBI Crommelin	3,926,812	-	-	
YA 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 (16.33% of issued shares) at 1 August 2016

Voting rights

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

Additional Information

Major Announcements

2016	Announcement
15 June	Asia Pacific non-deal roadshow presentation
27 April	March 2016 Quarterly Report
4 April	Drilling contract dispute
29 March	Senex international non-deal roadshow presentation
15 March	Dr John Warburton appointed to Senex Board
9 March	Senex executes H1 FY17 hedging program
1 March	Response to ASX Price Query
23 February	Half Year Report to 31 December 2015
17 February	FY16 half year guidance on significant items
20 January	December Quarterly Report

2015	Announcement
16 December	Completion of transaction with Santos GLNG
28 October	September Quarterly Report
30 September	2015 Annual Report
24 September	Presentation of major WSGP agreements executed with Santos GLNG
24 September	Senex & Santos GLNG execute major GSA and $42m asset sale agreement
25 August	2015 Full Year Results & FY16 Outlook Presentation
25 August	2015 Annual Reserves Statement
29 July	Senex appoints Graham Yerbury as Chief Financial Officer
28 July	June Quarterly Report

Additional Information

Five year history

At 30 June

	FY16	FY15	FY14	FY13	FY12
Financial performance ($'000)					
Sales revenue	69,287	115,910	170,862	137,287	64,391
Total revenue	113,067	121,512	179,673	165,870	70,411
Income tax benefit / (expense)	–	(10,681)	(10,681)	(391)	(1,681)
Profit / (loss) after tax	(33,196)	(80,646)	37,895	61,004	8,860
Financial position ($'000)					
Total assets	454,105	484,174	562,620	498,866	346,361
Total equity	369,645	401,916	482,524	440,085	299,941
Reserves and production					
Production – oil (barrels)	1.00	1.35	1.38	1.25	0.60
2P Reserves – oil (mmboe)	10.4	11.3	13.3	10.8	8.1
2P Reserves – gas (mmboe)	73.0	83.3	26.6	26.6	23.5
Exploration					
Wells drilled (number)	5	13	35	21	26
Other capital expenditure ($'000)					
Property, plant and equipment and intangibles	6,888	8,796	12,501	20,129	25,422
Share information					
Issued shares	1,152,686,422	1,149,657,377	1,146,343,917	1,140,804,837	1,032,094,191
Weighted average shares	1,152,686,422	1,149,307,488	1,143,837,116	1,134,792,989	920,847,238
Share price	0.26	0.28	0.70	0.59	0.71
Ratios					
Basic earnings / (loss) per share (cents)	(2.88)	(6.11)	3.31	5.38	0.96
Earnings / (loss) per share (cents) diluted	(2.88)	(7.02)	3.28	5.32	0.95
General ($'000)					
Market capitalisation	293,935	321,904	796,709	673,075	732,787
Current Liabilities	35,490	29,831	37,188	32,430	28,258
Profit / (loss) from continuing operations before tax	(33,196)	(91,327)	48,575	61,395	10,541
Interest income	1,510	634	1,678	5,421	3,336
Depreciation, amortisation & impairment expenditure	93,278	121,707	27,424	21,630	12,495
Exploration expenses	2,268	18,430	16,759	12,843	5,222

Additional Information

Glossary of terms

$ means Australian dollars unless otherwise stated

1P means proved 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

2C means the best estimate scenario of contingent resources in accordance with the SPE PRMS

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)*

AVO means Amplitude Versus Offset; an enhanced seismic interpretation technique using the changes in seismic reflection amplitude with change in distance between shot point and receiver to determine rock-type and fluid content

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

Beach means Beach Energy Limited ABN 20 007 617 969

boe means barrels of oil equivalent, the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy

bopd means barrels of oil per day

Contingent resources means those quantities of petroleum estimated to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies, as defined in the SPE PRMS

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

EIP means the Senex Employee Incentive Plan

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

ESG means environmental, social and governance risks

ESP means electric submersible pump

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

FY means financial year

GLNG means the Santos GLNG joint venture comprising Santos Limited, Total, PETRONAS and KOGAS

Gross pay means the overall interval in which hydrocarbons are present in a well

GSA means gas sales agreement

JCC means Japanese Crude Cocktail oil price

JV means joint venture

KMP means key management personnel. KMP are those people who have authority and responsibility for planning, directing, and controlling the activities of the company, either directly or indirectly, and include the Company's directors

KPI means key performance indicator

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

LPG means liquefied petroleum gas

LTI means long term incentive

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

mbbls means thousand barrels

mmbbls means million barrels

mmboe means million barrels of oil equivalent

mmscf/d 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; porosity, permeability and hydrocarbon saturation parameters such that the reservoir is capable of producing hydrocarbons

NPAT means net profit after tax

OGIP means original gas in place

Oil means a mixture of liquid hydrocarbons of different molecular weights

Origin means Origin Energy Limited ABN 22 078 868 425

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 (2004)*

Planet means Planet Gas Limited ABN 46 098 952 035

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)*

Production is the volume of hydrocarbons produced in production operations (including extended production testing)

QGC JV means the QGC Joint Venture comprising QGC Pty Limited (QGC), Tokyo Gas (TG) and China National Offshore Oil Company (CNOOC)

RRR means reserves placement ratio which is calculated as the summation of estimated reserves additions and revisions divided by estimated production for the period before acquisitions and divestments

Reserve means commercially recoverable resources which have been justified for development, as defined in the SPE PRMS

SACB JV means the South Australian Cooper Basin Joint Venture which involves Santos (as operator), Beach and Origin

Sales volumes are equal to production less volumes of hydrocarbons consumed in operations (fuel, flare, vent and other shrinkage) and inventory movements

Santos means Santos Limited ABN 98 008 624 691

Senex means Senex Energy Limited ABN 50 008 942 827

Senior Executive means a senior executive member of the Company's management team, apart from the CEO, who was a member of the company's KMP at any time in FY16

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

TFR means total fixed remuneration and it is the base component of each Senex employee's remuneration (principally annual salary and superannuation contributions) which is not at risk

TRIFR means total recordable injury frequency rate

TSR means total shareholder return

USD means United States dollars

VWAP means volume weighted average price

Corporate Directory

SENEX ENERGY LIMITED

Australian Business Number
50 008 942 827

Directors

Trevor Bourne (Chairman)

Ian R Davies (Managing Director and Chief Executive Officer)

Ralph H Craven (Independent Non-executive Director)

Timothy BI Crommelin (Non-executive Director)

Debra L Goodin (Independent Non-executive Director)

Benedict M McKeown (Non-executive Director)

John Warburton (Independent Non-executive Director)

Yanina A Barilá (Alternate Non-executive Director)

Company Secretary

Francis L Connolly

David A Pegg

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Securities exchange

Australian Securities Exchange (ASX)
Code: SXY

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