

# Annual Report 2017

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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 2017. 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/investors/company-reports](http://www.senexenergy.com.au/investors/company-reports). In consideration of the environmental footprint associated with the production of the Annual Report, printed copies of the Annual Report will only be posted to shareholders who have requested a printed copy.

## Report objectives

This Annual Report is provided for the benefit of all Senex's stakeholders, as a clear and concise summary of Senex's performance during the 2017 financial year and outlook for the year ahead. It meets our compliance and governance requirements. Through this report, 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.

## Corporate governance statement

Senex's Corporate Governance Statement discloses the extent to which Senex has complied with the ASX Corporate Governance Council's 'Corporate Governance Principles & Recommendations – 3rd edition'. This Statement is available at [www.senexenergy.com.au/about/corporate-governance](http://www.senexenergy.com.au/about/corporate-governance).

## 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.

## Annual General Meeting

Wednesday 15 November 2017, Brisbane

# About Senex



Senex is an independent Australian oil and gas company with a 30-year history. We manage a diverse portfolio of onshore conventional and unconventional assets, strategically positioned in Queensland and South Australia with access to Australia's east coast. Senex is focused on creating sustainable value for shareholders, leveraging our capability as a low cost, efficient and safe explorer and producer.



# How we work

## Our vision

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

## Our mission

To 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

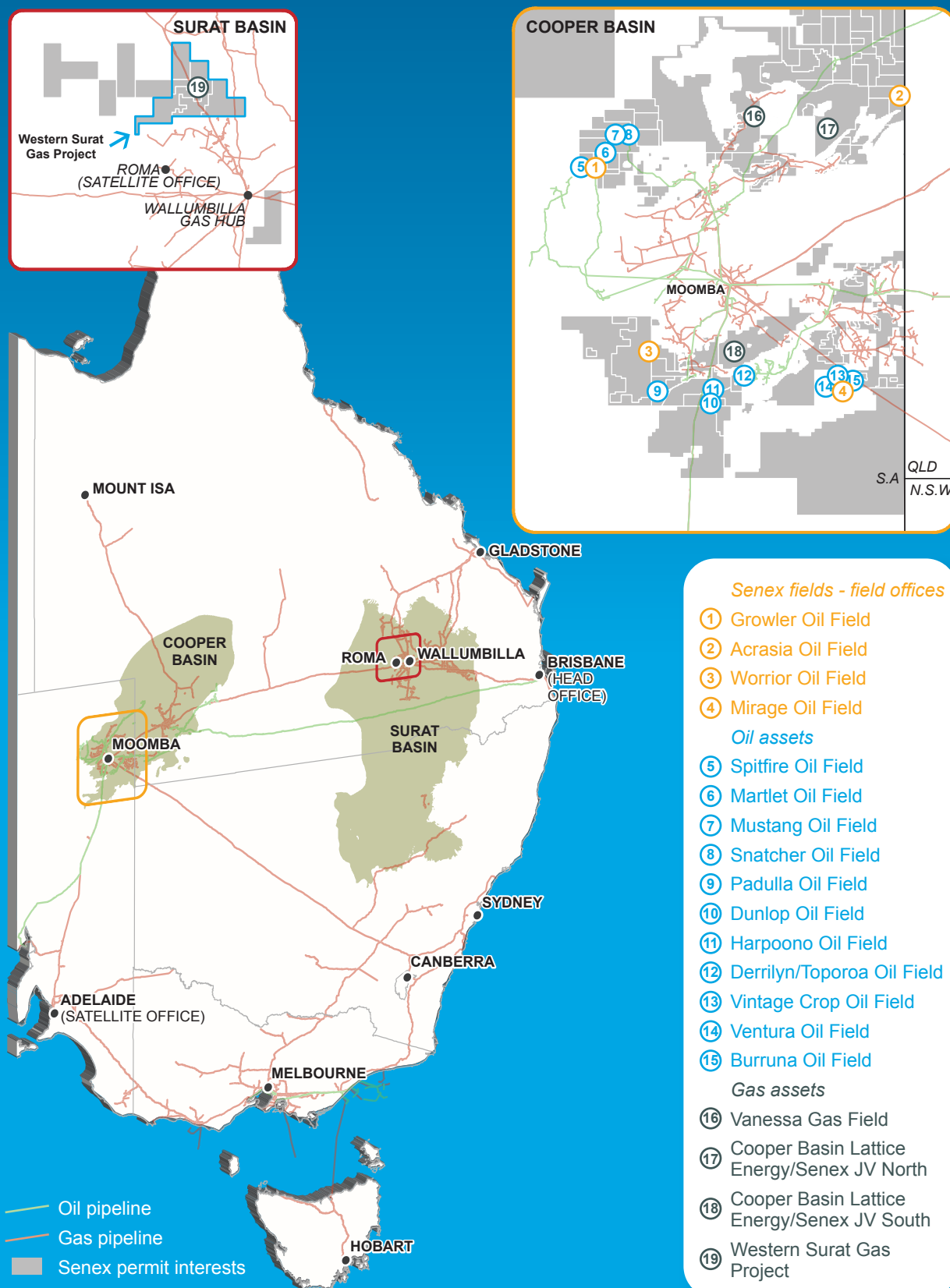
- Are accountable
- Take responsibility
- Generate solutions

- Create opportunities
- Innovate
- Use initiative
- Achieve results

- Communicate openly
- Work together
- Combine strengths

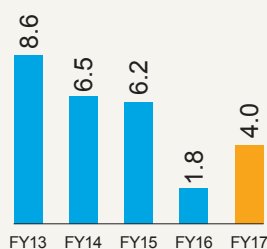
Senex significantly increased work activity in the Surat Basin, including drilling, during FY17

# Where we work



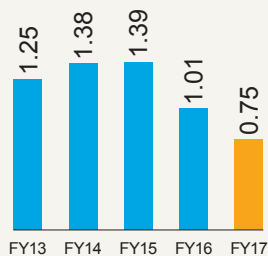
# Our performance

Senex has continued to build momentum in the 2017 financial year with a strong cash position, quality oil assets producing at low cost, and a material gas business on the horizon.



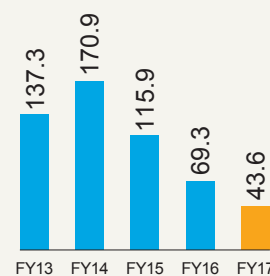
## Total Recordable Injury Frequency Rate (TRIFR) (per million hours worked)

Three recordable incidents occurred in the Cooper Basin, equating to a TRIFR of 4.0 based on one million work hours. There were no recordable incidents for the Western Surat Gas Project.



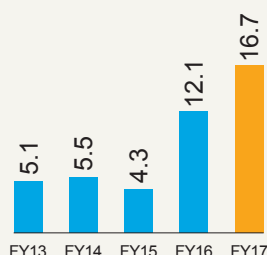
## Production (mmboe)

Production reflects natural field decline and reduced capital spending on exploration and development activities in a low oil price environment.



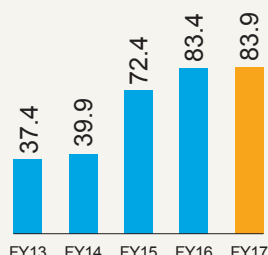
## Sales revenue (\$m)

Sales revenue declined by 37% consistent with lower production volumes and a lower realised oil price of \$61 per barrel, compared to \$71 in FY16.



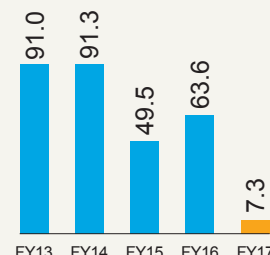
## Net 1P Reserves (mmboe)

Net 1P reserves increased by 38%, largely driven by successful appraisal activities in the Surat Basin.



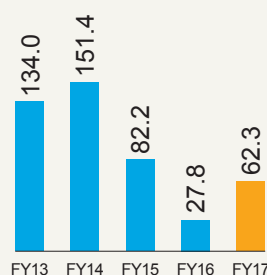
## Net 2P reserves (mmboe)

Net 2P reserves remained steady with production and revisions in the Cooper Basin more than offset by reserve increases in the Surat Basin.



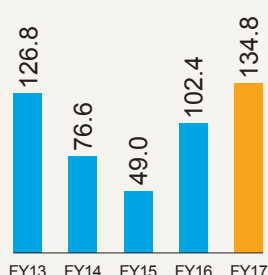
## EBITDAX (\$m)

The EBITDAX result reflected reduced gross profit from lower sales volumes and realised oil prices, while the FY16 result included a \$38.2 million profit on the sale of the Maisey block in the Surat Basin.



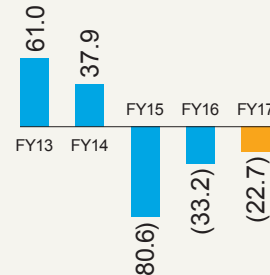
## Capital Expenditure (\$m)

Emerging from a prolonged period of capital deferral, Senex invested \$36.6 million into the Western Surat Gas Project and \$25.7 million into the Cooper Basin oil and gas portfolio.



## Cash position (\$m)

Senex enters FY18 with an excellent cash position, driven by robust capital management and a successful equity raising of \$91 million.



## Statutory net profit after tax (\$m)

Statutory NPAT<sup>1</sup> has continued an upward trend with a 72% improvement against 2015, consistent with an improving operating environment and continued business focus on cost control.

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



# Chairman's message to shareholders

**Volatility remains in the energy sector though there were signs of improvement over the past year. Your company has maintained strategic and operational focus, and is entering the new financial year well funded and well positioned.**

Uncertainty across global markets remained a trend throughout the 2017 financial year. The world's oil and gas producers continue to shape their strategies and plans in the context of prolonged low oil prices and a low-carbon future. While I was pleased to see that the Brent crude oil price index did not reach the 12-year lows of FY16, lower oil prices featured again with a peak of just US\$57 in FY17 against a peak of US\$62 in the prior year.

Domestically, the 'trilemma' of delivering sustainable, affordable and reliable energy remains high on the political agenda. As reaffirmed by the nation's Chief Scientist Dr Alan Finkel in June, unlocking Australia's abundant gas reserves is key to addressing supply issues in the National Electricity Market, which supports the entire east coast. Gas is a complementary, reliable baseload source that will support demand peaks and troughs. I spoke about these dynamics at Senex's Annual General Meeting in November 2016, and our expectations of policy and industry initiatives to incentivise additional sources of gas supply. Upstream explorers and producers like Senex need effective energy policy and regulatory stability, combined with the ability to see sustainable returns, to continue investing into gas assets.

To this end, it was encouraging to see swift bipartisan action recently with 49 of the 50 recommendations in the Finkel report approved at a Council of Australian Governments meeting in July, within weeks of the report's initial release. Senex believes that the States and Territories should also adopt a Clean Energy Target as recommended in the Finkel Report. These actions will contribute to increased energy security, energy reliability and investor confidence.

Your company has remained steadfast, navigating industry challenges and building momentum to capture market opportunities. Senex also continues to operate in jurisdictions where governments and communities largely support the industry and its investment to meet market demand. I remain confident that Senex's operational focus, business strategy and risk management framework remains robust and will support sustained growth in the long term.

As Chairman, my focus is on creating enduring value for shareholders. Despite industry challenges, Senex's performance this year was solid and we are several steps closer to material gas production. This included first pilot gas from the Western

Surat Gas Project in Queensland, which is sold as unprocessed gas to GLNG, followed by the investment decision to drill 30 appraisal wells and construct key surface facilities. This capital investment program is proceeding as planned and will be followed by an expanded appraisal and pilot program in the year ahead.

In parallel, our track record as a low cost oil producer has continued and we delivered solid safety and environmental performance during the year. I have seen first-hand Senex's continued focus on its people and their development, as well as stronger relationships with industry, government and our communities. It is clear that Senex has further enhanced its capabilities as a safe, efficient and low-cost operator – credentials that will transfer seamlessly to future growth opportunities.

Your board focused on strong capital management again during FY17. We closed out the year with cash of \$134.8 million – significantly more than previous years. With careful planning and ongoing evaluation, we are embarking on a period of investment to progress our gas business and deliver returns in oil. The successful capital raising activities in February demonstrated strong market support for our strategy, with \$91 million invested into the Senex business by institutions and shareholders. I would like to thank all shareholders who participated in this opportunity and for your continued confidence in Senex.

One of these institutions was EIG Global Energy Partners, acting through its managed investment funds, which became a substantial shareholder in Senex with a holding of 12.2%. EIG is a leading US-based investor in energy projects and infrastructure with an impressive 35-year track record. EIG and Senex have agreed to work together, including developing an appropriate funding model for the Western Surat Gas Project and other growth projects within Senex's portfolio. We expect to formally welcome EIG's Sydney-based Managing Director, Andy Zhmurovsky, as a Senex non-executive director following the Annual General Meeting this November.

Additional board changes took effect during the year. In May 2017, Ben McKeown resigned from Sentient and his position as a director of Senex. I would like to acknowledge the significant contribution that Ben made to the company during more than eight years on the board. Ben was instrumental in helping to lead Senex's growth from an exploration focused junior oil company to a substantial and diversified oil and gas company.

The directors appointed Yanina Barilá to replace Ben as Sentient's nominee on the board. She was first appointed as an alternate director of Senex in March 2011. Yanina is thoroughly familiar with the

people, assets and operations of Senex, and brings to our group her diverse financial experience and expertise, as well as six years of Senex corporate memory. We are pleased to have Yanina fulfil this role.

During the year I have personally seen the motivation, commitment and capability of the entire Senex team on display. To all staff, I applaud your efforts and am enthusiastic about your achievements in the year ahead.

I would like to thank my fellow directors for your continued efforts in realising the potential of this company. I would especially like to acknowledge Ian Davies and his executive team, for the achievements of the year and the ongoing work to lead this company with passion and innovation.

And finally to you, our shareholders. Your loyalty remains important to us, and at all levels of our organisation, there is the right commitment and capability for creating shareholder value as well as a positive, lasting legacy for the communities in which we operate. I am optimistic about Senex's momentum and look forward to reporting to you on the company's progress.



**TREVOR BOURNE**  
Chairman

**"Domestically, the 'trilemma' of delivering sustainable, affordable and reliable energy remains high on the political agenda."**



# Managing Director's review

## Senex is emerging from the oil price downturn with strong momentum, ready for challenges and opportunities ahead.

The oil and gas industry remains in a state of transition. Consistent with Australia's international commitments under the Paris Agreement, the industry is adjusting to the demands of a low-carbon future. However at the same time the industry must support Australian communities with affordable and reliable energy. We are part of a complex interplay of political, regulatory, economic and market dynamics that shape the delivery of energy to end users.

Building resilience and agility are key credentials for navigating this landscape, and Senex has an important role to play in the value chain. Our business is on the frontline, at the source, finding and bringing these commodities to market. We have unique perspectives of the market to share and a place on the energy agenda, and we are actively working to advance Senex's interests and those of our shareholders.

As I review our business I believe it is a promising time for Senex. We are steadily transitioning out of what has become a prolonged downturn in commodity prices and are executing our strategy of delivering material gas production. With our Western Surat Gas Project leading the way, we are diversifying our revenue stream in the near term while

fine-tuning our operating capability for longer term opportunities. Already, Senex is emerging as a cost leader based on our execution of appraisal activities for this project. Senex has demonstrated resilient performance in FY17 and achieved key milestones, and is entering the 2018 financial year in a strong position.

## Safety first, always

The past 12 months has seen increased work activities across Senex's Cooper Basin and Surat Basin operations, resulting in more total work hours for employees and contractors. Regrettably, we experienced three recordable safety incidents in the Cooper Basin during the period. Each incident was comprehensively reviewed with preventative action plans developed for our employees and contractors.

We are committed to the safety and wellbeing of people at all times, and supporting our industry as a safety leader. This drives our active participation in the Queensland gas industry's Safer Together initiative, and our ongoing investments in 24/7 aeromedical support for people in the Cooper Basin and remote South Australia. These services make a real difference to the lives of workers, residents and visitors in these areas. With this in mind, we have extended our commitments to the South Australia-based Royal Flying Doctor Service and Senex-initiated Cooper Medivac 24 helicopter service in the Cooper Basin.

## Operating performance

Senex has demonstrated resilient performance in FY17 against continued headwinds in the global energy market. Key outcomes for FY17 included:

- Production of 750,000 barrels of oil equivalent, compared to around one million barrels in the prior year. The movement in volumes against the prior year primarily reflects natural field decline and lower capital expenditure in the low oil price environment;
- Low operating costs at \$30 per barrel excluding royalties, reflecting efficiencies in the field and representing one of the lowest unit operating costs in the Cooper Basin; and
- First pilot gas and material investment in the Western Surat Gas Project in Queensland, with the \$50 million investment program progressing successfully.

Senex's full year sales revenue of \$43.6 million reflected lower sales volumes and a lower realised price on oil sales. The average realised oil price was A\$61 per barrel sold against A\$71 in the prior year, with our FY17 hedging program providing a level of revenue protection. We have continued this assurance with the majority of our oil sales hedged to March 2018.

"We are committed to the safety and wellbeing of people at all times, and supporting our industry as a safety leader."





To support the increased work activity in FY17, we added key skills and resources to our team and grew the workforce to 169 people. This included new employees based in the Surat Basin, and we expect to fill additional project positions with local candidates in the year ahead. Supporting the local community with employment and business opportunities is an important part of our Surat Basin activities. Further, the ongoing development of our people, wherever they are located, remains a priority as capable and motivated people are the key to our success.

Senex has consistently welcomed change, innovation and collaboration, and the past year is no exception. We are strengthening new and existing relationships, embracing opportunities, leveraging new skills and experience, adopting streamlined processes and systems, and considering the role of technology in our plans. Together with our ongoing focus on safe, efficient and low-cost operations, these actions will help Senex's successful pursuit of future growth opportunities.

### Delivering our strategy

During the year we executed a capital investment program focused on advancing our gas business and supporting our operating oil assets. We invested total capital of \$62.3 million in FY17, up substantially from \$27.8 million invested during FY16.

Our gas pilot for the Western Surat Gas Project was delivered as planned and the five wells are performing in line with expectations. We are successfully moving through a drilling campaign of 30 appraisal wells and construction of water and gas gathering infrastructure, with material gas production on track for mid-2018. To support this timeline and future development, our environmental approvals are also in progress with government authorities. The results of appraisal and pilot activities during the year provided further confidence in the deliverability of gas from the acreage, leading to an increased estimate of proven (1P) gas reserves in the Surat Basin to 13.8 mmbae (FY16: 12.1 mmbae). This reserves increase also directly reflects the successful execution of our strategy to pursue east coast gas opportunities.

In the Cooper Basin, we are also on track for gas production in early 2018 from the Vanessa conventional gas field into the domestic market. The commercialisation process for Vanessa was accelerated with a grant awarded by the South Australian Government to connect the field with State-based gas customers. Senex is leading the pipeline project on behalf of its joint venture partners and we are advancing negotiations with potential gas buyers.

We have remained focused on finding and evaluating potential gas discoveries to supply the east coast. One of the only onshore gas exploration programs undertaken during the year was the Senex-operated unconventional gas project in the Cooper Basin, in collaboration with Lattice Energy (formerly Origin) and Planet Gas. Our work involved drilling and testing at deep well locations in the north and south Cooper Basin, targeting potentially vast gas resources at depths of more than 3,000 metres. At the northern well site, we also drilled a pioneering horizontal section of over 1,000 metres which has no precedent in the Basin. The work provided further insights into the potential of the Allunga and Patchawarra Troughs, and we are finalising the FY18 work program with our partners to evaluate the commerciality of this prospective gas acreage.

In July 2017 we drilled an exciting new Birkhead oil discovery on the western flank, Marauder-1. This discovery further demonstrated the potential of the prolific western flank, and we expect to bring this well online in early FY18. This result was pleasing to see following no commercial oil discoveries from three exploration wells drilled during FY17. The drilling campaigns together with the ongoing work to build Senex's regional petroleum system model, support our strategic focus in FY18 on western flank opportunities, which provide solid economics in a low oil price environment. We are confident that our measured investment program into oil opportunities on the western flank, with an emphasis on returns, is the right approach for stabilising production and value creation in the year ahead.

### Creating a positive legacy

Senex is focused on establishing a positive, lasting role in the communities where we operate and where our people live. This means maintaining our reputation and strengthening our relationships with the local community, landholders, and business and industry groups. We welcome the collective movement to ensure our industry is continually improving, and an example of this was a recent review of Queensland's coal seam gas industry by the Gas Fields Commission. This review provided important signposts for Senex as we build our operations in the region, and noted that effective two-way communication and engagement is the key to creating a positive legacy. Our stakeholders, including our shareholders, can be confident that this approach is front of mind for Senex.

### Looking ahead

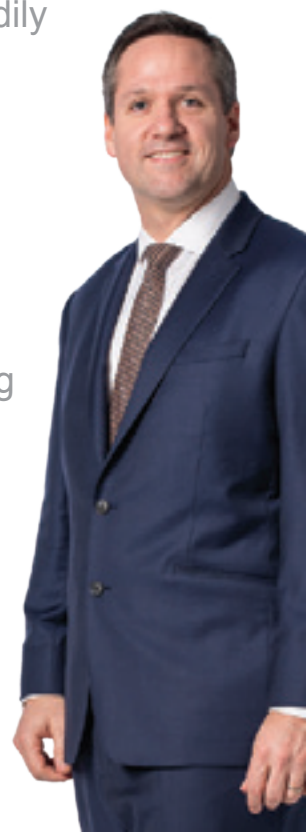
I would like to personally thank the executive team for their dedication and continued leadership. I also extend my sincere thanks to Senex's people, contractors and suppliers for their collective efforts and commitment to achieving our goals throughout the year. Our team has risen to the challenges presented by our industry and we are in a stronger position because of their efforts.

Our strategy of building a sustainable diversified energy business is on track. We are prioritising the opportunities presented by the east coast gas market, with successful delivery to date of the Western Surat Gas Project providing an operational foundation for realising these opportunities. Importantly, we have enhanced our financial strength in order to act on the right opportunities. We have an active new ventures and new markets strategy, and will continue evaluating opportunities against a rigorous criteria, the right partners and the right strategic fit. I am excited about the year ahead as we return the company to growth and contribute to the east coast's future energy security.



**IAN DAVIES**  
Managing Director

“We are steadily transitioning out of what has become a prolonged downturn in commodity prices and are executing our strategy of delivering material gas production.”



# Strategy

The right strategy, well-executed, is the key to Senex's future growth.

We are staying focused on safely and efficiently executing our strategic pursuits, with an emphasis on opportunities to supply Australia's east coast energy market.

## Oil

**Advancing our material exploration and production position in Australia's leading onshore region.**



Globally, the medium and longer term market fundamentals for oil remain robust. Supply continues to flex while investment into new discoveries has declined and low cost sources of oil production declines. In contrast, global demand remains strong, enhanced by increasing demand from developing economies.

In the nearer term, the oil pricing outlook remains volatile in line with the sharp and prolonged period of market correction since 2015.

Senex remains a low cost upstream operator with quality oil acreage in the Cooper Basin. Our lean operating capability, existing infrastructure and pathways to market, as well as strong relationships across the value chain, support Senex's position as a leading oil producer in the region.

In the near term, our strategic focus centres on stabilising production, maintaining low costs and generating cash from the base portfolio. We will prioritise capital investment into high value opportunities on the western flank of the Cooper Basin, which offer high returns at low oil prices and can be brought online quickly to generate income.

## Gas

**Realising the near-term east coast gas market potential.**



The near- and longer-term demand for affordable and reliable energy is unprecedented in modern Australia's history. On the east coast, gas supply has continued to tighten, largely driven by domestic energy consumption and export demand from Queensland's LNG producers. As reaffirmed by the nation's Chief Scientist Dr Alan Finkel during 2017, natural gas will play an important role in the energy mix particularly as the world transitions to a low-carbon future.

Senex is continuing to leverage its strategic position as an agile, independent operator to bring new gas supply into the market. Our focus remains on building our position as a low cost coal seam gas producer in Queensland, along with new conventional and unconventional gas opportunities in the Cooper Basin. The Western Surat Gas Project represents a material, near-term revenue stream in a supportive regulatory and operating environment. Similarly, South Australia's gas producing regions of the Cooper Basin offer material reserves potential and existing pathways to market.

Our capabilities in gas exploration, development and production are highly transferable. Senex will apply these capabilities to future organic and inorganic opportunities to bring more gas supply to the east coast.

## New Markets and New Ventures



**Pursuing opportunities that strengthen our foothold in the upstream value chain.**

Senex continues to evaluate its position in the upstream value chain, addressing opportunities to position the business for future supply and demand changes in Australia's energy markets. This includes inorganic and organic opportunities where these align with strategy, operating capability and financial capacity. We are actively establishing financial facilities to support these growth activities.

Silver Star-1 gas exploration well, Cooper Basin

Senex's Strategic Priorities	Oil	Gas
Produce efficiently	<ul style="list-style-type: none"> <li>&gt; Sustain the cash flow engine for future growth – discovered oil</li> <li>&gt; Relentless focus on low cost production, through efficiency and innovation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Bring material Surat Basin gas reserves to market and diversify the company's revenue stream</li> <li>&gt; Demonstrate low cost, safe and efficient delivery capability</li> </ul>
Develop thoroughly	<ul style="list-style-type: none"> <li>&gt; Maximise recovery of discovered fields – a low risk growth opportunity</li> </ul>	<ul style="list-style-type: none"> <li>&gt; De-risk and appraise Surat Basin gas acreage to optimise staged investments and ongoing development</li> <li>&gt; Bring gas to market from the Vanessa field in the Cooper Basin</li> </ul>
Explore effectively	<ul style="list-style-type: none"> <li>&gt; Focus on high value western flank opportunities</li> <li>&gt; Embrace new technologies, rigorous evaluation and learning to find new discoveries</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Prove up potential material gas resources to access the east coast gas market opportunity</li> </ul>
Venture selectively	<ul style="list-style-type: none"> <li>&gt; Pursue inorganic value-accretive growth opportunities</li> <li>&gt; Commercialise non-western flank acreage</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Acquire new acreage and leverage Senex's operating and delivery capabilities</li> <li>&gt; Diversify gas supply portfolio</li> </ul>



# Leadership team

## **IAN DAVIES** **Managing Director and Chief Executive Officer**

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

As Managing Director and CEO, Ian is responsible for maximising the value of Senex through day to day leadership, management, decision making and execution of activities.

Ian has led Senex as Managing Director and CEO since 2010, navigating the business through significant growth and transformation. Under Ian's leadership, the company is pursuing a long-held strategy to capture emerging opportunities in Australia's dynamic energy sector. Prior to joining Senex, Ian was influential in the growth of the CSG-to-LNG industry in Queensland as Queensland Gas Company's (QGC) Chief Financial Officer. Ian led the negotiation of the LNG joint venture transaction with BG Group and the takeover offer for QGC by BG Group – the largest on-market takeover in Australian corporate history at the time. He also served as General Manager Business Development and General Manager Ports and Infrastructure, under BG Group ownership. Ian spent the early part of his career in corporate tax advisory within mining and energy with pwc in Brisbane and as an investment banker with Barclays Capital in London.

## **DARREN GREER** **Chief Operating Officer**

BEng (Mechanical)

Darren oversees Senex's operations across South Australia and Queensland, including the Western Surat Gas Project. Darren is focused on maximising production, driving operational excellence and efficiency, and building a coal seam gas operating capability.

Darren joined Senex in September 2016 after leading High Arctic Energy Services' international business unit. He brings extensive experience leading multidisciplinary operator teams to Senex, with a career spanning over 19 years in onshore and offshore exploration and development. Darren was COO at drilling and energy services company Easternwell from 2011 to 2014, a subsidiary of international service provider Broadspectrum. For over a decade, Darren also held drilling engineering and management roles at Santos and Woodside.

## **SUZANNE HOCKEY** **Executive General Manager People, Health, Safety and Environment**

Dip Strategic Mngt (Distinction), ADip AppSc

Suzanne's area of responsibility includes human resources, talent management and organisational development, as well as health, safety and environmental management functions at Senex.

Suzanne joined Senex in January 2016, bringing over 20 years of experience in organisational development and human resources strategies and processes to the role. Her career has predominantly involved senior roles within resources companies including General Manager of Human Resources at Oil Search Limited. In that role, Suzanne's portfolio included human resources consulting services, governance and performance management of a global workforce of more than 1600 staff and contractors. Prior to Oil Search, Suzanne held roles at Nautilus Minerals, Barrick Gold Corporation, CEC Group Limited and Placer Dome Gold.



**DAVID SPRING**  
**Executive General Manager Exploration**

BSc (Hons) Geophysics

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

David joined Senex in May 2015, bringing over 30 years' experience in oil and gas exploration and development to the company. As an experienced geologist and geophysicist, David's career has included 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.

**JULIE WHITCOMBE**  
**Executive General Manager Strategic Planning**

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

Julie is responsible for optimising the asset portfolio and longer term planning, driving capital allocation discipline, commercial and joint venture management, corporate communications, government and stakeholder relations, and regulatory approvals.

Julie joined Senex in 2010 and brings over 15 years of experience in strategy, finance and corporate advisory to her role. She has built a team with extensive capability in Senex's strategic planning discipline and manages a multi-faceted portfolio including joint ventures and stakeholder relations. Prior to joining Senex, Julie 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.

**GRAHAM YERBURY**  
**Chief Financial Officer**

BCom, MBus, CA

Graham is responsible for a diverse portfolio at Senex including corporate finance, investor relations, governance, procurement, IT, legal and business improvement.

Graham joined Senex in 2015 as CFO and brings nearly four decades of experience to his role. He has held executive and senior finance roles with ASX-listed and multi-national resources and professional services companies, including nearly three years as CFO of multi-national engineering services firm Cardno Limited just prior to Senex. Graham was previously CFO 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.

**Left to right:** Ian Davies, Darren Greer, Suzanne Hockey, David Spring, Julie Whitcombe, Graham Yerbury



# Financial review

Results for the year		2017	2016	Change \$	Change %
Sales revenue	\$ million	43.6	69.3	(25.7)	(37%)
EBITDAX	\$ million	7.3	63.6	(56.3)	(89%)
Exploration expense	\$ million	8.7	2.3	6.4	278%
EBITDA	\$ million	(1.4)	61.3	(62.7)	(102%)
Impairment	\$ million	–	69.7	(69.7)	(100%)
EBIT	\$ million	(22.5)	(32.0)	9.5	30%
Statutory NPAT	\$ million	(22.7)	(33.2)	10.5	32%
Underlying NPAT	\$ million	(22.5)	0.0	(22.5)	–
Operating cost excluding royalties	\$ per barrel	30.2	28.0	2.2	8%
Operating cashflow	\$ million	(8.1)	34.3	(42.4)	(124%)
Capital expenditure	\$ million	62.3	27.8	34.5	124%
Cash balance	\$ million	134.8	102.4	32.4	32%
Effective income tax rate	%	0%	0%	0	0%
Earnings per share	cps	(1.8)	(2.9)	1.1	38%

Production volumes		2017	2016	Change in volume	Change %
Oil	mmbbl	0.75	1.00	(0.25)	(25%)
Gas and gas liquids	mmboe	0.00	0.01	(0.01)	(100%)
Total	mmboe	0.75	1.01	(0.26)	(26%)

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

	FY17 \$ million	FY16 \$ million
<b>Statutory net profit / (loss) after tax</b>	<b>(22.7)</b>	<b>(33.2)</b>
<i>Add/(less):</i>		
Gain on sale of Maisey block	–	(38.2)
Impairment of exploration assets and in-field consumables	–	69.7
Restructuring	0.1	1.8
Tax (benefit)/expense	–	–
<b>Underlying net profit / (loss) after tax</b>	<b>(22.5)</b>	<b>0.0</b>

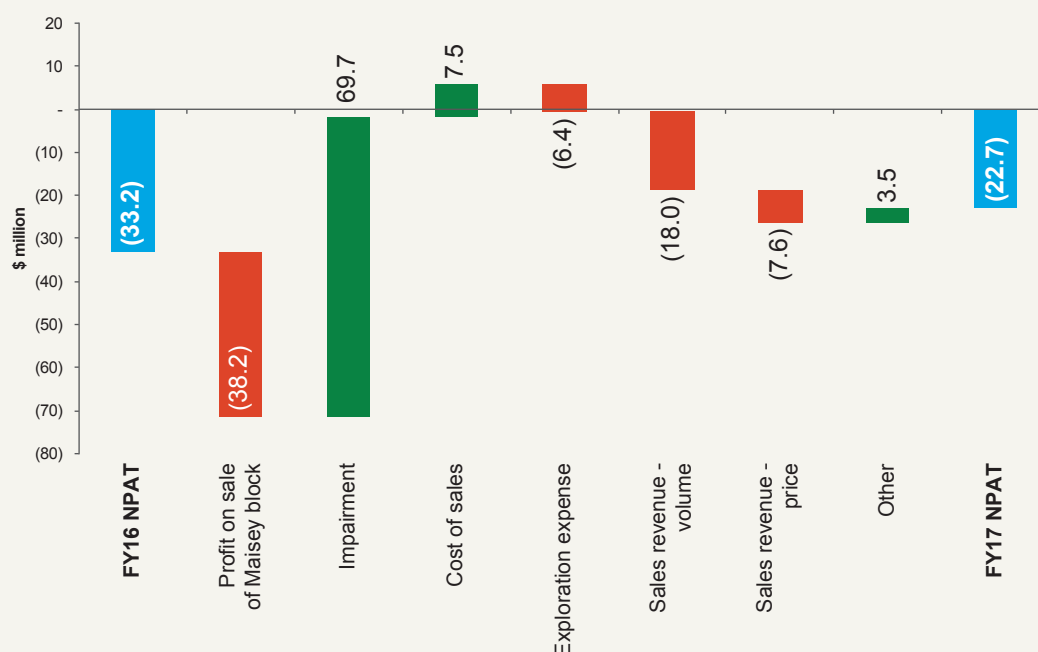
Numbers may not add precisely due to rounding.

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

	FY17 \$ million	FY16 \$ million
<b>Statutory net profit / (loss) after tax</b>	<b>(22.7)</b>	<b>(33.2)</b>
<i>Add/(less):</i>		
Net interest	0.2	1.2
Tax	–	–
Amortisation & depreciation	21.1	23.6
Impairment	–	69.7
<b>EBITDA</b>	<b>(1.4)</b>	<b>61.3</b>
<i>Add/(less):</i>		
Oil and gas exploration expense	8.7	2.3
<b>EBITDAX</b>	<b>7.3</b>	<b>63.6</b>



## FY17 reported net profit after tax versus FY16



## Key Movements

### Sales revenue

Senex's full year sales revenue of \$43.6 million (FY16: \$69.3 million) primarily reflected lower sales volumes and a lower realised price on oil sales:

- Sales volumes declined to 0.72 mmboe (FY16: 0.97 mmboe), largely a result of natural field decline and reduced capital investment in the current low oil price environment.
- Realised oil prices declined to A\$61 per barrel sold (FY16: A\$71 per barrel). Senex's FY17 hedging program provided downside protection below USD\$45 per barrel in the first half and below USD\$55 in the second half. Senex's realised oil price was a function of the hedged price, adjusted for the hedge premiums and for the timing impacts of oil sales revenue recognition.

### Impairment

No impairment charges were booked for the year, compared to \$69.7 million in FY16.

### Earnings (EBITDAX)

The EBITDAX result reflected reduced gross profit from lower sales volumes and realised oil prices, and the FY16 result included a \$38.2 million profit on the sale of the Maisey block in the Surat Basin.

### Exploration expense

The company's exploration expense of \$8.7 million (FY16: \$2.3 million) primarily reflected the write-off of non-commercial wells and associated seismic survey expenses.

### Operating costs

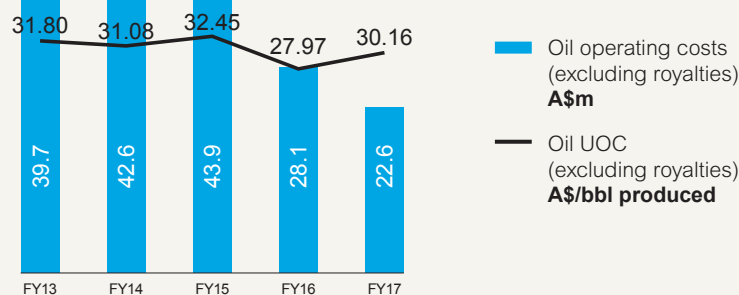
Senex continued its excellent track record as a low cost oil producer. Our focus on cost control together with lower royalties resulted in lower operating costs of \$25.1 million (FY16: \$30.6 million):

- Oil operating costs continued a downward trend to \$22.6 million excluding royalties (FY16: \$28.1 million).

- Unit operating cost per barrel was \$30.16 (FY16: \$27.97 per barrel), achieved against lower production volumes and fixed costs in the oil business.

### Income tax expense

No income tax expense or benefit was recognised in FY17 due to carry forward tax losses and offsets derived largely from our ongoing exploration and development program. The net deferred tax asset position is only recognised to the extent of future expected tax liabilities, resulting in a nil income tax expense. We continue to contribute to local economies through state taxes, fringe benefits tax and royalties of \$3.6 million, representing 49.9% of EBITDAX (FY16: \$5.1 million; 7.1% of EBITDAX).



# Operating review

During the 2017 financial year, Senex continued building momentum with disciplined capital investment and operating cost control across its oil and gas portfolio.

In the wake of a prolonged period of low oil prices, the global operating environment for oil and gas is showing signs of steady improvement. When oil prices collapsed in 2014, Senex acted quickly and decisively to protect our core oil business and accelerate our pursuit of market opportunities in gas on the east coast. We deferred capital expenditure and significantly reduced operating and corporate costs, with no compromise to quality, safe or responsible operations.

Senex has made strong progress against its corporate strategy. We invested \$62.3 million in capital programs during FY17, including \$36.6 million into our Surat Basin gas assets. We increased our estimate of proven (1P) reserves by 38%, directly reflecting our strategic pursuit of gas opportunities on the east coast, through the Western Surat Gas Project. Production volumes, sales volumes, and sales revenues were shaped by reduced spending on exploration and

development activities over the past two years in a low oil price environment. Senex continued its strong track record of low operating costs at \$30 per barrel excluding royalties, with an average realised price of \$61 per barrel of oil sold in FY17.

## Production summary

**0.75 mmboe**

**Production volume**

FY16: 1.01 mmboe

**\$30 per barrel**

**Unit operating cost (excluding royalties)**

FY16: \$28 per barrel

Senex's core operating assets in the Cooper Basin delivered total production of 0.75 mmboe, compared to 1.01 mmboe in the prior year. The reduced volumes primarily reflected natural field decline, with few new wells brought online, reflecting lower capital expenditure since 2015 in line with the decline in global oil price. Senex's major producing fields performed in line with, or ahead of, expectations. Even with lower production volumes and fixed costs in the oil business, the company maintained low unit operating costs of \$30 per barrel excluding royalties.

## Reserves summary

**83.9 mmboe**

**2P reserves**

FY16: 83.4 mmboe

**16.7 mmboe**

**1P reserves**

FY16: 12.1 mmboe

**74.4 mmboe**

**2P Surat Basin reserves**

FY16: 72.6 mmboe

**9.5 mmboe**

**2P Cooper Basin reserves**

FY16: 10.8 mmboe

Against the prior year and net to Senex, the estimate of proved (1P) reserves increased by 38% to 16.7 mmboe, while proved plus probable (2P) reserves remained steady at 83.9 mmboe. The increase in 1P reserves follows successful pilot and appraisal activities completed for the Western Surat Gas Project during FY17 and reflects a higher level of confidence in the producibility of gas volumes from the reservoir surrounding the initial pilot.

Senex released its annual estimate of reserves and contingent resources in July, with independent certification by DeGolyer & MacNaughton (D&M) and Netherland Sewell Associates (NSAI). Further information is provided in the reserves statement on page 23 of this Annual Report, and was separately released to the ASX on 26 July 2017.



Glenora water tank, Western Surat Gas Project



# Cooper Basin Oil

## FY17 FOCUS

- > Maximising cash generation by delivering strong production and cost control from the base oil portfolio;
- > A measured increase in exploration and development activities after a period of capital conservation given lower oil price; and
- > Pursuing high value oil opportunities on the highly productive western flank of the Cooper Basin.

### Production

Senex delivered solid production and maintained strong cost control in its base oil business during FY17. Oil production of 0.75 mmbbl was achieved during the period, compared with 1.01 mmbbl the prior year. Operating decisions and activities were executed within a framework of maximising production at the lowest cost.

The lower full year production result against the prior year was primarily due to natural field decline, with Senex's major producing fields performing in line with, or ahead of, expectations. The company expects its oil assets to continue performing in line with historical natural decline rates of between two and four percent per month. Senex's strategy to minimise capital expenditure in a significantly lower oil price environment since January 2015 limited the potential for production growth during the year, with just three wells connected for production during FY17.

Low operating costs were maintained during the year, with oil unit operating costs excluding royalties at A\$30 per barrel (FY16: A\$28 per barrel). This strong result was achieved even with lower production volumes and associated fixed costs in the oil business. Our operations team continued to drive production efficiencies that have delivered business improvements in the last two years.

Looking ahead, Senex remains focused on efficiently maximising production at lowest cost while building increased scale through exploration, appraisal and development activities.

### Exploration, appraisal and development

Future production growth will be driven by exploration success and exploitation of discovered resource, and Senex expanded its investment into these areas during FY17, following a period of capital conservation in line with the global oil price downturn. High value oil opportunities in the prolific western flank region of the Cooper Basin remain an investment priority.

Senex progressed its regional petroleum system model of the Cooper Basin. This multi-stage modelling work commenced in FY16 and involves the analysis of historical and recent seismic and drilling data collected by industry peers and Senex over at least 4,000 square kilometres. Our exploration team is focused on high-grading areas and identifying drilling opportunities within Senex's diverse acreage position, through de-risking structural and stratigraphic traps with favourable reservoir qualities and commercial reserve potential.

### Western flank oil fields

A productive and proven oil region of the Cooper Basin, the western flank continues to be the focus for Senex. In particular, the Namur Sandstone and Birkhead Formation of this region offer high value oil opportunities, with strong economic credentials in a low oil price environment.

### Seismic activity

During the year, Senex acquired the 295 square kilometre **Liberator 3D** seismic survey (*Senex 60% and operator*), covering the northern extent of the Snatcher field. The joint venture expects to complete processing and interpretation of the survey data in FY18.

In parallel, Senex commenced merging the Liberator 3D seismic data with existing western flank 3D seismic surveys. This work will provide Senex with access to approximately 1000 square kilometres of continuous data across our most productive oil acreage, enabling renewed interpretation and prospect mapping.

Senex also acquired, processed and interpreted the 220 kilometre **Koonchera 2D** seismic survey (*Senex 60% and operator*). The survey area is located 25 kilometres north-west of the Snatcher field, in an area of minimal prior exploration activity. This survey targets structural highs that would support further exploration activity and Senex will build the evaluation results into its regional petroleum system model.

### Drilling activity

A three-well exploration campaign was conducted in the **PEL 182** permit of the north-western flank (*Senex 57% and operator*), approximately 25 kilometres northeast of the Snatcher field. Prospects were defined by the Jasmine 3D seismic survey to test the extent of hydrocarbon migration to the north of the western flank. All three wells, **Sparta-1**, **Hoplite-1** and **Immortals-1**, provided evidence that hydrocarbons had migrated through the area, however were plugged and abandoned and expensed as non-commercial. The PEL 182 drilling campaign improved definition of the Namur and Birkhead play fairway boundaries of the western flank and supports potential future exploration in the region.

Subsequent to the end of the reporting period in July 2017, Senex drilled a successful Birkhead oil discovery on the western flank with **Marauder-1** (*ex-PEL 104: Senex 60% and operator*). The well intersected net pay of up to 8.6 metres with oil flowing to surface during drill stem test, and the well was cased and suspended as a future producer. Production is expected to commence in the first half of FY18. The Marauder-1 discovery provides further evidence of the potential remaining on the western flank.

The **Spitfire-8** appraisal well (*Senex 60% and operator*) was drilled in January 2017 and encountered 7.2 metres of net pay. The well extended the known limits of the Birkhead Formation at Spitfire, adding 1P and 2P reserves at the field. The well was brought on-line in February 2017 and is performing in line with expectations.



## Operating review (continued)



Growler oil field, Cooper Basin

### Field development

The producing 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 Senex. Key field development planning activities were progressed during the period at Senex's major producing fields including Growler, Spitfire, Snatcher, Martlet and Martlet-North (*all Senex 60% and operator*). Development drilling opportunities at the Growler and Martlet-North fields are planned for the FY18 work program.

### Southern oil fields

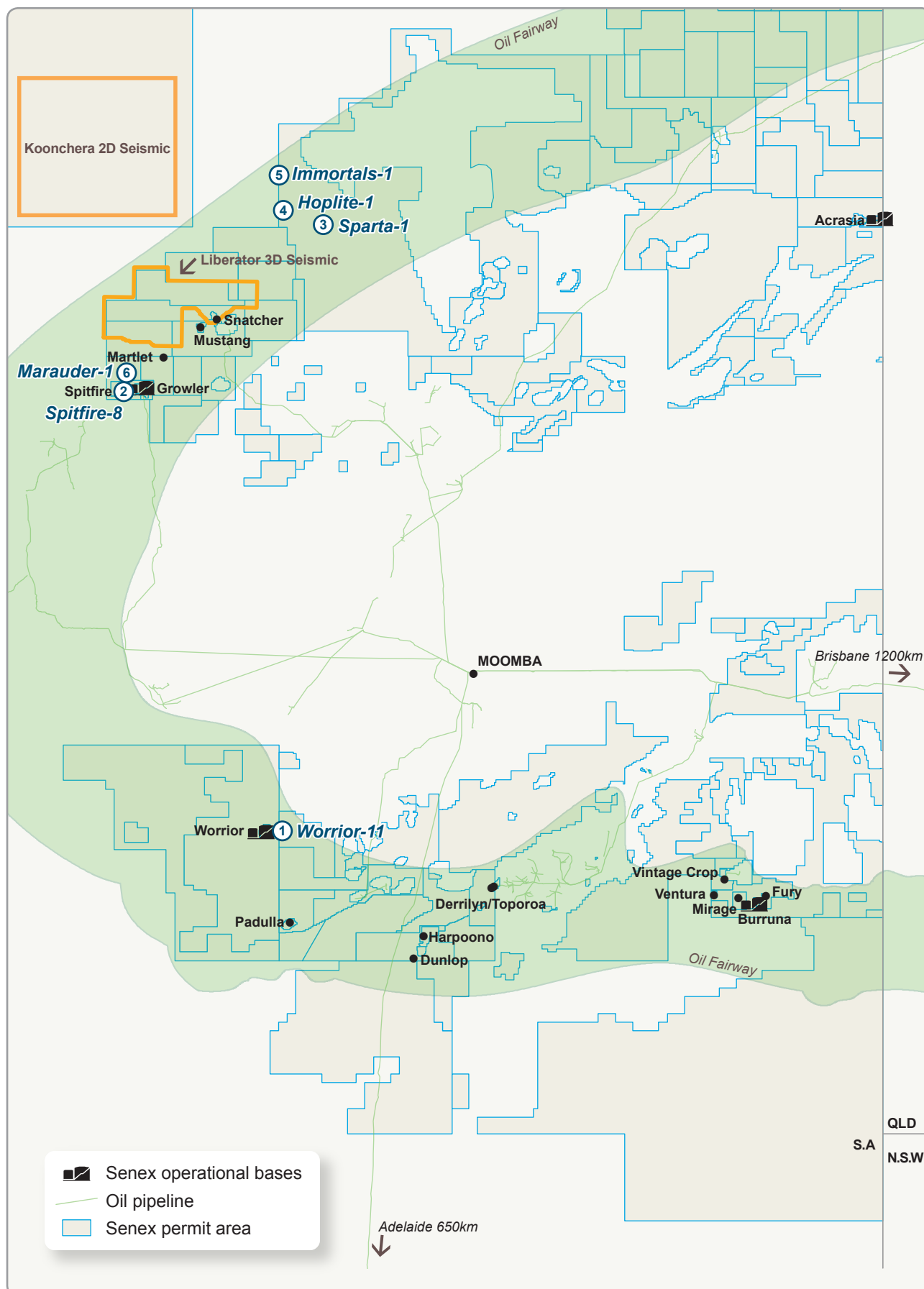
The **Worrior-11** (*Senex 70% and operator*) development well was drilled in December 2016 northeast of the Worrior-1 oil discovery. After bringing the well online in February, production fell below expectations and the well was later shut in, with subsequent analysis showing that the reservoir had been swept of material oil volumes. The result of Worrior-11 contributed to a downward adjustment of 1P and 2P reserves at the field for FY17.

Senex continued to progress field development planning across southern permits. Within the area of PELA 639 (*Senex 100% and operator*), Senex is working through final regulatory approvals to commence work activity, which includes commencing 3D seismic survey activity over this permit area in FY18.

### Queensland Cooper Basin

The **Obelix-1** oil exploration well (*Senex 12% and non-operator*) was drilled by operator Bridgeport Energy in south west Queensland's Cooper Basin during June 2017. The well primarily targeted the Hutton Sandstone and Poolowanna Formation, and encountered oil or gas shows across multiple intervals which Senex considered to be uneconomic. The well was cased and suspended and the operator will further evaluate the well on a sole-risk basis.

## Cooper Basin oil business overview and FY17 key activities



## Operating review (continued)



### Cooper Basin Gas

#### FY17 FOCUS

- > Progressing exploration to discover material gas resources with sufficient scale to support future appraisal and development; and
- > Bring gas from the Vanessa conventional field to commercial production.

#### Exploration

##### Gas exploration project with Lattice Energy and Planet Gas

Senex advanced its deep gas exploration project with Lattice Energy (formerly Origin) and Planet Gas during the year. This is a material exploration project with multi-Tcf, uncontracted gas potential, and represents one of the only onshore gas exploration programs in Australia over the last 12 months. The FY17 program involved drilling and testing activities at well locations in the north and south Cooper Basin.

The project targets unconventional gas plays in the Allunga Trough and Patchawarra Trough of the Cooper Basin. No contingent resources or reserves are currently estimated for this project.

Plans are advanced to complete Stage 1 of this project. Of the original \$105 million work program, approximately \$55 million has been spent with approximately \$50 million of Lattice Energy committed funds remaining, to be utilised to evaluate commerciality of this prospective gas acreage.

Senex is operator of the joint venture, and is free carried by Lattice Energy for its share of expenditure under the Senex-Lattice Energy farm-in arrangement.

##### Southern joint venture area, PEL 637 and PRL 106 (Senex 60% and operator, Lattice Energy 40%)

Following a successful initial drilling program in this permit area during the prior year, the focus was on testing during FY17. **Efficient-1** and **Ethereal-1** were drilled in the Allunga Trough to evaluate stratigraphic traps in the Patchawarra Formation. The drill results verified the presence of a tight Permian gas play in the region and both wells were cased and suspended.

Early in FY17 the Ethereal-1 well was fracture stimulated and put on an extended production test for approximately 30 days. Overall, production was below expectations,

with a geo-mechanical study undertaken suggesting that the stress regime in the region prevented the fracture stimulation program from being effective. The joint venture will utilise these learnings in future work programs.

##### Northern joint venture area, PEL 638 (Senex 53.75% and operator, Lattice Energy 33.75%, Planet Gas 12.5%)

In the northern joint venture area, Senex drilled a pioneering gas exploration well with a horizontal section during FY17.

**Silver Star-1** is a high impact exploration well selected from multiple potential locations to target basin centred gas in the Patchawarra Trough. The vertical well was drilled to a total depth of 3,770 metres in April 2017, with gas shows observed in the Patchawarra, Toolachee and Epsilon Formations.

During May the horizontal section of the well (Silver Star-1 DW1) was drilled to a distance of 1,180 metres within the Patchawarra Formation, with gas saturation levels in line with expectations. During casing of the well, unstable coals through the horizontal section collapsed and damaged the casing. The well was suspended while the joint venture finalises a forward plan.

#### Appraisal and development

##### Vanessa gas project

The Vanessa field is a conventional gas discovery in the northern Cooper Basin (PEL 182: Senex 57% and operator), and is expected to commence gas supply to the domestic market in the second half of FY18.

During FY17, a Senex-led project received funding from the South Australian government through the Plan for Accelerating Exploration (PACE) Gas Grant Program, to bring gas to the domestic market from the Vanessa field and the nearby Patchawarra East joint venture area. The joint ventures will match the government funding received under the terms of the Grant Program.

Senex was appointed by the joint ventures as project manager and pipeline constructor, and will lead the construction of two pipelines to connect the Vanessa field during the first half of FY18. Senex is continuing negotiations with potential gas customers in South Australia.

During FY16, Senex constructed surface facilities at the Vanessa gas field with the intent of bringing the field to production through the SACB JV infrastructure at Moomba. Subsequent to this, integrity issues were experienced at downstream infrastructure, and the joint venture turned to alternative transmission and commercialisation solutions.

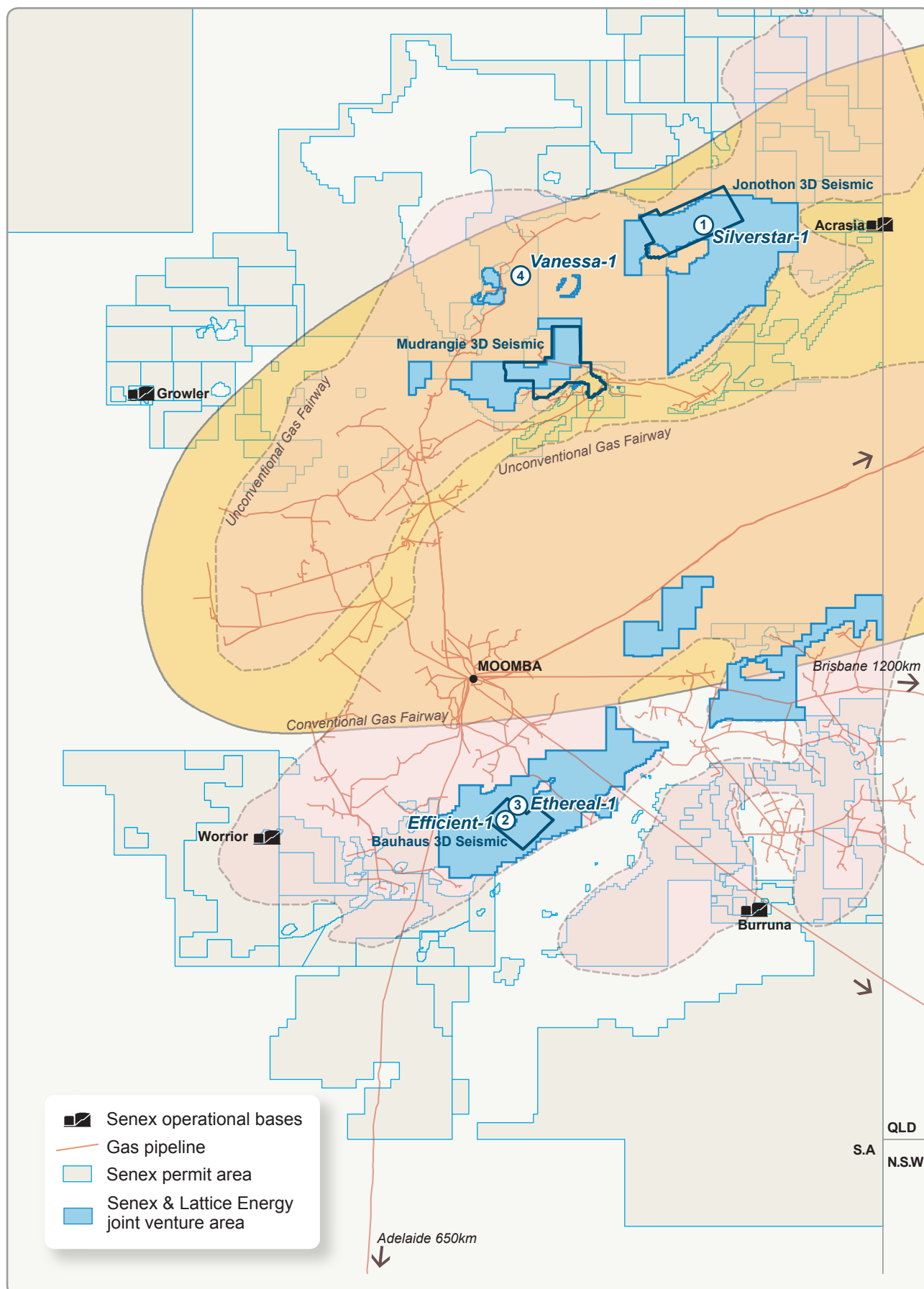
During FY17, Senex performed a 5-day flow test on the Vanessa ST-1 well with over 5 mmscf/d produced from the Toolachee and Epsilon Formations. This was followed up with a 60-day shut-in test to monitor the reservoir pressure response. The joint venture is working in cooperation with the Santos-operated Patchawarra East joint venture to bring the gas to market.



Efficient-1 gas exploration well, Cooper Basin



## Cooper Basin gas business overview and FY17 key activities



## Operating review (continued)

### Surat Basin Gas



#### FY17 FOCUS

- > Progressing the Western Surat Gas Project to full field development and delivering material year-on-year volume growth; and
- > Building transferable operating capability as a safe, efficient and low cost coal seam gas producer.

Senex achieved key milestones during the year towards building a material gas business in the Surat Basin. The majority of Senex's capital investment was allocated to advancing the **Western Surat Gas Project** (*Senex 100% and operator*), which will continue in FY18.

Within Senex's Surat Basin gas portfolio, further opportunities for value uplift are achievable through:

- Expanding equity positions through safe, efficient operations and cost leadership, and
- New releases of acreage for exploration and development.

#### Western Surat Gas Project

##### Appraisal and pilot activities

Senex delivered first gas from our pilot program for the Western Surat Gas Project during the year. The pilot was completed on budget, ahead of schedule and involved local contractors. The work program included the completion of five existing coal seam gas wells and construction of surface facilities including gathering lines, wellhead skids, water storage tank, and a pipeline to neighbouring facilities at Santos-operated fields servicing the GLNG project.

The wells were brought online in November for a period of pulse testing, transitioning to continuous dewatering and production testing in February 2017. In April, Senex commenced its first gas sales from the

pilot to GLNG, receiving a USD JCC oil linked price for raw, unprocessed gas to be supplied on an as-available basis. This is a separate agreement to the 20 year gas sales agreement with GLNG. The performance of the gas pilot has conformed to the typical profile of coal seam gas wells with encouraging results to date.

In February 2017, Senex sanctioned a material investment to progress phase 2 of the project. The \$50 million program is being executed over calendar year 2017, and involves the drilling of 30 wells and the construction of gas and water handling infrastructure in the eastern area of the permits on the Glenora and Eos blocks. The program also involves exploration and appraisal activities west of these blocks, to enhance our understanding of the acreage and support a staged approach to field development.

The Phase 2 program remains on budget and on schedule, with ten of 30 wells completed at the date of this report and construction of facilities progressing as planned. These appraisal and pilot activities supported increases in our estimate of net 1P and 2P gas reserves in the Surat Basin. A material upward revision in net 1P gas reserves directly reflects execution of Senex's strategy to pursue east coast gas opportunities and a higher level of confidence in the producibility of gas volumes from the reservoir surrounding the initial pilot.

##### Development activities

Senex continued its longer term development planning activities for the project. Our staged approach involves parallel appraisal programs across the project acreage and during FY18 this is expected to include two additional pilots.

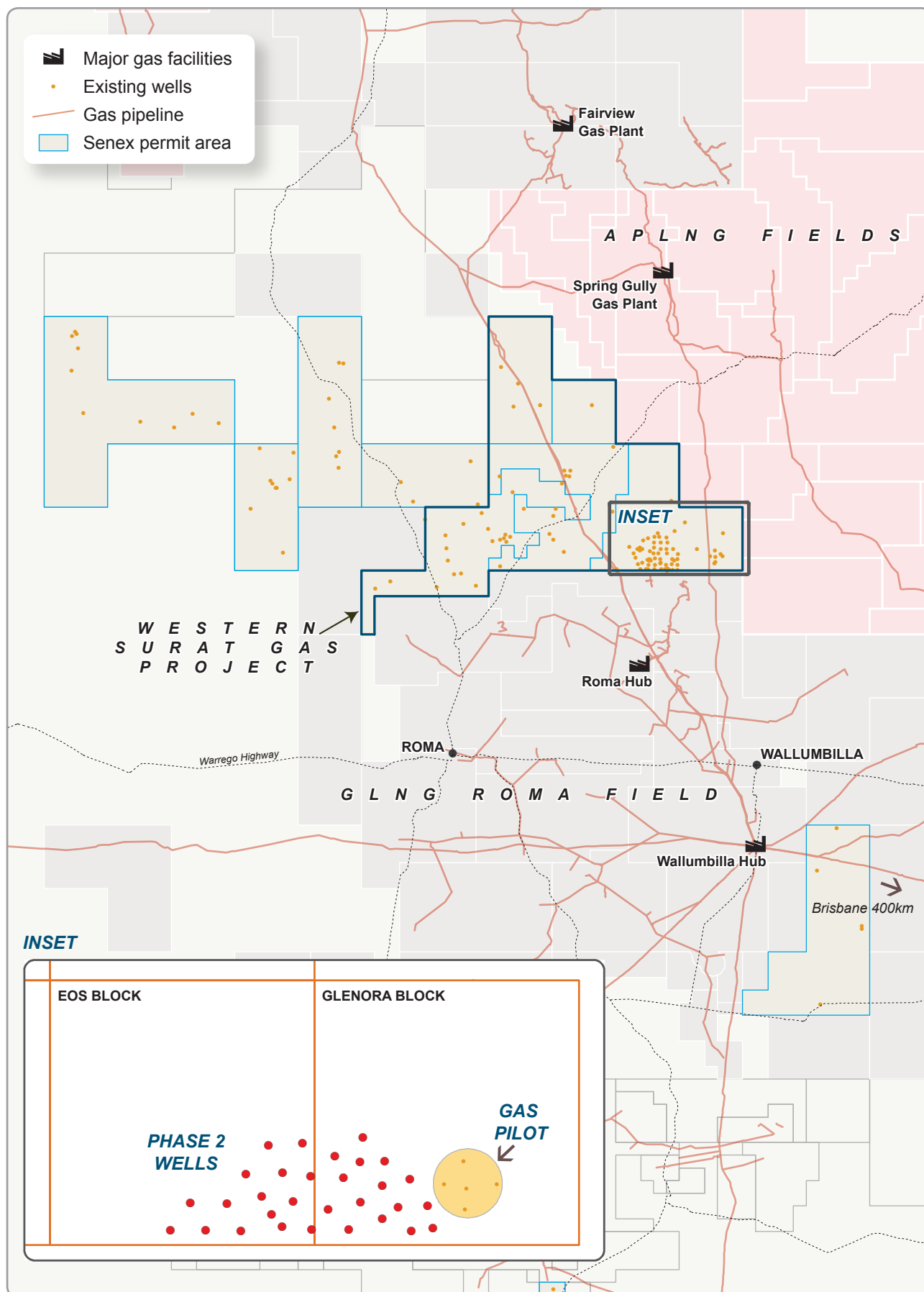
Senex also continued its plug and abandon program for legacy QGC wells across the Glenora and Eos blocks during the year. Senex received \$20 million from QGC in 2014 to complete the work for 47 existing wells. Senex engaged a number of local contractors for this work, reflecting an ongoing commitment to supporting local businesses in the region. The program has been executed safely and efficiently, with the majority of wells completed at the end of FY17.

##### Commercial and funding

In February 2017, Senex announced a strategic relationship with EIG Global Energy Partners, under which the two companies agreed to work together to establish a funding model to accelerate development of the Western Surat Gas Project.



## Surat Basin gas business overview and FY17 key activities





## Operating review (continued)

### FY17 Drilling Summary

Well	Location	Participation	Spud date	Type	Result
<b>Cooper Basin</b>					
Warrior-11	PPL 207	SXY* 70% COE 30%	21 December 2016	Oil development	Producing then shut in
Spitfire-8	PPL 258	SXY* 60% BPT 40%	15 January 2017	Oil appraisal	Producing
Sparta-1	PEL 182	SXY* 57% BPT 43%	10 February 2017	Oil exploration	Plugged and abandoned
Hoplite-1 & Hoplite-DW1	PEL 182	SXY* 57% BPT 43%	26 February 2017	Oil exploration	Plugged and abandoned
Immortals-1	PEL 182	SXY* 57% BPT 43%	22 June 2017	Oil exploration	Plugged and abandoned
Silver Star-1 & Silver Star-DW1	PEL 638	SXY* 53.75% Lattice Energy 33.75% PGS 12.5%	17 March 2017	Gas exploration	Suspended
Obelix-1	ATP 794	SXY 12% Bridgeport Energy* 88%	4 June 2017	Oil exploration	Cased and suspended; operator sole-risking
<b>Surat Basin</b>					
Eos-3	ATP 795	SXY 100%	26 June 2017	Gas appraisal	Cased and suspended; future CSG producer
Eos-5	ATP 795	SXY 100%	18 June 2017	Gas appraisal	Cased and suspended; future CSG producer

\*denotes operatorship  
 SXY Senex Energy Limited  
 BPT Beach Energy Limited  
 COE Cooper Energy Limited  
 PGS Planet Gas Limited  
 Lattice Energy is formerly Origin



Drilling activity,  
Western Surat Gas Project

# Reserves and resources

“We are seeing encouraging results from our first pilot on the Western Surat Gas Project acreage, giving us further confidence over the deliverability of gas volumes from the project.”

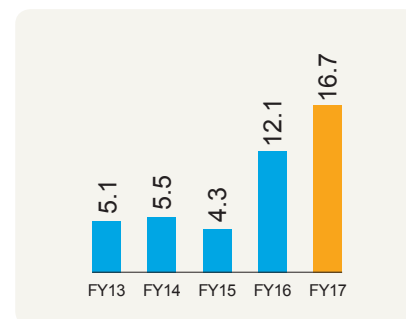
Against the prior year and net to Senex, the estimate of 1P reserves increased to 16.7 mmboe, up 38%, while 2P reserves were estimated at 83.9 mmboe, up 1%. The estimate of 2P reserves in the Surat Basin was 74.4 mmboe (438 petajoules) and 9.5 mmboe in the Cooper Basin.

Appraisal and planning activities undertaken on our Western Surat Gas Project during the financial year have driven increases in net 1P and 2P gas reserves in the Surat Basin. A material upward revision in net 1P gas reserves reflects a higher level of confidence in the producibility of gas volumes from the reservoir surrounding the Glenora pilot.

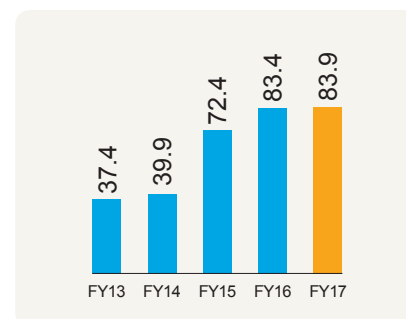
The movement in Cooper Basin 1P and 2P reserves was relatively minor after accounting for production of 0.75 mmboe. The movement reflected minor technical revisions across several fields based on individual well performance, incorporating drilling and production optimisation activities undertaken during the year, as well as adjustments to future field development plans.

Senex's annual estimate of reserves and contingent resources is independently certified by DeGolyer & MacNaughton (D&M) and Netherland Sewell Associates (NSAI). A detailed reserves statement was separately released to the ASX on 26 July 2017.

## 1P reserves – mmboe



## 2P reserves – mmboe



## By Region

### Proved reserves (1P)

mmboe	Oil	Gas and gas liquids	Total	Developed	Undeveloped	Total
Surat Basin	–	13.8	13.8	5.0	8.8	13.8
Cooper Basin	2.8	0.1	2.9	2.8	0.1	2.9
<b>Total</b>	<b>2.8</b>	<b>13.9</b>	<b>16.7</b>	<b>7.9</b>	<b>8.9</b>	<b>16.7</b>

Proportion of total proved reserves that are unconventional (coal seam gas): 83%

### Proved plus probable reserves (2P)

mmboe	Oil	Gas and gas liquids	Total	Developed	Undeveloped	Total
Surat Basin	–	74.4	74.4	7.8	66.6	74.4
Cooper Basin	9.3	0.2	9.5	4.2	5.3	9.5
<b>Total</b>	<b>9.3</b>	<b>74.7</b>	<b>83.9</b>	<b>12.1</b>	<b>71.9</b>	<b>83.9</b>

Proportion of total proved plus probable reserves that are unconventional (coal seam gas): 89%

### Contingent resources (2C)

mmboe	Oil	Gas and gas liquids	Total
Surat Basin	–	4.7	4.7
Cooper Basin	5.6	197.8	203.4
<b>Total</b>	<b>5.6</b>	<b>202.5</b>	<b>208.1</b>

### Reserves and Contingent resources movement

mmboe	30 June 2016	Production	Revisions	30 June 2017	Change
1P reserves	12.1	(0.7)	5.3	16.7	38%
2P reserves	83.4	(0.7)	1.3	83.9	1%
2C resources	208.0	–	0.1	208.1	0%

Numbers may not add due to rounding

# Sustainability review

For Senex, becoming a leading independent oil and gas company in Australia means always acting with sustainability principles front of mind.

Maintaining a license to operate and the ability to deliver long term shareholder value is closely linked to Senex's performance as a sustainable, responsible operator. Each year, Senex reports on its approach and performance across four key areas of sustainability: people, health and safety, environment and stakeholder relations.

## FY17 HIGHLIGHTS

- > Solid safety performance against increased work hours
- > Excellent safety and environmental results for the Western Surat Gas Project
- > Strong environmental performance and no serious incidents
- > Strong relationships built with community, government and industry stakeholders







## People

Senex continues to build and develop a high performing workforce with diverse capability, experience and backgrounds.

	FY17	FY16
<b>Number of employees</b>	169	146
<b>Full time/fixed term/part time/casual (%)</b>	79/9/4/8	84/8/3/5
<b>Office based/field based (%)</b>	74/26	73/27
<b>Women in the workforce</b>	29%	31%
<b>Women in management positions</b>	30%	25%

During the 2017 financial year, Senex enhanced key teams with additional resources and capabilities. These additional resources are spread across multiple disciplines including exploration, operations and corporate functions.

Seven positions are based in the Surat Basin to support the delivery of the Western Surat Gas Project, up from three positions last year. Where possible, Senex will recruit and hire people and businesses from the local region to support this project, with multiple local contractors engaged during the year for services such as drilling, civil construction and well completions. Senex also expects to fill various additional permanent and casual operational positions locally which were advertised at the end of the financial year and received an encouraging response.

### Encouraging a high performance culture

Motivated and capable people, driving a high performance culture, remain at the heart of Senex's success. In support of this, key initiatives were undertaken during FY17.

Senex's performance management framework was redesigned and simplified during FY17. All employees have individual performance indicators that directly connect their contribution to corporate strategic objectives.

We also introduced a more comprehensive talent and succession process, identifying critical roles and key talent in the business and putting plans in place to support future growth. Development opportunities were created for some of our high potential employees, including secondments to roles in other areas of the business and participation in key projects.

Senex refreshed a number of policies during the year to better support the needs of our employees. This included the introduction of secondary carers leave for new fathers and partners as well as domestic violence leave, and an update to bullying, harassment and discrimination policies.

There was also a continued focus on reward and recognition programs to acknowledge and motivate employees who make an outstanding contribution. Employees can be nominated by managers for an On-the-Spot Recognition Award at any time, and nominated by any employee for a *Living The Values* Award which are reviewed by the Executive Committee on a quarterly basis. Combined, these programs generated 65 nominations during the year and continue to drive high performance across the company.

### Learning and development

Senex continued to offer learning and development opportunities to its employees. Senex's approach to learning and development involves 70% of learning on the job, 20% of learning is through mentoring and coaching, project and secondment opportunities, and 10% of learning is through formal training. Investment in formal training during the year was minimal and we focused on cost-effective ways to provide this training, including shared learning opportunities with major suppliers.

As part of our focus on continuous improvement, we also introduced aspects of the 'Lean' training and methodology across the organisation. This style of thinking will help to build capability in areas such as problem solving, process mapping and the 'planning to acting' cycle. Further information about Senex's continuous improvement activities during the year are also detailed on page 41.

#### STRATEGY IN ACTION

### Creating development opportunities

Internal secondments and project roles are effective ways to extend professional experience and support future succession pathways. Examples of these opportunities during the year included a successful six month secondment for an employee into the regulatory approvals team. Another employee moved from an operations role into a project role to coordinate continuous improvement activities. Similarly, a member of the strategic planning team moved into operations, facilitating an extension of skills while supporting key operational projects.



## Sustainability review (continued)

### Developing a diverse workforce

At Senex, diversity improves the quality of decision making, productivity and teamwork, and we conducted key initiatives during the year in recognition of this driver:

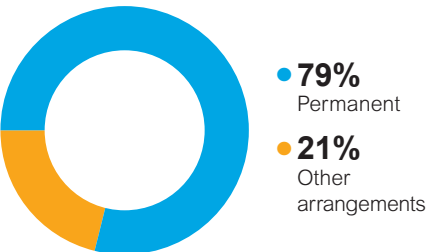
- We undertook a diversity survey of all employees to better understand our people's culture and background and to support our approach to diversity and inclusion.
- We continued to increase the portion of female managers across the organisation, with females holding 30% of technical and corporate management positions (FY16: 25%).
- With support from Senex's People and Remuneration Committee, we also completed an equity review of pay to ensure equitable remuneration structures and we will embed this approach into our remuneration processes.
- We updated our Diversity Policy, reflecting our commitment to fair and equitable recruitment and a workplace culture that attracts, retains and motivates well-qualified employees.

Each year Senex submits a Workplace Profile to the Workplace Gender Equality Agency. The latest Profile is available on the Senex website at [www.senexenergy.com.au/sustainability/people-diversity](http://www.senexenergy.com.au/sustainability/people-diversity).

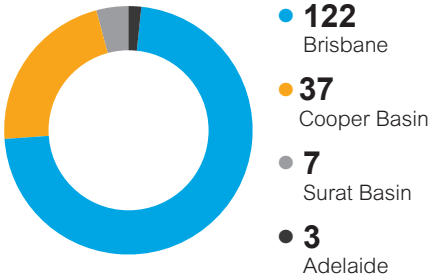
### What our workforce looks like in FY17

Average Age	40	Females Average Age	38	Males Average Age	41
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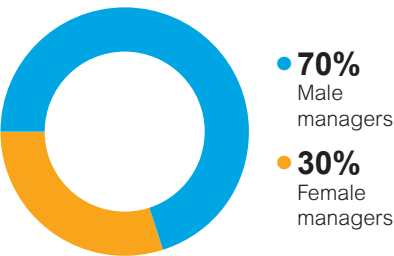
#### Employment status (%)



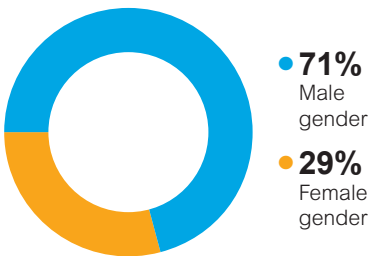
#### Region-based count



#### Managers – gender



#### Workforce gender



#### VALUES IN ACTION

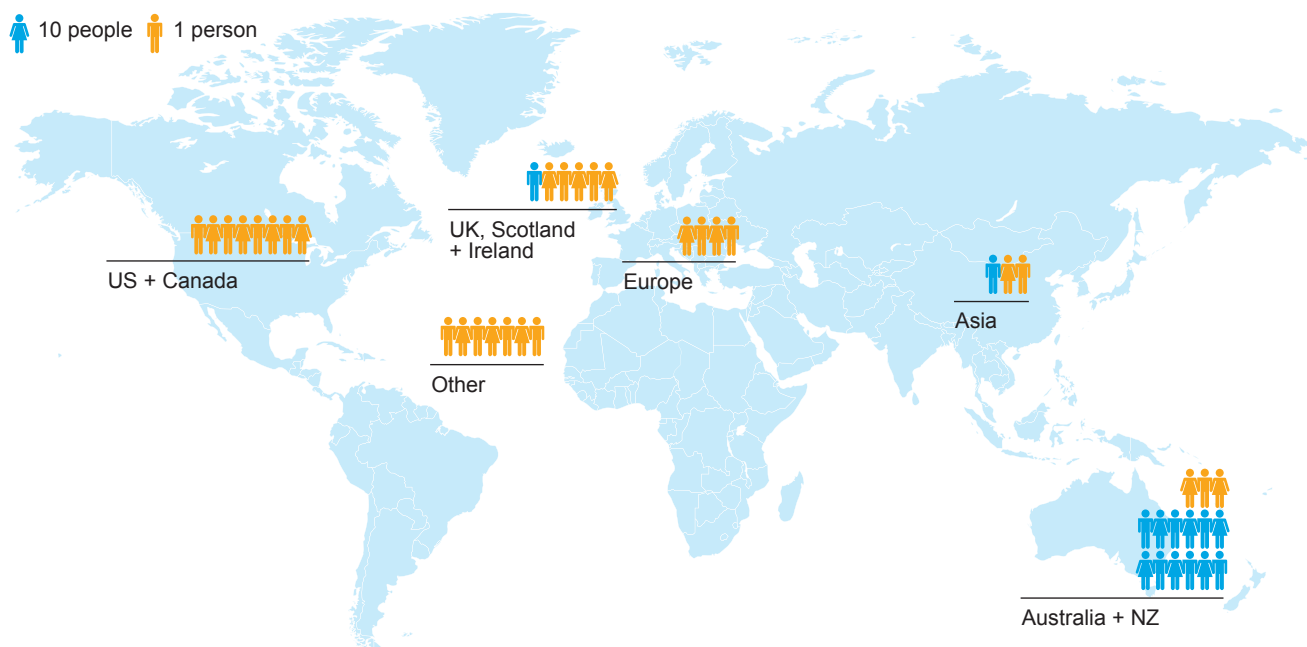
### Mentoring women in oil and gas

Two female Senex employees participated in the 2016 Women in Mining and Resources Queensland mentoring program, offered by the Queensland Resources Council. Senex sponsored these employees in the program, designed for women working across diverse disciplines of the Queensland mining and energy sectors. At the end of the six month experience, our mentees gained valuable leadership training and insights, career guidance and support, as well as quality relationships with industry colleagues.



## Country of origin (people)

 10 people  1 person



## Supporting health and wellbeing

Our health and wellbeing program continued to provide benefits to our people. These benefits were accessed by 70% of employees (up 7% from FY16), included skin checks and an annual health and wellbeing benefit.

During the year, 33% of employees received a vaccination as part of the annual influenza vaccination campaign, an improvement of 8% against FY16.

## Healthy body and mind

We continue to offer a range of employee benefits to our people and their families.



Flu vaccinations	Skin checks	End of trip facilities	Weekly staff yoga, lunchtime soccer
Wellbeing benefit	Corporate gym rates	Employee Assistance Program	Social club
Leave for new parents, primary and secondary carers	Salary packaging	Discount gateway	Mental Health Week activities, Fun runs





## Sustainability review (continued)



### Safety

Senex maintained solid safety performance during increased work activity, with a focus on improvements to our safety culture, systems and processes.

Key measures	FY17	FY16
Total Recordable Injury Frequency Rate	3.95	1.79
Lost Time Injury Frequency Rate	1.32	1.79
Recordable incidents	3	1
Work hours – total	760,027	559,435
Work hours – contractors	337,027	124,240
Contractor work hours as % of total	44%	22%
Health and Safety Audits Conducted	43	70
Fatalities	0	0

We continue to put safety first for our people, activities and assets, achieving solid results during FY17. There were no work-related fatalities or recordable injuries with the potential for fatality. No recordable injuries occurred for the Western Surat Gas Project.

Total work hours increased by 36% against FY16. This increase was largely driven by significantly more work activity in the Surat and Cooper Basins. This was also reflected in the volume of hours attributable to contractors, which comprised 44% of the total work hours compared to 22% in the prior year.

Three recordable injuries occurred during FY17, all of which occurred in the Cooper Basin. The incidents included one Lost Time Injury and two Alternative Duties Injuries. Each incident was comprehensively reviewed, with lessons learned captured and implemented. Two injuries were attributed to lifting and twisting motions, and one was a hand injury. Further injury prevention training is in progress with field personnel across the Cooper and Surat Basins. Senex is working closely with its employees and contractors to ensure that these awareness programs are embedded into our operations.

#### Improving safety culture and performance

Senex focused on improving health and safety management systems during the year, supporting the key processes required to ensure ongoing safe and reliable operations. We also redesigned safety-critical Permit to Work and Isolation systems, which involve mechanisms to identify and manage controls for hazards and hazardous energy sources. The redesign process extended over 12 months to ensure optimal clarity and risk control measures for staff working and visiting the field.

Senex conducted a company-wide crisis and emergency management exercise with the help of an expert consultant. This was an important opportunity to test existing systems, further develop Senex's response capability, and identify areas for further improvement. Separately a medical emergency response capability assessment was conducted in the field, for both Cooper and Surat Basin operations, to test the effectiveness of existing controls and identify gaps.

#### Spotlight on: Queensland – Collaborating for safety in the gas industry

Senex remains active in the Safer Together initiative, a Queensland natural gas industry safety forum established in 2014, with more than 90 member companies. Participation in this group reinforces our commitment to consistent and continuous improvement of safety standards across the industry.

Senex also participated in a company-wide Safety Culture Survey during the year, offered across the gas industry by Safer Together. The results of this survey have provided benchmarking opportunities against industry peers and contractors and will be used to build upon previous work to improve health and safety in our organisation. Senex executives also participated in a paired site visit, joining with a services company to visit Senex sites in the Surat Basin and obtain diverse perspectives on safe work practices on the ground.

The commitment of time and focus to the Safer Together initiative continues to extend to Senex's leadership team, including working group positions for executives Ian Davies, Darren Greer and Suzanne Hockey. When it comes to safety leadership in the industry and participation in Safer Together, our contribution outweighs the expectations for an organisation of our size.

## SAFETY IN ACTION

### Safer Together site visit

During the year, leaders from Senex and Hofco Oilfield Services conducted a Safety Leadership Visit to Senex's Western Surat Gas Project. The paired site visits were organised by the Safer Together gas industry forum. By pairing together, senior leaders from two separate companies were able to share their experiences and promote industry-wide learning.



### Spotlight on: South Australia – Royal Flying Doctor Service and Cooper Medivac 24

Senex has continued investing into key safety initiatives supporting the people and communities in the remote oil and gas regions of South Australia. These initiatives provide added assurance of 24-hour world-class medical care to workers and their families, as well as all residents and visitors to these areas.

- Senex has renewed its commitment to the Royal Flying Doctor Service Central Operations with a further \$300,000 contributed over the next three years. This contribution directly supports the 24/7 life-saving aeromedical service and a Senex-branded 'flying intensive care unit'. Senex has supported the not-for-profit organisation through this partnership since 2013, during which the Senex-branded aircraft conducted over 2,000 patient transfers. More information on this partnership is provided in the Stakeholder Relations section of this report.
- The Cooper Medivac 24 helicopter service was initiated by Senex in 2014 and remains the only aeromedical service operating at night in the Cooper Basin, with access to remote sites often inaccessible by plane. There were nine call outs of this service during FY17 involving visitors and workers in the region. Senex is continuing the Cooper Medivac 24 helicopter service, sharing this commitment with Beach Energy.



## VALUES IN ACTION

### Cooper Medivac 24

A recent medical call out at dusk involved a serious motorcycle accident south of Moomba. A visiting motorcyclist experienced life-threatening injuries and was quickly collected by the Cooper Medivac 24 helicopter from the Strzelecki Track. The patient was then transferred by the Royal Flying Doctor Service from Moomba to Adelaide for surgery within hours of the accident. Moomba is around 1,000 kilometres or 12 hours by road from the nearest major hospital in Adelaide, and without Cooper Medivac 24 the patient may not have received the time-sensitive and life-saving surgery.

## Sustainability review (continued)



### Environment

Senex continued its strong performance in environmental management and delivered key milestones for the Western Surat Gas Project.

Key measures	FY17	FY16
Environmental inspections completed	32	27
High non compliances	0	0
Environmental improvement notices	2	1
Environmental spills	10 (217Litres)	5 (525Litres)
Serious incidents	0	1
Greenhouse gas emissions (tonnes of CO <sub>2</sub> equivalent)	NYR	28,973
Water produced (ML)	2,010	1,527
Water used (ML)	69.8	21.6
Water re-used from existing Senex ponds (ML)	39	–

NYR – Not yet reported

No serious reportable environmental incidents occurred for Senex during FY17 in the Cooper or Surat Basins. We were focused on maintaining and improving environmental management at our well-established Cooper Basin operations, and focused on progressing environmental approvals and a strong environmental management framework in the Surat Basin.

#### Cooper Basin, South Australia

Senex's environment team conducted 14 environmental inspections and audits in the Cooper Basin (FY16: 27), with minor issues addressed following two formal improvement notices by the South Australian regulator.

The total volume of environmental spills reduced by more than half, with 217 litres recorded in FY17 against 525 litres in FY16. All incidents were within Senex operational areas and were immediately addressed through containment and remediation. These results reflect continued focus on robust

internal reporting for all spills regardless of severity, and examination of all environmental incidents in line with best practice. Spill response and prevention processes were reviewed and updated as part of our continuous improvement commitment.

During FY17 we also upgraded a popular tourist route in the Cooper Basin, the Walkers-Crossing to Birdsville Track, to support access for Senex's drilling and development activities. The upgrade allowed the State-managed track to be reopened to tourists after an extensive closure period.

#### VALUES IN ACTION

### Protecting the kowari

Senex worked with key stakeholders during the year to protect the habitat of a local marsupial, the kowari. The kowari habitat is located in the grasslands and desert regions of central Australia, and can be impacted by cattle grazing and destruction of sand mounds. A project to help protect these habitats was initiated between Senex, a landholder, and the South Australian Government, involving fencing a 200 square kilometre area which will exclude future cattle grazing. Senex contributed funding and personnel time to help deliver the project.



Photo credit: B Parkhurst



## Surat Basin, Queensland

During the year Senex progressed key environmental activities for the Western Surat Gas Project. These included environmental approval applications, baseline studies and site surveys, and land management activities to support construction and drilling.

Senex's environment team conducted 18 environmental inspections and audits in the Western Surat Gas Project area, with no formal notices issued by the Queensland regulator.

Senex is seeking State and Commonwealth environmental approvals for the Western Surat Gas Project, to obtain petroleum leases that will facilitate ongoing gas production. Following months of preparation and work completed in FY16, these applications are moving through the assessment process with both State and Commonwealth regulatory authorities. Both approval processes are expected to be completed in early 2018.

Senex has engaged with community and key stakeholders regarding the contents of our environmental approvals applications. We will continue to work closely with all stakeholders to encourage understanding of our plans, engaging in two-way communication during this process and continuing during construction and operational activities. Our approach and progress with key stakeholders is further described on page 33 of this Sustainability Review.

Early appraisal activities were supported by site surveys and the establishment of a robust environmental management system and process. These activities also help with future construction and drilling activities, including identifying the best locations for infrastructure so that we can minimise our environmental footprint as far as practicable. Additionally, we continued to implement robust land management practices across the project area, which address potential issues for landholders and the local community such as groundwater and weed management.

During the year, Senex installed two groundwater monitoring bores which will form part of the regional groundwater monitoring network in the Surat Cumulative Management Area. The results from ongoing monitoring at these locations will be provided to regulatory agencies who conduct monitoring of groundwater resources in the broader Surat Basin.

### AT A GLANCE

## Western Surat Gas Project environmental approvals

The current environmental approval applications support a staged development involving up to 425 coal seam gas wells drilled over 20 years or more, and supporting infrastructure including water and gas gathering networks, compression facilities and pipelines. Key considerations have been addressed by Senex in these applications. These include hydraulic fracturing, which is not expected to be required within the project area; the isolation of underground water aquifers to mitigate potential impact on groundwater bores; and maximum recycling of produced water for activities such as livestock watering, crop irrigation and construction.

### STRATEGY IN ACTION

## Upgrading the Eos dam

We continue to build our capability as a safe, low cost and efficient coal seam gas producer. This also means finding sensible and environmentally responsible solutions as we appraise and develop the Western Surat Gas Project. During the year, an example of this was our decision to upgrade an existing dam within the project area. The dam was constructed in 2006 on the Eos block and required significant rehabilitation to meet current standards. We assessed the dam's viability for future use and our team created a plan to bring the dam to current standards while nearly tripling its capacity, all within the approved environmental footprint. The dam is under refurbishment and this solution has saved significant duplication of investment, effort and disturbance to the environment.



## Sustainability review (continued)

### Climate Change and Environmental Management

Senex accepts the need to transition to a low-carbon economy and Australia's commitments under the international Paris Agreement. We believe that gas is an important part of this future lower-emissions energy mix, and Senex's focus on building an upstream gas business is consistent with these objectives. In proportion to the scale of our activities, Senex is committed to evaluation and implementation of operational initiatives that will reduce our environmental footprint including areas such as energy use, water management and waste management.

Senex has recorded its emissions under the National Greenhouse and Energy Reporting Act 2007 (NGER) since 2011. This scheme measures energy produced, energy consumed and greenhouse gas emissions. Since 2013, we have reported to the National Pollution Inventory (NPI) on emissions to air, land and water. This report provides these emissions calculations for FY16, as the FY17 calculations are completed late in the calendar year.

Against FY15, there was a 40% reduction in Senex's energy production, energy consumption and greenhouse gas emissions, with 28,973 tonnes of CO<sub>2</sub> equivalent recorded (FY15: 48,568 tonnes CO<sub>2</sub> equivalent). This is consistent with Senex's reduced activity levels in FY16 including less production, flaring and development of new facilities and fields. For FY17, we expected a measured increase in emissions proportionate to additional exploration and appraisal activity across the Cooper Basin and for the Western Surat Gas Project in the Surat Basin.

Compared to FY16, there was a 27% increase in water produced by Senex in FY17 to 2,010 megalitres (FY16: 1,527 megalitres). This increase was primarily due to new wells online and water from producing wells at mature fields in the Cooper Basin, as well as appraisal activities for the Western Surat Gas Project.

Senex's water use increased to 69.8 megalitres (FY16: 21.6 megalitres), though 56% of this total was recycled from Senex water storage ponds.

The higher water use reflected increased construction and drilling activity for the Western Surat Gas Project and drilling activity in the Cooper Basin. Using recycled water reduced our need to take water from other sources. Senex also continues to supply treated and tested produced water to local graziers in the Cooper Basin, helping them to maintain their livestock watering.

Senex has also actively evaluated better efficiencies in water treatment and waste management at operating sites, initially focusing on the Cooper Basin. During FY17, this evaluation included opportunities to replace chemical processes with new technologies during treatment of produced water. If successful, the technology may also be trialled in other operational areas.





## Stakeholder relations

Building and maintaining strong relationships with key stakeholders is critical to our long term success.

### FY17 HIGHLIGHTS

- > Execution of strategy to build enduring relationships in the Surat Basin, particularly with local businesses and members of the community, government and industry organisations.
- > Extensive engagement with landholders and Native Title holders in the Western Surat Gas Project area, with multiple land access agreements secured.
- > Continued positive engagement with Cooper Basin landholders, Native Title holders, local suppliers, government and industry organisations.

### Surat Basin, Queensland

Senex is committed to building enduring relationships with the Maranoa community, the primary region where the Western Surat Gas Project is located. During the reporting period and reflecting our increased project activity, Senex raised its presence in the region through:

- employing more locally based staff;
- more frequent visits from leaders and employees to Roma and site;
- more participation in local business forums and community initiatives; and
- further opportunities to listen to and inform the community about the project.

### Building closer relationships with the local community

Seven positions are based in the Surat Basin to support the Western Surat Gas Project, up from three positions last year. Senex expects to employ more locals in permanent and casual operational positions, which were advertised at the end of the financial year and received an encouraging response.

Throughout the year, regular visits were conducted by our senior leaders, operations and support team members to existing and proposed work sites, enabling continued interaction with local stakeholders and industry. Senex's office in Roma continues to support local staff and visitors, and remains open to the public by appointment.

Senex delivered and attended local events designed to inform and facilitate our close and long-term relationships with the community. In September 2016, Senex conducted a Local Supplier workshop in Roma. This workshop provided an opportunity for local business people to learn about potential opportunities to supply goods and services to the Western Surat Gas Project and how to register as a potential supplier. More than 150 local business people attended, with some going on to secure contracts on the project.

In February 2017, Community Drop-in Sessions were held in Roma to provide local residents with an opportunity to ask questions or discuss concerns face-to-face with Senex's senior leaders. Around 60 locals visited our team to learn more about the Western Surat Gas Project and discuss the benefits and potential impact on their local area. Based on the success of these events, and community interest, Senex plans to hold annual community information sessions.

Senex became a member of local business groups, Commerce Roma and the Toowoomba Surat Basin Enterprise (TSBE). These commitments gave Senex further opportunities to engage with business stakeholders about our business and operations, and to present to local community members. We have delivered project updates on separate occasions to hundreds of local business people in Roma and Toowoomba during FY17. We continue to engage with industry and government bodies that help connect us with the community and support our operations on the ground.

### STRATEGY IN ACTION

### Supporting local businesses

We engaged a number of local Surat Basin suppliers and contractors during FY17, reflecting our commitment to 'buying local' as much as possible. These awards included Roma based drilling contractor Wild Desert, engaged for the plug and abandon program of legacy wells, and an award to Roma based Flower Earthmoving for civil earth works in the current drilling and construction program. Combined, Senex has provided multi-million dollar contracts and employment to locals during this project phase. Senex runs competitive procurement processes for most work packages and continues to work with local community and industry groups to identify and engage suitable local suppliers.





## Sustainability review (continued)

Senex again supported community initiatives in the Maranoa area through sponsorships and donations. Commitments for FY17 included the local show society, sporting clubs and associations, and local Council-led activities in Roma. Senex also sponsored a well-attended fundraising event on a landholder's property to help local community members fighting cancer. We are finalising a longer term sponsorship strategy to guide the type of organisations, events and activities that we support in the Maranoa area in the future.

Maintaining the positive community sentiment towards Senex is also key to addressing any potential activism relating to our production of coal seam gas in the future. We recognise that there are community members with strong views who can shape the pathway for this important energy source to be delivered to market, so this risk remains on our agenda. Senex is committed to long-term safe and sustainable operations that protect people and the environment. We are also committed to transparency, where we communicate openly and frequently with our stakeholders about our operations, particularly where they are potentially impacted.

### **Building stronger landholder relationships**

Senex's land access team manages up to 43 Conduct and Compensation Agreements with landholders across various work programs in the Surat Basin. During the year, Senex executed eight new Agreements and a further six negotiations are progressing.

Our ongoing efforts in the field and directly with landholders resulted in no formal complaints or grievances lodged with Senex during FY17. We engaged in around 100 formal and informal meetings with landholders and representatives, maintaining frequent communication with those involved in active work areas. We also focused on ensuring our conduct, and that of our contractors, aligned with our agreements, as this is a key driver influencing our relationships with landholders.

As we move through appraisal activities, including construction and drilling, into future ongoing development and production activities, Senex will stay focused on open and transparent communication with landholders, building relationships based on mutual courtesy and respect.

### **Native Title and Cultural Heritage**

Senex remains committed to a long term and respectful relationship with the Mandandanji People, the traditional owners of the land on which we operate in the Surat Basin. During the year we worked closely with the Mandandanji People as cultural heritage clearance and monitoring activities were completed in the Western Surat Gas Project area. No breaches were recorded for Senex or its contractors during FY17. These monitoring and clearance activities are important for identifying and protecting culturally significant items, including those that may not be discovered otherwise.

#### STRATEGY IN ACTION

### **Protecting cultural heritage**

As part of protecting areas of potential cultural significance within the Western Surat Gas Project area, Senex works with Traditional Owners to complete cultural heritage management processes. During the year, this involved field surveys in consultation with the Mandandanji People over the Glenora and Eos areas, in support of our current drilling and construction program. The surveys were conducted over drilling sites and access routes where a number of significant artefacts were identified and recorded using a Global Positioning System. Artefact location markers guide Senex operations around culturally sensitive areas, and other locations are identified for ongoing monitoring in collaboration with Traditional Owners.

### **Cooper Basin, South Australia**

Senex continues to maintain quality relationships with key stakeholders in the Cooper Basin on current and upcoming work activities. With Cooper Basin landholders, our relationships are positive and long-standing. We also engage with key landholders on opportunities to work together. As an example, Senex works with a civil earthmoving services business owned by local landholders whose properties overlap Senex permits.

### **Community initiatives**

Our support of remote and rural communities in South Australia continued during FY17. This was reflected by:

- renewed sponsorship of the Royal Flying Doctor Service for a further three years;
- continued investment in the 24/7 Cooper Medivac 24 helicopter service;
- support for local community events such as campdrafts; and
- support for initiatives of local indigenous groups to nurture cultural awareness.

Senex has committed a further \$300,000 over the next three years to the Royal Flying Doctor Service Central Operations. This directly supports the 24/7 life-saving aeromedical service in rural and remote south and central Australia, including a Senex-branded aircraft. Senex has supported the not-for-profit organisation since 2013, during which the previous Senex-branded aircraft conducted over 2,000 patient transfers. To mark the occasion and unveiling of the new Senex-branded 'flying intensive care unit', Senex brought together staff, suppliers, community and government together at the RFDS Adelaide base in May 2017.

The Cooper Medivac 24 helicopter service was initiated by Senex in 2014 and remains the only aeromedical service operating at night, with access to remote sites often inaccessible by plane. There were nine call outs of this service during FY17 involving visitors and workers in the Cooper Basin. One of these callouts is described further under the Safety section of this report. Senex is continuing the Cooper Medivac 24 helicopter service, sharing this commitment with Beach Energy.

## Native Title and Cultural Heritage

Senex continued working with traditional owners in the Cooper Basin. This included cultural heritage clearances, participating in an industry conference to raise cultural awareness, and negotiating a new native title agreement.

Cultural heritage work clearances were completed by representatives of the Yandruwandha Yawarrawarrka People and the Dieri People. Clearances are completed prior to work commencing in those areas, and help to identify and safeguard cultural heritage sites and minimise potential impact from Senex activities. This year Senex undertook no activities requiring land clearances by the Wangkangurru Yarluyandi People.

Senex was an active participant in the Cooper Eromanga Basins Aboriginal Conference, also known as CEBAC. This annual conference brings together representatives from the oil and gas industry, State Government, and the traditional owners of the Cooper Basin. The conference was formed in 2015 to explore and identify opportunities for synergies between the capabilities of local Aboriginal enterprises and people, and employment opportunities created by the region's thriving oil and gas industry. Senex plans to participate in the next conference to be held 'on country' in FY18 to foster cultural awareness and opportunities.

Senex also finalised an agreement with the Dieri People, enabling Senex to conduct activities over a permit in

the south west Cooper Basin. As part of this arrangement, Senex identified potential training, employment and social awareness initiatives to pursue with the Dieri People, and we expect to participate in cultural awareness initiatives such as an art competition held in conjunction with the Dieri People's annual general meeting during FY18.

## STRATEGY IN ACTION

### Navigating regulatory and industry change

With east coast electricity and domestic gas security remaining high on the political agenda, navigating the regulatory and policy landscape requires close monitoring and understanding. We took additional steps over the past year to strengthen our voice in these issues and build our position as a trusted upstream operator. These steps included appointing a dedicated government and stakeholder relations manager, increasing our participation in industry and government forums, and contributing to submissions for key legislative reviews and deliberations. We are actively involved in industry advocacy bodies including the Australian Petroleum Production and Exploration Association, Queensland Resources Council, and South Australian Chamber of Mines and Energy. We also contribute to the Adelaide School of Petroleum Advisory board, helping to shape the future of oil and gas exploration in the region. Our teams continue to track various legislative and regulatory changes in their disciplines such as land access.

## VALUES IN ACTION

### Royal Flying Doctor Service partnership

In 2013 Senex pledged its support for the Royal Flying Doctor Service Central Operations with a \$300,000 sponsorship over three years. Our support was maintained through the energy downturn and contributed to keeping a Senex-badged 'flying intensive care unit' in the sky. The aircraft conducted over 2,000 patient transfers during our sponsorship and was retired in 2016. Extending our support for a further three years was an important decision to support the 24/7 life-saving services and work of the RFDS, for the benefit of everyone who works, lives and visits remote and rural South Australia. We marked the renewal by unveiling a new Senex-badged Pilatus aircraft at the Adelaide base in May 2017. Since January, the Senex-sponsored aircraft has conducted 268 aeromedical evacuations of critically-ill or injured patients, from 41 different locations throughout South Australia. These include transfers of patients from outback locations and country hospitals to Adelaide's major hospitals for life-saving or specialist medical care.



# Board of Directors

## **TREVOR BOURNE** Chairman, Independent non-executive director

BSc (Mech Eng), MBA, FAICD

Trevor joined the Senex board in December 2014 and was appointed Chairman in March 2015. He is an experienced non-executive director with over 15 years in public and private company directorships in Australia and Asia. Trevor was a founding director of Origin 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.

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 Remuneration Committee

Sydney Water: Director, Chair of the Safety Committee

## **IAN DAVIES** Managing Director and Chief Executive Officer

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

Ian has led Senex as Managing Director and CEO since 2010 and has navigated the business through significant growth and transformation. Under Ian's leadership, the company is pursuing a long-held strategy to capture emerging opportunities in Australia's dynamic energy sector.

Prior to joining Senex, Ian was influential in the growth of the CSG-to-LNG industry in Queensland as Queensland Gas Company's (QGC) Chief Financial Officer. Ian led the negotiation of the LNG joint venture transaction with BG Group and the takeover offer for QGC by BG Group – the largest on-market takeover in Australian corporate history at the time. He also served as General Manager Business Development and General Manager Ports and Infrastructure, under BG Group ownership.

Ian spent the early part of his career in corporate tax advisory within mining and energy with pwc in Brisbane and as an investment banker with Barclays Capital in London.

An energetic and strategic leader, Ian is excited and optimistic about what a sustainable energy sector has to offer Australia's prosperity, especially its ability to provide long-term employment and economic opportunities to the regional communities that support it.

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

## **RALPH H CRAVEN** Independent non-executive director

BE, PhD, FIEAust, FIPENZ, FAICD

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 tenures 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.

Ralph is Chair of the People and Remuneration Committee, and a member of the Audit and Risk Committee and the Nomination Committee.

### **Current directorships**

Genex Power Ltd: Chair, Independent non-executive director

AusNet Services Ltd: Non-executive director

Stanwell Corporation: Chair, Independent non-executive director

## **TIMOTHY BI CROMMELIN** Non-executive director

BCom, ASIA, FAICD

Tim joined the Senex board in October 2010. He has over 40 years of experience in stockbroking, investment banking, corporate advisory, risk management, and mergers and acquisitions. He is Chairman of Morgans Holdings (Australia) Limited and non-executive Chairman of ASX-listed AP Eagers Limited, and previously served as Deputy Chairman of CS Energy Limited and Queensland Gas Company Limited. Tim is a member of the University of Queensland's governing Senate, and other current directorships include the Morgans Foundation, Australian Cancer Research Foundation and the Brisbane Lions Foundation.

Tim is a member of the Audit and Risk Committee and the Nomination Committee, and as a director is entitled to attend and participate in meetings of other board committees except where conflicted.

### **Current directorships/other interests**

Morgans Holdings (Australia) Limited: Executive Chairman

AP Eagers Limited: Non-executive Chairman

University of Queensland: Member of the Senate

Morgans Foundation: Deputy Chairman

Australian Cancer Research Foundation: Director

Brisbane Lions Foundation: Director





**DEBRA L GOODIN**  
Independent non-executive director

BEcon, FCA, MAICD

Debbie joined the Senex board in May 2014. She is an experienced company director and audit committee chair, and is currently a non-executive director of Ooh! Media Limited, APA Group and Ten Network Holdings Ltd. 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.

Debbie is Chair of the Audit and Risk Committee and member of the People and Remuneration Committee and the 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

**JOHN WARBURTON**  
Independent non-executive director

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

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 and optimising prospective opportunities around the world. In recent years, John founded Insight Exploration, a consultancy providing technical and business services to the international petroleum exploration industry. John has 34 years of global petroleum industry experience including with BP Exploration in the United Kingdom and internationally. At BP he held senior technical and leadership positions involving exploration, appraisal and development, before moving on to senior positions with substantial oil and gas companies including Oil Search Ltd, Roc Oil Company Ltd, LASMO plc and Eni Pakistan Ltd.

John Warburton is a member of the Nomination Committee and was appointed as a member of the People and Remuneration Committee on 5 May 2017. As a director, he is entitled to attend and participate in meetings of other 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: Visiting Professor in the School of Earth & Environment (Faculty of Environment) and Member of the External Advisory board at Petroleum Leeds (Centre for Integrated Petroleum Engineering & Geoscience).

**YANINA A BARILÁ**  
Non-executive director

BAcc, Mfin

Yanina was appointed as a non-executive director in May 2017. She was first appointed as Alternate Director of Senex Energy for Ben McKeown in March 2011 and subsequently appointed as 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.

Yanina Barilá is a member of the Nomination Committee and as a director, she is entitled to attend and participate in meetings of other board committees except where conflicted.

**Current directorships/other interests**

Tinka Resources: Director

**FRANK CONNOLLY**  
Company Secretary

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

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

Frank brings extensive knowledge and experience in company law and regulation, corporate governance, investment banking and corporate finance to his role at Senex. His career spans 36 years in professional, advisory, management and senior executive roles. From 2000 to 2009, Frank was a founding director and Chair of the Audit Committee for ASX listed coal seam gas pioneer Queensland Gas Company. His 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, and Partner of national law firm Corrs Chambers Westgarth.

**Left to right:**

Trevor Bourne, Ian Davies, Ralph Craven, Timothy Crommelin, Debra Goodin, John Warburton, Yanina Barilá



# Corporate governance and risk

Good corporate governance and risk management underpins the way we work and make decisions, and create enduring shareholder value.

Senex complies with all eight principles of the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition). Our approach to governance and risk management is provided in this section, with the complete 2017 Corporate Governance Statement available on our website at [www.senexenergy.com.au](http://www.senexenergy.com.au).

## Risk management

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. Senex shares a common language around risk identification and management – extending from field operations through to office-based teams.

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 focuses on the most relevant risks to achieving organisation goals, from operational and business activities through to strategy implementation.

During FY17, Senex continued to focus on improving risk management within the ERM framework. The process of identifying, assessing and managing material business risks is designed to optimally manage risk, and where appropriate accept risk to generate returns. The acceptance and management of corporate level risk is ultimately included in the company's strategy at the highest level.

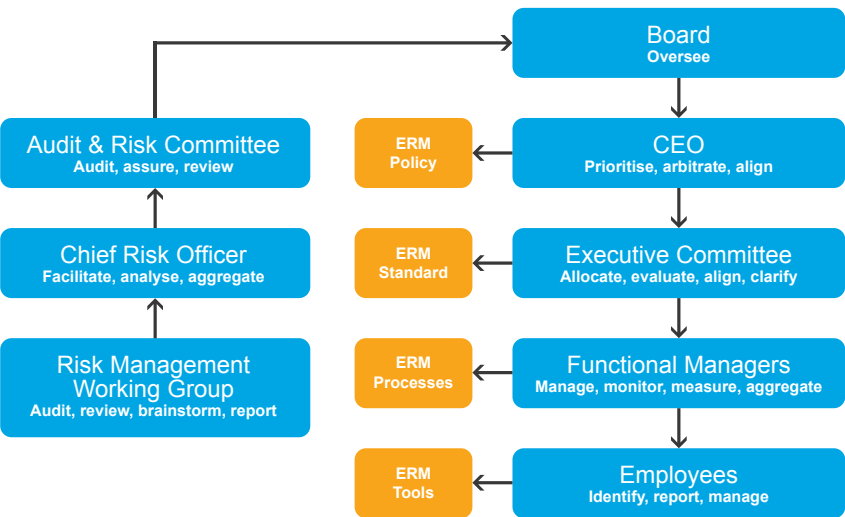
## Governance

The Senex ERM framework defines oversight responsibilities for the board to enable effective risk identification, assessing and management across Senex. The board is supported by the Audit and Risk Committee as well as the Executive Committee.

## Senex ERM roles and responsibilities

<b>Board</b>	The board retains the ultimate responsibility for risk management. The board endorses the "Strategic Risk Appetite Statement" and is also responsible for ensuring that an adequate Risk Management Policy is in place. Encompasses both compliance and performance aspects as outlined in the board Charter.
<b>Audit and Risk Committee</b>	Ensure that the Company's internal risk management and control framework is effectively monitored, measured, guided and controlled.
<b>Chief Executive Officer</b>	Accountable for delivery of a sound system of risk management and that the Senex ERM is operating effectively.
<b>Executive Committee</b>	Oversees implementation of the ERM Framework and compliance with the 'risk appetite' set by the board.
<b>Risk Management Working Group</b>	Reviews the effectiveness of the ERM Processes and the appropriateness of the control measures applied to reduce risks to acceptable levels.
<b>Chief Risk Officer (at Senex, this is the Chief Financial Officer)</b>	Ensures the ERM Framework is utilised to identify, assess and manage risks across the business. The CRO coordinates the audit process and communicates risk status, profile and new/emerging risks.
<b>Business Functions</b>	Monitors the key business and operational/financial activities, progress towards objectives and identifying 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.
<b>Employees</b>	Adhere to ERM framework and remain alert to the impact of risks and opportunities on the business.

## Senex enterprise risk management (ERM) governance



## Principal risks and uncertainties at 30 June 2017

The principal risks and uncertainties outlined in this section may materialise independently, concurrently or in combination. These risks and uncertainties may impede Senex's ability to meet strategic objectives, either directly or by triggering a succession of events that collectively become material to Senex.

Exploration and development risk			
<b>Senex's future value depends on our ability to discover and develop new resources.</b>	<b>Cause:</b> Exploration and drilling activities are inherently risky and dependent on access to prospective acreage, capital funding and analysis of data. In addition, changes in global economic conditions may impact economic assumptions and commerciality of discoveries.	<b>Impact:</b> Senex's future financial condition is directly related to the success of our exploration (and acquisition) efforts and our ability to generate reserves to meet future production requirements.	<b>Mitigations:</b> Senex is analysing existing acreage for exploration drilling prospects by applying best-in-class technologies and processes. Senex also has enhanced oil recovery projects in progress.
Geographic concentration			
<b>At present, the large majority of Senex's revenue is derived from oil and gas production in the Cooper Basin leaving Senex exposed to downsides associated with weather conditions and infrastructure failure.</b>	<b>Cause:</b> Oil and gas operational activities currently focused on Cooper Basin.	<b>Impact:</b> Issues in the Cooper Basin could impact revenue flows or result in cost overruns.	<b>Mitigations:</b> Successful delivery of Western Surat Gas Project will provide new revenue stream in the Surat Basin and will also help diversify Senex's core business. 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.
Safety and health			
<b>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.</b>	<b>Cause:</b> Oil and gas operational activities are inherently hazardous, such as drilling and driving in remote areas.	<b>Impact:</b> In addition to injury or damage to health, impacts may include reputational damage and fines.	<b>Mitigations:</b> Health and safety are a very high priority for Senex. We have developed detailed management plans, including communication protocols, for single person operations. We also continue to fund a night-vision equipped helicopter in the Cooper Basin for emergency response.
Hydrocarbon spills and leaks			
<b>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.</b>	<b>Cause:</b> Oil and gas operational activities involve the storage and transport of the produced oil and gas as well as waste materials.	<b>Impact:</b> In addition to environmental damage, impacts may include safety issues, reputational damage and fines.	<b>Mitigations:</b> Environmental management is a very high priority for Senex. We have developed detailed standard procedures to prevent, monitor and limit the impact of our operations on the environment. Senex carries third party environmental liability insurance in addition to well control insurance.
Regulatory change			
<b>Changes of government (and therefore policy) and/or changes to regulatory or fiscal regimes may significantly impact Senex financially and operationally.</b>	<b>Cause:</b> Governments are under increasing pressure from activist groups and the general public to regulate certain aspects of the oil and gas industry. An example was the recent Federal Government announcement of the Australian Domestic Gas Security Mechanism (ADGSM) that could impact on a major capital project.	<b>Impact:</b> Sustainable returns for investor – potential profit erosion and loss of company value. Potential for delays in approvals or changes to costs which may impact the economic viability of the project. Changes aimed at the oil and gas industry may impact Senex's social license to operate.	<b>Mitigations:</b> We actively monitor regulatory and political developments on a continuous basis and seek to constructively engage in public discussions where appropriate utilising our stakeholder strategy and responsibilities. We are also active participants in industry bodies.



## Corporate governance and risk (continued)

### Commodity prices

<b>The price obtained by Senex from oil and gas production is subject to both USD price volatility and AUD/USD exchange rate volatility.</b>	<b>Cause:</b> Commodity prices and exchange rates are determined by global supply and demand and the state of the global economic environment.	<b>Impact:</b> 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.	<b>Mitigations:</b> We actively review capital expenditure programs and have undertaken oil price hedging to mitigate downside price risk.
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### Access to infrastructure

<b>Facilities for storing, transporting and processing Senex's oil and gas are critical to continued delivery to market.</b>	<b>Cause:</b> Our operations are in remote locations and we often rely on third parties to process and transport our oil and gas to market.	<b>Impact:</b> 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.	<b>Mitigations:</b> 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.
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### Access to funding

<b>Senex's ability to fund operations and future growth.</b>	<b>Cause:</b> Volatility or uncertainty in capital markets could restrict willingness of debt and equity investors to provide additional capital.	<b>Impact:</b> 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.	<b>Mitigations:</b> 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. Recent investment and potential financing arrangements with significant shareholder EIG has reduced this risk.
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### Joint venture partnerships

<b>Senex operates the majority of the tenements we hold, our growth strategy is dependent on technical and commercial alignment with joint venture partners.</b>	<b>Cause:</b> Market conditions have impacted the availability of investment capital, which in turn impacts the approach to prioritisation of development opportunities.	<b>Impact:</b> Delayed approvals of development plans may impact Senex's growth strategy.	<b>Mitigations:</b> We seek to ensure ongoing and open dialogue with joint venture partners, including appropriate planning of activities.
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### Loss of key data

<b>Large-scale cyber-attack or malware causing compromise of or disruption to corporate ICT infrastructure that increases vulnerability to outage or critical information infrastructure (e.g. sensitive data files, satellites, data centres) and networks.</b>	<b>Cause:</b> Execution of a malicious script through email, portable devices, external hard-drives or downloading or unmonitored third party access.	<b>Impact:</b> Outcomes from cyber-security threat include data breach (lock-out of sensitive data, loss of data), impeded business operations (down-time, rework), compromise or disruption of corporate IT physical assets, privacy violation and damage to reputation.	<b>Mitigations:</b> Senex currently has key controls in place such as firewalls, restricted points of entry, data back-ups and security monitoring software.
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## Continuous improvement at Senex

Continuous improvement is a long-term strategy at Senex that supports value creation for our shareholders. We apply this philosophy to all areas of the business including corporate governance. During FY17 we implemented key improvement initiatives including:

- Introduction of the 'Lean' methodology involving techniques such as value stream mapping, problem solving techniques, visual work boards, and the 'plan-do-check-act' cycle;
- Enhanced our enterprise risk management framework;

- Updated our management of change methodology to apply to both operations and corporate activities;
- Refreshed our delegation of authority with emphasis on practical application; and
- Mapped and documented business critical processes.

The introduction of Senex's custom Business Management System last financial year reflected our commitment to continuous improvement. This has provided a robust framework in which we work, facilitating informed decisions and access to the tools we need to execute our strategy.

### Our focus on continuous improvement helps us to:

- ✓ Reduce the time from idea to implementation
- ✓ Increase skills, knowledge sharing and collaboration
- ✓ Effectively address learnings
- ✓ Increase opportunities for innovation



Western Surat Gas Project drilling



# Directors' report and remuneration report





# Directors' report and remuneration report

Your directors submit their Annual Report for the year ended 30 June 2017 (FY17).

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 was no significant change in the nature of these activities in FY17.

## Directors

The directors who served at any time during or since the end of FY17 until the date of this report are disclosed in the table below. Further information on all current directors as at the date of this report is disclosed on pages 36-37.

## 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 FY17 were the following individuals who served for the periods indicated as directors or as Executive KMP in FY17:

	Commentary	Notes
<b>Non-executive directors</b>		
Trevor Bourne	Chairman, independent non-executive	
Debra L Goodin	Independent non-executive	
John Warburton	Independent non-executive	
Ralph H Craven	Independent non-executive	
Timothy B I Crommelin	Non-executive	
Yanina A Barilá	Non-executive; previously alternate director, non-executive	appointed as director 5 May 2017; served as alternate for Mr McKeown and Mr Crommelin until 5 May 2017
Ben M McKeown	Non-executive	resigned as director and ceased as KMP 5 May 2017
<b>Executive KMP – Executive Director</b>		
Ian R Davies	Managing Director and Chief Executive Officer (CEO)	
<b>Executive KMP – Senior Executives (referred to in this report as “Senior Executives”)</b>		
Darren J Greer	Chief Operating Officer	commenced as KMP 5 September 2016
David E Spring	Executive General Manager Exploration	
Graham K Yerbury	Chief Financial Officer	
Julie A Whitcombe	Executive General Manager Strategic Planning	
Suzanne L Hockey	Executive General Manager People, Health, Safety and Environment	

Unless otherwise indicated, each individual named above served as KMP for all of FY17. Details of the qualifications and experience of current Executive KMP are set out on page 10-11, and directors on pages 36-37.

## Senex's Executive Committee

The Senex Executive Committee in FY17 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 37.

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).

# Directors' report and remuneration report

## 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 FY17 was \$6,100,000 (end of FY16: \$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 FY17 was \$43,649,000 (FY16: \$69,287,000). The Group's net loss for FY17 was \$22,661,000 (FY16: \$33,196,000 loss). The Group's underlying net loss for FY17 was \$22,535,000 (FY16: nil). The reconciliation of underlying net loss after tax to statutory net profit/(loss) after tax is set out on page 12 of this report.

A detailed operating and financial review is provided on pages 12 to 23 of this Annual Report. Information on Senex's business strategy is provided on pages 8 to 9. Material business risks are discussed on pages 38 to 41 of the Corporate Governance overview.

**Table 1: Ordinary fully paid shares issued during FY17**

	Parent Entity			
	FY17		FY16	
	Number of shares	\$'000	Number of shares	\$'000
<b>Movement in ordinary fully paid shares on issue</b>				
Balance at the beginning of the period	1,152,686,422	451,233	1,149,657,377	451,233
Issues of shares during the period:				
Equity raising	–	–	–	–
Placement	173,154,143	54,544		
Share purchase plan	114,735,303	36,142		
Exercise of unlisted options	160,000	41	–	–
Performance rights (nil consideration)	1,514,536	–	3,029,045	–
Transaction costs on shares issued (net of tax)		(2,002)		–
<b>Balance at the end of the period</b>	<b>1,442,250,404</b>	<b>539,958</b>	<b>1,152,686,422</b>	<b>451,233</b>

## Directors' interests in equity securities of the Company and related bodies corporate

In FY17 the Company had on issue four kinds of equity securities – Shares, Options, Performance Rights and SARs. The glossary describes each of those equity securities. Table 2 shows the interests of the directors in the Shares, Options, Performance Rights and SARs of the Company at the date of this report.

**Table 2: Directors' interests in Shares, Options, Performance Rights and SARs**

Class of security	Shares	Options	Performance Rights	SARs
Trevor Bourne	402,619	–	–	–
Ian R Davies	5,294,842	1,000,000	479,729	10,238,282
Debra L Goodin	180,000	–	–	–
John Warburton	–	–	–	–
Ralph H Craven	297,619	–	–	–
Timothy BI Crommelin	3,974,431	–	–	–
Yanina A Barilá*	–	–	–	–

\* Ms Barilá is an executive of The Sentient Group which held relevant interests in 188,212,276 Shares (13.0% of issued Shares) at the date of this report.

In FY17 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 FY17 that is not detailed elsewhere in this directors' report.

# Directors' report and remuneration report

## Significant events after reporting date

On 25 July 2017, Senex announced to ASX that it had made a Birkhead oil discovery on the western flank of the South Australian Cooper Basin, with the Marauder-1 exploration well, located in ex PEL 104 (Senex 60% and operator) flowing at a rate of 655 barrels of oil per day on a drill stem test.

Since the end of FY17, the directors are not aware of any other 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

In FY18, 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 pages 14 to 23.

## 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 FY17.

## Share options and other rights to unissued shares

Table 3 is a summary of rights to Senex unissued shares (Options, Performance Rights and SARs – all unlisted) at the date of this report.

**Table 3: Rights to Senex unissued shares:**

Type of security	Number	Exercise price	Conditions	Vesting	Expiry
FY11 LTI Options – tranche 4	1,000,000	\$0.255	-	19 July 2013	19 July 2018
FY17 STI Rights	1,754,235	nil	service	1 July 2018	7 September 2023
Type of security	Number	Starting price	Conditions	Vesting	Expiry
FY16 SARs – tranche 1	14,459,037	\$0.146	performance & service	September 2018	9 September 2022
FY16 SARs – tranche 2	5,250,009	\$0.146	performance & service	September 2018	9 September 2022
FY17 SARs – tranche 1	9,534,394	\$0.248	performance & service	September 2019	7 September 2023
FY17 SARs – tranche 2	3,594,695	\$0.248	performance & service	September 2019	7 September 2023

## Movements in Options

From 1 July 2016 to the date of this report:

- no Options were issued;
- 1,160,000 Options were exercised;
- 1,306,000 Options expired and lapsed.

**Table 4: Details of movements in Options from 1 July 2016 to the date of this report:**

Date	Event	Number of Options	exercise price
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
19 July 2017	all FY11 LTI Options tranche 3 exercised	1,000,000	\$0.255

The terms of those Options are described in the Remuneration Report, page 64.

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.



# Directors' report and remuneration report

## Movements in Performance Rights

From 1 July 2016 to the date of this report:

- 4,135,927 Performance Rights were issued;
- 4,020,690 Performance Rights vested (and Shares were provided);
- 7,155,304 Performance Rights lapsed.

**Table 5: Details of movements in Performance Rights from 1 July 2016 to the date of this report:**

Date	Event	Number of Rights
20 July 2016	all remaining FY14 LTI Rights lapsed	1,672,992
20 July 2016	part of FY16 STI Rights lapsed	1,675,209
30 September 2016	part of FY17 STI Rights issued	3,004,879
18 November 2016	all other FY17 STI Rights issued	1,131,048
1 July 2017	all remaining FY16 STI Rights vested	4,020,690
24 July 2017	all remaining FY15 LTI Rights lapsed	1,425,411
24 July 2017	part of FY17 STI Rights lapsed	2,381,692

The terms of those Performance Rights, including vesting conditions (performance conditions and service conditions) are described in the Remuneration Report, pages 55 to 56.

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.

## Movements in SARs

From 1 July 2016 to the date of this report:

- 13,129,089 SARs were issued;
- no SARs vested;
- no SARs lapsed.

Details of those movements are disclosed in Note 29 to the Financial Statements (page 103).

The terms of those SARs, including vesting conditions (performance conditions and service conditions) are described in the Remuneration Report, pages 56 to 57.

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 on exercise of Options or vesting of Performance Rights

From 1 July 2016 to the date of this report Senex issued:

- 160,000 shares to the Senex Employee Share Trust to provide to the holder of the FY11 LTI Options tranche 2 on the exercise of their Options on 19 July 2016;
- 1,000,000 shares to the Senex Employee Share Trust to provide to the holder of the FY11 LTI Options tranche 3 on the exercise of their Options on 19 July 2017; and
- 4,020,690 shares to the Senex Employee Share Trust to provide to the holders of the remaining FY16 STI Rights on the vesting of their Rights on 1 July 2017.

## Indemnification and insurance of directors and officers

In FY17, Senex incurred a premium of \$63,817 (FY16: \$65,332) 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' report and remuneration report

## Directors' meetings (unaudited)

**Table 6: The number of meetings of Senex's board of directors and of each board committee held in FY17, and the number of meetings attended by each Director:**

	Meetings of committees					
	Board meetings		Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
Trevor Bourne	15	15	6	*	4	*
Ian R Davies	15	15	5	*	4	*
Debra L Goodin	15	15	6	6	4	4
John Warburton	15	15	6	*	4	4
Ralph H Craven	14	15	6	6	4	4
Timothy BI Crommelin	15	15	6	6	2	4
Yanina A Barilá as director	3	3	0	*	1	1
Yanina A Barilá as alternate director (until appointed director 5 May 2017)	10	12	2	*	3	3
Benedict M McKeown (resigned as director 5 May 2017)	12	12	4	*	3	3

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), undertook some non-audit services for Senex during the current year (prior year nil), as disclosed in note 9 to the financial statements. Table 7 details the services provided and amounts received or receivable for those non-audit services:

<b>Table 7: Services provided and amounts received or receivable by Ernst &amp; Young (Australia) for non-audit services</b>	<b>FY17 consolidated (\$)</b>	<b>FY16 consolidated (\$)</b>
Other assurance related services	121,320	42,000
Other non-audit services	42,645	-
<b>Total</b>	<b>163,965</b>	<b>42,000</b>

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

## Auditor independence

A copy of the auditor's independence declaration as required under s.307C of the Corporations Act is set out on page 69.

## 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, relating to the 'rounding off' of amounts in a financial report or directors report.

Unless otherwise indicated, amounts in the directors report (including the remuneration report) have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

# Directors' report and remuneration report

## REMUNERATION REPORT (AUDITED)

### Message from the People and Remuneration Committee Chair

Dear Shareholders,

As Chair of the People and Remuneration Committee and on behalf of your board, I am pleased to introduce the Senex Remuneration Report for the 2017 financial year.

To be successful and maximise shareholder value, Senex must attract, motivate and retain highly skilled individuals. This applies to directors on the Senex board, our senior executives and our employees. Remuneration is one part of an integrated approach to people at Senex. The Company remunerates all Senex's people other than non-executive directors based on performance. From FY18 all permanent Senex employees will have part of their 'opportunity to earn' at risk. The 'at risk' portion of remuneration is, and will continue to be, more material for the CEO and senior executives. Remuneration incentives are reviewed annually against individual, business unit and corporate performance. Prevailing market conditions are also taken into consideration as part of this annual review.

This report outlines the remuneration outcomes and activities for FY17. During what has become a prolonged period of low oil prices and a challenging oil and gas operating environment, your company has demonstrated resilience and achieved key strategic milestones, though some performance areas fell short of target level metrics this year.

After consideration of the FY17 corporate performance metrics and achievements against those metrics, the Senex board concluded that the corporate performance rating for FY17 was 42.4%, compared to a rating of 75% in the prior year. A summary of key remuneration outcomes for FY17 is provided below.

<b>Fixed Remuneration (TFR)</b>	No increase to CEO remuneration. Average increase across other Senior Executives was 2.1%.	Total fixed remuneration (TFR) for the CEO remains unchanged since FY14. Increases were applied for selected senior executives in FY17 to reflect role or responsibility changes and align with comparative data provided by the board's remuneration consultant.
<b>Short Term Incentive (STI)</b>	CEO awarded 28% of his FY17 TFR. Awards for other senior executives averaged 22.3% of FY17 TFRs.	STI was evaluated against 12-month performance metrics, and takes into account a range of performance measures as detailed in this report.
<b>Long Term Incentive (LTI)</b>	No LTI vested for the 2017 financial year or prior years.	The FY17 LTI scheme involves two tranches of share appreciation rights subject to 3-year performance and service conditions.
<b>Non-executive directors</b>	No increases to director fees.	At the 2017 AGM, the board will ask shareholders to approve an increase in the maximum number of directors from seven to eight, and an increase in maximum non-executive directors' fee pool from \$950,000 to a maximum of \$1,200,000, to accommodate board representation for significant shareholder, EIG (see page 59 of this report).

The Senex team is very focused on continuing the momentum of FY17 as your company embarks on a busy and exciting year ahead. As Chair of this Committee, I am compelled to ensure we have the right framework in place to support the organisation and incentivise strong performance while we navigate market challenges and opportunities.

This report contains extensive information to help you understand Senex's approach to remuneration. I invite you to review the report, and thank you for your continued support of Senex.



**Dr Ralph Craven**

Independent non-executive director  
People and Remuneration Committee Chair



# Directors' report and remuneration report

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

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## Remuneration philosophy

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.

In accordance with best practice corporate governance, the structure of non-executive director (NED) remuneration is separate and distinct from the structure of executive remuneration.

## Remuneration governance

### People and Remuneration Committee (previously, until 1 July 2017, Remuneration and Nomination Committee)

The People and Remuneration 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. From 1 July 2017, the board delegated to the Committee responsibility for oversight of the extent to which company values and culture are being embedded in the organisation. Responsibility for oversight of director selection and appointment, and review of board, committee and director performance was delegated to a newly created Nomination Committee from 1 July 2017 which consists of all non-executive directors.

In all of their activities, those committees aim to promote investor understanding and confidence in Senex's remuneration and nomination processes by ensuring formal and transparent processes.

The People and Remuneration Committee now has three primary functions:

- To support and advise the board on remuneration and remuneration-related matters.
- To support and advise the board on alignment of the interests of employees with the interests of shareholders.
- To consider and advise the board on the extent to which company values and culture are being embedded in the organisation as evidenced in the people and remuneration related procedures and practices encompassed in the Committee's responsibilities.

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 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.

# Directors' report and remuneration report

## 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 April 2017 to assist with benchmarking of non-executive director fees and review of Executive KMP remuneration for FY18.

**Table 8: Fees paid to remuneration consultant for FY17**

Remuneration consultant	Advice and/or service provided	Fees (excl. GST)
Guerdon Associates	Comparative analysis of FY17 Executive KMP remuneration for purpose of FY18 review	\$25,000
Guerdon Associates	Benchmarking of FY17 non-executive director fees	\$12,000
Guerdon Associates	Advice on FY17 LTI performance measures	\$12,162

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 49 of this report.

## FY17 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 FY17

The board approved for each Executive KMP (including the CEO) a remuneration package for FY17 consisting of:

- an agreed level of **TFR**; plus
- an STI (**FY17 STI**) that represented (at STI Grant Date) a maximum uplift of up to 66% of the executive's participating TFR for FY17 (Maximum STI); plus
- an LTI (**FY17 LTI**) in two tranches that represented (at LTI Grant Date) a maximum uplift of up to 50% of the executive's participating TFR for FY17 (Maximum LTI).

# Directors' report and remuneration report

## TFR for Executive KMP in FY17

- There was no increase in TFR for the CEO in FY17. His TFR remained at the level that was first provided to him in FY14.
- The aggregate FTE TFR for FY17 for the six Executive KMP positions (including CEO) was 1.5% higher than the aggregate FTE TFR for those positions in FY16.
- Increases in FTE TFR were applied for selected Senior Executives in FY17 to reflect role or responsibility changes and align with comparative data provided by the board's remuneration consultant.
- The TFR of the newly hired executive who became Executive KMP in FY17 was market determined.

## STI offered to Executive KMP for FY17

- The STI offered to the Executive KMP (including the CEO) for FY17 was similar to the STI offered to the Executive KMP for FY16. It was an opportunity to receive an STI award determined by the board on the basis of corporate performance for FY17.
- The performance condition for the STI was the board's determination of the corporate performance rating for FY17 based on agreed performance measures (see page 53 of this report).
- If the board determined to make an STI award, up to 50% of the award was to be payable in cash after board approval of the full year financial report for FY17 and the remainder provided by the vesting of contingent Performance Rights (FY17 STI Rights) subject to 12 month deferral, (i.e. not vesting until 1 July 2018).
- The offer of FY17 STI Rights to the CEO was subject to shareholder approval (granted at 2016 AGM).

## Outcome of FY17 STI

- The board determined that the corporate performance rating for FY17 was 42.4% (see page 54 of this report).
- On that basis, and after adjustments for individual performance, the board awarded STI for FY17 to the Executive KMP averaging 36.3% of their maximum STI, representing an average 24% uplift of their FY17 Participating TFR.
- Of the FY17 STI Rights granted to the Executive KMP, 57.6% lapsed on 24 July 2017 (the date the board's determination took effect) and the remaining 42.4% will vest if they are Senex employees on the vesting date, 1 July 2018.

## LTI offered to Executive KMP for FY17

- The LTI offered to the Executive KMP (including the CEO) for FY17 was similar to the LTI offered to the Executive KMP for FY16. It was provided in the form of two tranches of share appreciation rights under the Senex SARs Plan (FY17 LTI SARs) subject to a three year performance condition and a three year service condition.
- Each tranche 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 FY17 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 FY17 LTI (Tranche 2 SARs) are subject to an LTI Performance Condition (Production Run Rate Performance Condition) that the Company achieve an oil and gas production run rate in any period of 30 consecutive days in the six months ending 30 June 2019 that the board believes is capable of sustainably delivering annual production of 2.5 – 3.0 mmbob with the expectation of a substantial contribution from gas.
- The offer of FY17 LTI SARs to the CEO was subject to shareholder approval (granted at 2016 AGM).

## Non-executive directors

- Fees paid to non-executive directors did not increase in FY17, and no increase is proposed to the base fees in FY18. Refer to page 59 for further information.



# Directors' report and remuneration report

## 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.

<b>Attract and retain talented and qualified Executive KMP</b>	<ul style="list-style-type: none"> <li>Remuneration levels are market-aligned against similar roles within industry peer companies and other listed companies of comparable size and complexity.</li> </ul>
<b>Encourage Executive KMP to strive for superior performance</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Consistently high-performing executives are also rewarded through higher base remuneration.</li> <li>Short term incentives are aligned to key performance milestones including safety, profitability and growth.</li> </ul>
<b>Align Executive KMP and shareholder interests</b>	<ul style="list-style-type: none"> <li>Long term incentives are delivered through equity instruments linked to ordinary shares.</li> <li>Long term incentives are subject to three year performance conditions and a three year service condition.</li> <li>Long term incentives are 'at risk' and executives cannot hedge equity instruments that are unvested or subject to restrictions.</li> </ul>

### 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 Performance Rights and 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 right for the Company to clawback in certain circumstances incentive remuneration that is provided to the executive.

In the event that:

- any measure of the Company's performance against an STI or LTI performance condition is misstated; and
- any incentive remuneration vests incorrectly in reliance on the misstated level of performance,

the board has a right exercisable at its discretion upon subsequent discovery of the misstatement, 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 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. Table 9 sets out the termination provisions applicable to the Executive KMP.

**Table 9: Executive KMP employment contract termination provisions**

	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

# Directors' report and remuneration report

## 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 10 presents the corporate performance metrics and Target level hurdles for FY17 and the rationale for their selection to determine the corporate performance rating.

For each metric the board also determined:

- a Stretch level hurdle that represented the upper limit of possible outcomes that were planned for and a very challenging goal. 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 10: FY17 STI corporate performance metrics and Target level hurdles for CEO and Senior Executives**

Focus	Performance Metric	Target hurdle	Rationale and commentary
<b>Licence to Operate</b>	safety – improvement in total recordable injury <sup>1</sup> frequency rate (TRIFR)	reduction in TRIFR <sup>2</sup> to 4.0 or below	Safety is paramount in all Senex operations and is key to Company's licence to operate
	environment – Serious Reportable environmental incidents <sup>3</sup>	no more than one Serious Reportable environmental incident	Senex strives to eliminate unintended environmental damage
<b>Production pipeline</b>	1P reserve replacement ratio (RRR) as % of Production boe <sup>4, 5</sup>	at least 200% RRR <sup>6</sup>	Production of oil and gas is at core of Senex business and generates revenue to sustain and grow operations and assets. Metric focuses on building production inventory to support sustained and growing production base
<b>Growth pipeline</b>	2P reserve replacement ratio (RRR) as % of Production boe <sup>4, 5</sup>	at least 200% RRR <sup>6</sup>	Increase in 2P reserves is key outcome of Company's investment in exploration and appraisal activities. Metric focuses on bringing new growth projects along the maturity curve
<b>Financial performance</b>	EBITDAX <sup>7</sup>	EBITDAX of at least a stated A\$ amount, being more than FY17 budget EBITDAX	Profitability and cash flow of core operations with focus on cost reduction are critical to sustaining and growing the company
<b>Capital efficiency</b>	improvement in return on average capital employed (ROACE) <sup>8</sup>	Improvement in ROACE by at least a stated percentage over ROACE for FY16	to ensure focus on longer-term business sustainability

1 Recordable injuries are fatalities, lost time injuries, restricted work injuries and medical treatment injuries

2 TRIFR is calculated under APPEA Incident Reporting Guidelines and is equal to recordable injuries per million man hours worked

3 A Serious Reportable environmental incident is an incident reportable as such to an environmental regulator

4 Petajoules (PJ) of gas are converted to millions of barrels of oil equivalent (mmboe) at the following conversion rates: Surat Basin gas: 5.880 PJ = 1 mmboe; Cooper Basin gas: 5.815 PJ = 1 mmboe

5 Production is measured in barrels of oil equivalent (boe) produced at well head in the period, but for purpose of FY17 STI corporate performance metrics gas production (and gas reserves) are only included 1P RRR and 2P RRR calculations on 4:1 basis to oil, ie 4 mmboe of gas = 1 mmboe of oil

6 1P/2P RRR (%) = 1P/2P reserves replacement ratio = boe of 1P/2P Reserves added ÷ boe of Production, with gas included on 4:1 basis to oil in both numerator and denominator

7 EBITDAX = earnings before interest, tax, exploration expense, depreciation and amortisation

8 ROACE = return on average capital employed

# Directors' report and remuneration report

## FY17 STI Performance

The board conducted performance evaluation of the CEO in FY17, and the CEO (in consultation with the human resources team and the People and Remuneration Committee) conducted performance evaluation 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 FY17 STI corporate performance scorecard:

- Licence to Operate: the achievement in safety was above the Target hurdle; the achievement in environment was at the Stretch hurdle;
- Production pipeline: the achievement in 1P reserve replacement was above the Threshold hurdle;
- Growth pipeline: the achievement in 2P reserve replacement was below the Threshold hurdle;
- Financial Performance: the achievement in EBITDAX was above the Threshold hurdle but the board deemed the result to be at Threshold;
- Capital Efficiency: improvement in ROACE was below the Threshold hurdle;

On that basis the board determined that the corporate performance rating for FY17 was 42.4%.

After adjustments for individual performance, the board awarded STI for FY17 to the CEO and Senior Executives averaging 36.3% of their maximum STI (representing an average 24% uplift of their FY17 Participating TFR). Details of the FY16 STI awarded to the CEO and Senior Executives are set out in Tables 15 and 16.

Of the FY17 STI Rights granted to the CEO and Senior Executives 57.6% lapsed on 24 July 2017, the date the board's determination took effect, and the remaining 42.4% will vest if they are Senex employees on 1 July 2018.

The offer of FY17 STI Rights to the CEO was subject to shareholder approval (granted at 2016 AGM).

## Long term incentive (LTI)

### FY17 LTI

The Relative TSR performance metric was chosen for Tranche 1 SARs (representing 70% of FY17 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.

The Production Run Rate performance metric was chosen for Tranche 2 SARs (representing 30% of FY17 LTI) because the achievement of increased levels of production are key to delivering value for shareholders from investment and growth.

### FY16 LTI

The only change in the LTI offered to the Executive KMP for FY17, compared to FY16, was in the performance measure chosen for Tranche 2 SARs.

Tranche 2 of FY16 LTI SARs, representing 30% of FY16 LTI, 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 mmbob) over the three year performance period, which ends 30 June 2018. That 2P reserves target was chosen 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 was then known about the properties held and their prospectivity.

### FY13, FY14 and FY15 LTI

For the three years before FY16 (FY13, FY14 and FY15 respectively), the board granted LTI Rights that were subject to an absolute TSR performance condition over a three year performance period.

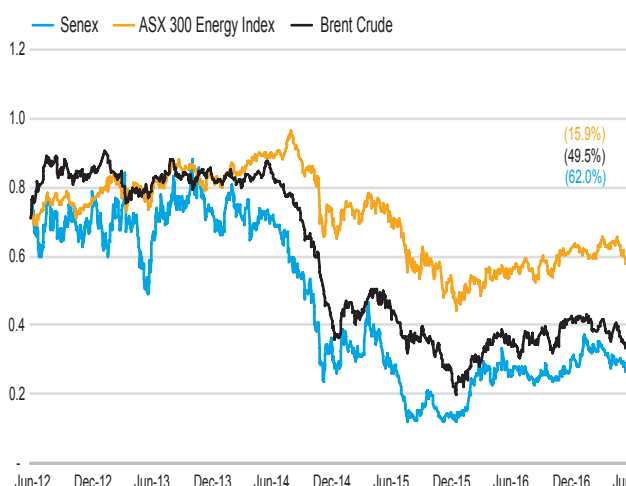
The performance condition for FY13 LTI Rights, FY14 LTI Rights and FY15 LTI Rights respectively was absolute TSR over the three year period in each case, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting.

All FY13 LTI Rights, FY14 LTI Rights and FY15 LTI Rights lapsed when the board determined at the end of their performance period (in July 2015, 2016 and 2017 respectively) that the three year absolute TSR performance condition was not satisfied.

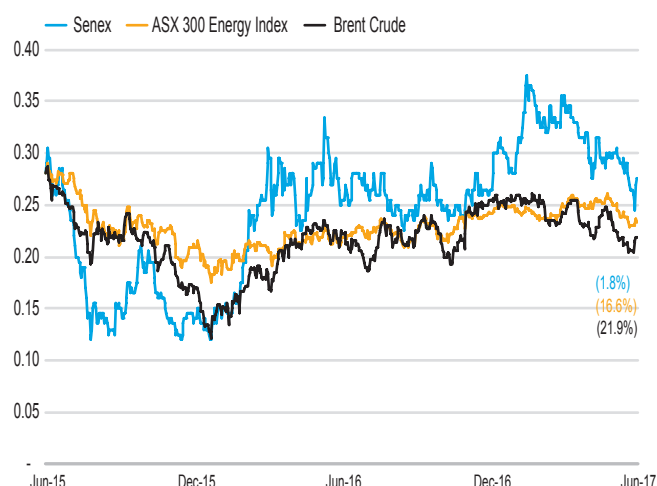


# Directors' report and remuneration report

**Figure 1 – Total Shareholder Return (five year performance)**



**Figure 2 – Total Shareholder Return (two year performance)**



Against the backdrop of two years of low oil prices and volatile operating environment, Senex's total shareholder return performance was ahead of the ASX300 Energy Index as shown in Figure 2. The two-year comparative performance is evidence of a resilient business emerging from a prolonged downturn in the energy market, with the upward trend providing signals of a well-executed strategy and an improving operating environment.

## Overview of CEO and Senior Executive remuneration

The non-executive directors directly engaged and received independent external advice on the remuneration that the Company provided to Mr Davies and the Senior executives, which was benchmarked against the remuneration paid to CEOs and Senior Executives 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 People and Remuneration Committee and the board without management being present.

### FY17 remuneration

#### Fixed remuneration

What was the CEO's TFR in FY17?	\$850,000 (the same as it was in FY14, FY15 & FY16).
Did TFR for Senior Executives increase in FY17?	See comments in FY17 Executive Remuneration snapshot (pages 50-51 of this report).  The aggregate FY17 FTE TFR for the five Senior Executive positions was 2.1% higher than the aggregate FY16 FTE TFR for those positions.  The individuals in four of those positions continued as Executive KMP from FY16. The TFR of the newly hired executive who became Executive KMP in FY17 was market determined.  Details of individual remuneration components are set out in Table 16.

#### Short term incentives

What STI was offered to the CEO and Senior Executives for FY17?	FY17 STI is described on page 51 of this report.  The maximum STI that the Executive KMP (including the CEO) could achieve for FY17 represented at grant date an uplift of up to 66% of their FY17 TFR, with: <ul style="list-style-type: none"><li>up to 50% of any FY17 STI award (if any) payable in cash after board approval of the full year financial report for FY17, and</li><li>the remainder provided by the vesting of contingent Performance Rights (FY17 STI Rights) subject to 12 month deferral, (i.e. not vesting until 1 July 2018 and subject to the executive still being a Senex employee on that date).</li></ul> The offer of FY17 STI Rights to the CEO was subject to shareholder approval (granted at 2016 AGM).
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# Directors' report and remuneration report

How much STI did the CEO and Senior Executives receive for FY17 performance?	<p>The STI offered to the Executive KMP (including the CEO) for FY17 was similar to the STI offered to the Executive KMP for FY16. It was an opportunity to receive an STI award determined by the board on the basis of corporate performance for FY17.</p> <p>The performance condition for the STI was the board's determination of the corporate performance rating for FY17 based on criteria relevant to corporate performance (see page 51 of this report).</p> <p>The board determined that the corporate performance rating for FY17 was 42.4% (see page 54 of this report).</p> <p>On that basis, after adjustments for individual performance, the board awarded STI for FY17 to the Executive KMP averaging 36.3% of their maximum STI, representing an average 24% uplift of their FY17 Participating TFR.</p> <p>Of the FY17 STI Rights granted to the Executive KMP, 57.6% lapsed on 24 July 2017, the date the board's determination took effect, and the remaining 42.4% will vest if they are Senex employees on 1 July 2018.</p> <p>Details of individual STI awards are set out in Tables 15 and 16.</p> <p>The offer of FY17 STI Rights to the CEO was subject to shareholder approval (granted at the 2016 AGM).</p>
How is overall performance assessed for STI purposes?	This is discussed on page 53 and in Table 10.
Did any prior year STI grant vest in FY17?	<p>Yes, part of the FY16 STI award vested in FY17.</p> <p>The board offered FY16 STI to the Executive KMP (including the CEO) in September 2015 on the basis described above, with up to 50% of any award (if any) payable in cash after board approval of the full year financial report for FY16 and the remainder provided as deferred rights to Senex shares, in the form of contingent Performance Rights (FY16 STI Rights) that would not vest until 1 July 2017.</p> <p>In July 2016 the board determined that the corporate performance rating for FY16 was 75%, and on that basis 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.</p> <p>50% of the FY16 STI award was paid in cash in September 2016.</p> <p>29.4% of the FY16 STI Rights initially granted lapsed when the board's determination took effect.</p> <p>All remaining FY16 STI Rights (the other 70.6% of the number initially granted) vested on 1 July 2017, and on 21 July 2017 the Company provided one Senex share for each vested right.</p>
<b>Long term incentives</b>	
How much LTI was offered to the CEO and Senior Executives for FY17?	<p>FY17 LTI is described on page 51 of this report.</p> <p>The maximum LTI offered to the Executive KMP (including the CEO) for FY17 represented at grant date a potential uplift of up to 50% of their FY17 TFR. The LTI opportunity was provided by granting to each executive:</p> <ul style="list-style-type: none"> <li>• Tranche 1 FY17 LTI SARs for 70% of their maximum FY17 LTI, and</li> <li>• Tranche 2 FY17 LTI SARs for the other 30% of their maximum FY17 LTI.</li> </ul> <p>The offer of FY17 LTI SARs to the CEO was subject to shareholder approval (granted at 2016 AGM).</p>

# Directors' report and remuneration report

How were the numbers of FY17 LTI SARs calculated?	<p>The number of FY17 LTI SARs granted to each executive (including the CEO) was calculated by dividing:</p> <ul style="list-style-type: none"> <li>• 70% of their maximum FY17 LTI (35% of their FY17 TFR) by the participation price for Tranche 1 FY17 LTI SARs, and</li> <li>• 30% of their maximum FY17 LTI (15% of their FY17 TFR) by the participation price for Tranche 2 FY17 LTI SARs.</li> </ul> <p>See description of FY17 LTI on page 51 of this report.</p> <p>The number of FY17 LTI SARs that may vest and become exercisable for each executive will depend on the outcome of the performance conditions and satisfaction of the service conditions.</p>
What are the performance conditions for FY17 LTI?	These are discussed on page 54 of this report.
Did any prior year LTI grant vest in FY17?	<p>LTI granted to Executive KMP for years prior to FY17 is described on page 54.</p> <p>No prior year LTI grant vested in FY17.</p>
<b>Outlook</b>	
Will there be any change to CEO remuneration in FY18?	<p>Following a review of the CEO's performance and remuneration in FY17, the board intends to offer him the same TFR for FY18 that he received in FY17, and to offer him STI and LTI for FY18 substantially similar to the STI and LTI that he was offered for FY17, but with the following changes:</p> <ul style="list-style-type: none"> <li>• An STI opportunity subject to performance conditions for FY18 representing a maximum of 60% uplift of FY18 TFR, with any award provided in cash over two years.</li> <li>• An LTI opportunity subject to performance conditions over three years to 30 June 2020 representing a maximum uplift of 100% of FY18 TFR, and provided in Performance Rights.</li> </ul> <p>Any offer of equity interests to the CEO will be subject to shareholder approval.</p>
Will there be any change to Senior Executive remuneration in FY18?	<p>Following a review of the Senior Executives' performance and remuneration in FY17, including an assessment of whether their remuneration levels are market-aligned against similar roles within industry peer companies and other listed companies of comparable size and complexity, the board intends to offer no increase in TFR for FY18 and to offer amounts and levels of STI and LTI for FY18 substantially similar to the STI and LTI that the Company offered to the Senior Executives for FY17.</p>

# Directors' report and remuneration report

## At risk remuneration

In FY17, 53.7% of the maximum potential remuneration offered to the CEO and each Senior Executive 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 2018, 23.1% vesting September 2019).

**Table 11: Relative weights of remuneration components for CEO<sup>1</sup>**

	Fixed remuneration	Maximum potential STI valued at grant date	Maximum potential LTI valued at grant date
FY17	46.3%	30.6%	23.1%
FY16	46.3%	30.6%	23.1%
FY15	38.5%	38.5%	23.0%

<sup>1</sup> These figures do not reflect the value or amount that the CEO actually derived from each component. At risk components were offered subject to board determination of award (if any) based on assessment of actual performance against targets. The figures represent the maximum potential of each at risk component when initially offered.

**Table 12: Relative weightings of remuneration components for Senior Executives<sup>1</sup>**

	Fixed remuneration	Maximum potential STI valued at grant date	Maximum potential LTI valued at grant date
FY17	46.3%	30.6%	23.1%
FY16	46.3%	30.6%	23.1%
FY15	41.7%	29.2%	29.2%

<sup>1</sup> These figures do not reflect the value or amount that the Senior Executives actually derived from each component. At risk components were offered subject to board determination of award (if any) based on assessment of actual performance against targets. The figures represent the maximum potential of each at risk component when initially offered.

## 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.

<b>Attract and retain talented and qualified directors</b>	<p>Fee levels are set with regard to:</p> <ul style="list-style-type: none"> <li>time commitment and workload;</li> <li>the risk and responsibility attached to the role;</li> <li>experience and expertise; and</li> <li>market benchmarking.</li> </ul>
<b>Encourage independence and impartiality</b>	<ul style="list-style-type: none"> <li>Fee levels do not vary according to Company performance or individual Director performance from year to year.</li> <li>Market capitalisation is considered in setting the aggregate fee pool and in benchmarking board and Committee fees.</li> </ul>
<b>Align Director and shareholder interests</b>	<ul style="list-style-type: none"> <li>Senex encourages its non-executive directors to build a long term shareholding in the Company.</li> <li>Non-executive directors can acquire shares through acquisition on market during trading windows.</li> </ul>



# Directors' report and remuneration report

## 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 13: Annual fees for non-executive directors in FY17<sup>1</sup>**

	Chair	Member
From 1 July 2016 to 30 June 2017:		
Board	\$220,000 pa	\$110,000 pa
Audit and Risk Committee	\$12,000 pa	\$5,000 pa
Remuneration and Nomination Committee	\$12,000 pa	\$5,000 pa

<sup>1</sup> Fees are shown exclusive of superannuation contributions.

## Superannuation contributions 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 FY17. Non-executive directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

## Proposal to seek approval for increased NED fee pool in FY18

The company is required, under the share subscription deed dated 30 January 2017 entered into with EIG Olympus Holdings, LP (EIG) to appoint a representative of EIG as a non-executive director while EIG holds 9% or more of the company's shares. For that purpose, the board must seek shareholder approval at the 2017 annual general meeting to increase the maximum number of directors. If such increase is approved, and an additional director is appointed, the current limit of \$950,000 per annum on the maximum aggregate remuneration that the company can pay non-executive directors would require the company to reduce non-executive directors' remuneration below current levels.

Therefore the board proposes to ask shareholders at the 2017 AGM to increase the maximum number of directors from seven to eight, and subject to that approval, to increase the maximum amount that the company is permitted to pay non-executive directors in aggregate from \$950,000 to \$1,200,000 per annum.

If shareholders approve those increases, the board does not currently intend to increase the board fees, as shown in Table 13, following the approvals, but intends to increase the committee fees to reflect the workload of those committees and to bring their remuneration in line with the levels advised in the benchmarking report provided by the board's remuneration consultant. The board does not intend to pay committee fees for the work of the newly created Nomination Committee.

# Directors' report and remuneration report

## Realised remuneration

Table 14 shows the remuneration actually realised in FY17 by the CEO and the Senior Executives who were KMP at 30 June 2017, and includes:

- the value of any STI from prior years that was awarded as deferred equity and actually received in FY17;
- any STI that was awarded as cash in respect of short term performance measures for FY17 and will be received after the end of FY17; and
- the value of any LTI from prior years that was awarded as deferred equity and actually received in FY17.

The information in Table 14 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 15 and 16 on pages 62 and 63.

As a general principle, the Accounting Standards require a value to be placed on LTI based on probabilistic calculations at the time of grant. By contrast, this table values the LTI Rights on the basis of the closing price of Senex shares on the date of vesting 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 14 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.

# Directors' report and remuneration report

**Table 14: Realised remuneration (non-IFRS)**

	Year	TFR <sup>1</sup> \$	STI <sup>2</sup> \$	LTI <sup>3</sup> \$	Other <sup>4</sup> \$	Total \$
Ian R Davies	2017	850,000	118,973	4,000	28,809	1,001,782
	2016	850,000	313,211	–	25,425	1,188,636
Darren J Greer <sup>5</sup>	2017	356,543	–	–	6,738	363,281
	2016	–	–	–	–	–
David Spring	2017	470,000	–	–	9,898	479,898
	2016	470,000	75,788	–	112,804	658,592
Graham Yerbury <sup>6</sup>	2017	470,000	65,785	–	9,898	545,683
	2016	305,445	111,263	–	7,782	424,490
Francis L Connolly <sup>7</sup>	2017	–	–	–	–	–
	2016	395,000	129,759	–	11,516	536,275
Julie A Whitcombe <sup>8</sup>	2017	245,913	35,861	–	6,652	288,426
	2016	146,100	80,203	–	4,756	231,059
Suzanne Hockey <sup>9</sup>	2017	380,000	53,188	–	9,898	443,086
	2016	168,727	40,491	–	56,676	265,894
Andrew J Price <sup>10</sup>	2017	–	–	–	–	–
	2016	81,888	35,517	–	1,025	118,430
Brett Smith <sup>11</sup>	2017	–	–	–	–	–
	2016	134,267	–	–	173,508	307,775
Craig Stallan <sup>12</sup>	2017	–	–	–	–	–
	2016	319,841	–	–	86,010	405,851
<b>Total</b>	<b>2017</b>	<b>2,772,456</b>	<b>273,807</b>	<b>4,000</b>	<b>71,893</b>	<b>3,122,156</b>
	<b>2016</b>	<b>2,871,268</b>	<b>786,232</b>	<b>–</b>	<b>479,502</b>	<b>4,137,002</b>

- 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 2017 for FY17 performance (FY16 – paid in August 2016 for FY16 performance) together with shares issued for STI rights that vested in FY17 (nil) (FY16 nil).
- 3 FY17 LTI relates to a portion of FY11 options granted to Mr Ian Davies in a prior year that were exercised in FY17. No other LTI was realised in FY17 or FY16.
- 4 Other comprises adhoc payments treated as remuneration such as parking (including fringe benefit tax paid), relocation costs and termination payments.

- 5 Mr Greer became a KMP on 05 September 2016.
- 6 Mr Yerbury became a KMP on 26 October 2015.
- 7 Mr Connolly ceased to be a KMP effective 30 June 2016.
- 8 Mrs Whitcombe was remunerated on a 0.8 FTE basis with effect from 01 February 2016. She commenced parental leave on 12 May 2017 and ceased to be KMP from this point to the end of the financial year.
- 9 Mrs Hockey became a KMP on 04 January 2016.
- 10 Mr Price ceased being a KMP on 05 August 2015.
- 11 Mr Smith ceased being a KMP on 23 October 2015.
- 12 Mr Stallan ceased being a KMP on 03 March 2016.

## Detailed remuneration information

Summarised details of the remuneration for each of the CEO, non-executive directors and Senior Executives in FY16 and FY17 as required under the Corporations Act are provided in Tables 15 and 16.

**Table 15: CEO and non-executive directors' FY16 and FY17 remuneration details**

Directors	Year	Short-term			Non-monetary benefits <sup>4</sup>	Post employment		% of total remuneration at risk subject to:		
		Salary & directors fees	Bonus	Other		Superannuation	Termination	Share-based payment <sup>1</sup>	Performance	Options
		\$	\$	\$	\$	\$	\$	\$	%	%
Trevor Bourne	2017	220,000	–	–	8,136	20,900	–	–	249,036	–
	2016	220,000	–	–	7,731	19,308	–	–	247,039	–
Ian R Davies	2017	830,384	118,973	–	28,809	19,616	–	439,542	1,437,324	39% <sup>3</sup>
	2016	830,692	205,594	–	25,425	19,308	–	340,251	1,421,270	38%
Debra L Goodin	2017	127,000	–	–	8,136	12,065	–	–	147,201	–
	2016	125,972	–	–	7,731	11,967	–	–	145,670	–
John Warburton	2017	110,780	–	–	8,136	10,524	–	–	129,440	–
	2016	32,681	–	–	2,288	3,105	–	–	38,074	–
Ralph H Craven	2017	127,000	–	–	8,136	12,065	–	–	147,201	–
	2016	125,333	–	–	7,731	11,907	–	–	144,971	–
Timothy BI Crommelin	2017	115,000	–	–	8,136	10,925	–	–	134,061	–
	2016	115,000	–	–	7,731	10,925	–	–	133,656	–
Yanina A Barilá <sup>2</sup>	2017	–	–	–	8,136	–	–	–	8,136	–
	2016	–	–	–	7,731	–	–	–	7,731	–
Benedict M McKeown <sup>2</sup>	2017	–	–	–	6,865	–	–	–	6,865	–
	2016	–	–	–	7,731	–	–	–	7,731	–
Denis F Patten	2017	–	–	–	–	–	–	–	–	–
	2016	48,885	–	–	3,315	4,644	–	–	56,844	–
<b>Subtotal Directors</b>	<b>2017</b>	<b>1,530,164</b>	<b>118,973</b>	<b>–</b>	<b>84,490</b>	<b>86,095</b>	<b>–</b>	<b>439,542</b>	<b>2,259,264</b>	<b>–</b>
	<b>2016</b>	<b>1,498,563</b>	<b>205,594</b>	<b>–</b>	<b>77,414</b>	<b>81,164</b>	<b>–</b>	<b>340,251</b>	<b>2,202,986</b>	<b>–</b>

<sup>1</sup> 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.

<sup>2</sup> \$124,790 (2015: \$125,925) was paid to Sentient Asset Management Australia Pty Ltd for the provision of Directors' services. Mr Ben McKeown resigned from Sentient Group and resigned as a director of Senex effective 05 May 2017. Sentient Group nominated Ms Yanina Barilá as Mr McKeown's successor and the board of Senex appointed her as a director on 05 May 2017.

<sup>3</sup> For Mr Davies, 57.6% of bonus or grant for FY17 was forfeited when performance condition was not satisfied.

<sup>4</sup> Amounts disclosed in non-monetary benefits are primarily 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. Other non-monetary benefits include car parking and motor vehicle expenses.



# Directors' report and remuneration report

Table 16: Senior Executives' FY16 and FY17 remuneration details

	Short-term				Post employment		% of total remuneration at risk subject to:				
	Year	Salary & directors fees \$	Bonus \$	Other \$	Non-monetary benefits <sup>12</sup> \$	Superannuation \$	Termination \$	Share-based payment <sup>1</sup> \$	Total \$	Performance %	Options %
Executives											
Darren J Greer <sup>2</sup>	2017	338,878	–	–	6,738	17,665	–	58,876	422,157	14% <sup>10</sup>	–
	2016	–	–	–	–	–	–	–	–	–	–
David Spring	2017	450,384	–	–	9,898	19,616	–	191,323	671,221	29% <sup>10</sup>	–
	2016	450,692	75,788	16,667	62,804	19,308	–	92,818	718,077	26%	–
Graham Yerbury <sup>3</sup>	2017	450,384	65,785	–	9,898	19,616	–	225,132	770,815	38% <sup>11</sup>	–
	2016	290,964	111,263	–	7,782	14,481	–	121,429	545,919	–	–
Francis L Connolly <sup>4</sup>	2017	–	–	–	–	–	–	–	–	–	–
	2016	375,692	95,541	–	11,516	19,308	–	149,233	651,290	38%	–
Julie A Whitcombe <sup>5</sup>	2017	268,018	41,553	–	7,708	16,929	–	135,098	469,306	38% <sup>11</sup>	–
	2016	133,425	58,345	–	4,756	12,675	–	88,946	298,147	49%	–
Suzanne Hockey <sup>6</sup>	2017	360,384	53,188	–	9,898	19,616	–	116,663	559,749	30% <sup>11</sup>	–
	2016	159,073	40,491	51,000	5,676	9,654	–	44,191	310,085	–	–
Andrew J Price <sup>7</sup>	2017	–	–	–	–	–	–	–	–	–	–
	2016	77,061	–	–	1,025	4,827	–	–	82,913	–	–
Brett Smith <sup>8</sup>	2017	–	–	–	–	–	–	–	–	–	–
	2016	126,359	–	–	4,008	7,908	169,500	(16,088)	291,687	–	–
Craig Stallan <sup>9</sup>	2017	–	–	–	–	–	–	–	–	–	–
	2016	305,360	–	–	7,677	14,481	78,333	(25,062)	380,789	13	–
Subtotal Executives	2017	1,868,048	160,526	–	44,140	93,442	–	727,092	2,893,248		
	2016	1,918,626	381,428	67,667	105,244	102,642	247,833	455,467	3,278,907		
Total – Directors and Executives	2017	3,398,212	279,499	–	128,630	179,537	–	1,166,634	5,152,512		
	2016	3,417,189	587,022	67,667	182,658	183,806	247,833	795,718	5,481,893		

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 Greer became a KMP on 05 September 2016.

3 Mr Yerbury became a KMP on 26 October 2015.

4 Mr Connolly ceased to be a KMP effective 30 June 2016.

5 Mrs Whitcombe was remunerated on a 0.8 FTE basis with effect from 01 February 2016. She commenced parental leave on 12 May 2017 and ceased to be KMP from this point to the end of the financial year.

6 Mrs Hockey became a KMP on 04 January 2016.

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

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

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

10 For Mr Spring and Mr Greer, 78.8% of bonus or grant for FY17 was forfeited when performance conditions were not satisfied.

11 For Mr Yerbury, Mrs Whitcombe and Mrs Hockey, 57.6% of bonus or grant for FY17 was forfeited when performance conditions were not satisfied.

12 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.

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

# Directors' report and remuneration report

## Options, Performance Rights, SARs and Shares held by 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. A summary of the Options, Performance Rights, SARs and Shares held by directors and Senior Executives is set out in the following sections of this report.

## Option holdings of KMP

No Director or Senior Executive of the Company, and no personally related entity of a Director or Senior Executive, held Options or interests in Options during FY17 other than the CEO, Mr Davies.

Mr Davies' associate held 3,466,000 vested Options on 1 July 2016, of which:

- 160,000 were exercised in July 2016;
- 1,306,000 lapsed in July 2016;

leaving Mr Davies' associate holding 2,000,000 vested Options as at 30 June 2017.

Details of Mr Davies' Options are as follows:

### FY12 LTI Options

As LTI for FY12, the Company granted 2,000,000 unlisted Options to Mr Davies' associate 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

As LTI for FY11, the Company granted 4,000,000 unlisted options to Mr Davies' associate 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 were 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 which were exercised by Mr Davies on 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.

Further information on Options is in note 29 to the financial statements.

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

# Directors' report and remuneration report

## Performance Rights, SARs and Shares held by KMP in FY17 and FY16

Table 17 aggregates all Performance Rights held by directors and Senior Executives during the past two financial years.

**Table 17: Performance Rights held by directors and Senior Executives in FY17 and FY16**

Number of rights	Year	Balance at start of FY	Granted as compensation	Vested	Lapsed or expired	Balance at end of FY
<b>Directors</b>						
Trevor Bourne	2017	–	–	–	–	–
	2016	–	–	–	–	–
Ian R Davies	2017	3,566,084	1,131,048	–	(1,450,557)	3,246,575
	2016	5,015,945	1,921,233	(371,094)	(3,000,000)	3,566,084
Debra L Goodin	2017	–	–	–	–	–
	2016	–	–	–	–	–
John Warburton	2017	–	–	–	–	–
	2016	–	–	–	–	–
Ralph H Craven	2017	–	–	–	–	–
	2016	–	–	–	–	–
Timothy BI Crommelin	2017	–	–	–	–	–
	2016	–	–	–	–	–
Yanina A Barilá	2017	–	–	–	–	–
	2016	–	–	–	–	–
Benedict M McKeown <sup>1</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
Denis F Patten <sup>2</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
<b>Executive KMP</b>						
Darren J Greer <sup>3</sup>	2017	–	471,331	–	–	471,331
	2016	–	–	–	–	–
David E Spring	2017	1,134,839	625,403	–	(543,236)	1,217,006
	2016	72,510	1,062,329	–	–	1,134,839
Graham K Yerbury <sup>4</sup>	2017	1,039,726	625,403	–	(277,654)	1,387,475
	2016	–	1,039,726	–	–	1,039,726
Julie A Whitcombe	2017	818,089	457,742	–	(156,407)	1,119,424
	2016	889,226	401,424	(75,372)	(397,189)	818,089
Suzanne L Hockey	2017	378,380	505,645	–	(101,045)	782,980
	2016	–	378,380	–	–	378,380
Francis L Connolly <sup>5</sup>	2017	–	–	–	–	–
	2016	1,294,195	892,808	(117,992)	(502,268)	1,566,743
Andrew J Price <sup>6</sup>	2017	–	–	–	–	–
	2016	1,305,672	–	(122,472)	(1,183,200)	–
Brett Smith <sup>7</sup>	2017	–	–	–	–	–
	2016	387,699	–	–	(387,699)	–
Craig J Stallan <sup>8</sup>	2017	–	–	–	–	–
	2016	603,271	1,062,329	–	(1,665,600)	–
<b>Total</b>	<b>2017</b>	<b>6,937,118</b>	<b>3,816,572</b>	<b>–</b>	<b>(2,528,899)</b>	<b>8,224,791</b>
	<b>2016</b>	<b>9,568,518</b>	<b>6,758,229</b>	<b>(686,930)</b>	<b>(7,135,956)</b>	<b>8,503,861</b>

<sup>1</sup> Mr McKeown ceased as a Director on 5 May 2017.

<sup>2</sup> Mr Patten ceased as a Director on 18 November 2015.

<sup>3</sup> Mr Greer commenced as KMP on 5 September 2016.

<sup>4</sup> Mr Yerbury commenced as KMP on 26 October 2015.

<sup>5</sup> Mr Connolly ceased as KMP on 30 June 2016.

<sup>6</sup> Mr Price ceased as KMP on 5 August 2015.

<sup>7</sup> Mr Smith ceased as KMP on 23 October 2015.

<sup>8</sup> Mr Stallan ceased as KMP on 3 March 2016.

The balance of Performance Rights at 30 June 2017 had not vested.

# Directors' report and remuneration report

Table 18 aggregates all SARs held by directors and Senior Executives during the past two financial years.

**Table 18: SARs held by directors and Senior Executives in FY17 and FY16**

Number of rights	Year	Balance at start of FY	Granted as compensation	Vested	Lapsed or expired	Balance at end of FY
<b>Directors</b>						
Trevor Bourne	2017	–	–	–	–	–
	2016	–	–	–	–	–
Ian R Davies	2017	6,647,882	3,590,400	–	–	10,238,282
	2016	–	6,647,882	–	–	6,647,882
Debra L Goodin	2017	–	–	–	–	–
	2016	–	–	–	–	–
John Warburton	2017	–	–	–	–	–
	2016	–	–	–	–	–
Ralph H Craven	2017	–	–	–	–	–
	2016	–	–	–	–	–
Timothy BI Crommelin	2017	–	–	–	–	–
	2016	–	–	–	–	–
Yanina A Barilá	2017	–	–	–	–	–
	2016	–	–	–	–	–
Benedict M McKeown <sup>1</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
Denis F Patten <sup>2</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
<b>Executive KMP</b>						
Darren J Greer <sup>3</sup>	2017	–	1,496,193	–	–	1,496,193
	2016	–	–	–	–	–
David E Spring	2017	3,675,888	1,985,280	–	–	5,661,168
	2016	–	3,675,888	–	–	3,675,888
Graham K Yerbury <sup>4</sup>	2017	3,597,677	1,985,280	–	–	5,582,957
	2016	–	3,597,677	–	–	3,597,677
Julie A Whitcombe	2017	1,389,011	1,453,056	–	–	2,842,067
	2016	–	1,389,011	–	–	1,389,011
Suzanne L Hockey	2017	1,309,278	1,605,120	–	–	2,914,398
	2016	–	1,309,278	–	–	1,309,278
Francis L Connolly <sup>5</sup>	2017	–	–	–	–	–
	2016	–	3,089,310	–	–	3,089,310
Andrew J Price <sup>6</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
Brett Smith <sup>7</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
Craig J Stallan <sup>8</sup>	2017	–	–	–	–	–
	2016	–	3,675,888	–	(3,675,888)	–
<b>Total</b>	<b>2017</b>	<b>16,619,736</b>	<b>12,115,329</b>	<b>–</b>	<b>–</b>	<b>28,735,065</b>
	<b>2016</b>	<b>–</b>	<b>23,384,934</b>	<b>–</b>	<b>(3,675,888)</b>	<b>19,709,046</b>

1 Mr McKeown ceased as a Director on 5 May 2017.

2 Mr Patten ceased as a Director on 18 November 2015.

3 Mr Greer commenced as KMP on 5 September 2016.

4 Mr Yerbury commenced as KMP on 26 October 2015.

5 Mr Connolly ceased as KMP on 30 June 2016.

6 Mr Price ceased as KMP on 5 August 2015.

7 Mr Smith ceased as KMP on 23 October 2015.

8 Mr Stallan ceased as KMP on 3 March 2016.

The balance of SARs at 30 June 2017 had not vested.



# Directors' report and remuneration report

Table 19 aggregates all Shares held by directors and Senior Executives during the past two financial years.

**Table 19: Ordinary fully paid shares held by directors and Senior Executives in FY17 and FY16**

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
<b>Directors</b>						
Trevor Bourne	2017	355,000	–	–	47,619	402,619
	2016	105,000	–	–	250,000	355,000
Ian R Davies	2017	2,679,047	–	160,000	47,619	2,886,666
	2016	2,107,953	371,094	–	200,000	2,679,047
Debra L Goodin	2017	180,000	–	–	–	180,000
	2016	41,839	–	–	138,161	180,000
John Warburton	2017	–	–	–	–	–
	2016	–	–	–	–	–
Ralph H Craven	2017	250,000	–	–	47,619	297,619
	2016	250,000	–	–	–	250,000
Timothy BI Crommelin	2017	3,926,812	–	–	47,619	3,974,431
	2016	3,726,812	–	–	200,000	3,926,812
Yanina A Barilá	2017	–	–	–	–	–
	2016	–	–	–	–	–
Benedict M McKeown <sup>1</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
Denis F Patten <sup>2</sup>	2017	–	–	–	–	–
	2016	2,000,000	–	–	(2,000,000)	–
<b>Executive KMP</b>						
Darren J Greer <sup>3</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
David E Spring	2017	–	–	–	–	–
	2016	–	–	–	–	–
Graham K Yerbury <sup>4</sup>	2017	172,000	–	–	47,619	219,619
	2016	–	–	–	172,000	172,000
Julie A Whitcombe	2017	1,668,788	–	–	47,619	1,716,407
	2016	1,593,416	75,372	–	–	1,668,788
Suzanne L Hockey	2017	–	–	–	–	–
	2016	–	–	–	–	–
Francis L Connolly <sup>5</sup>	2017	–	–	–	–	–
	2016	1,227,554	117,992	–	–	1,345,546
Andrew J Price <sup>6</sup>	2017	–	–	–	–	–
	2016	152,000	122,472	–	(274,472)	–
Brett Smith <sup>7</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
Craig J Stallan <sup>8</sup>	2017	–	–	–	–	–
	2016	–	–	–	–	–
<b>Total</b>	<b>2017</b>	<b>9,231,647</b>	<b>–</b>	<b>160,000</b>	<b>285,714</b>	<b>9,677,361</b>
	<b>2016</b>	<b>11,204,574</b>	<b>686,930</b>	<b>–</b>	<b>(1,314,311)</b>	<b>10,577,193</b>

1 Mr McKeown ceased as a Director on 5 May 2017.

2 Mr Patten ceased as a Director on 18 November 2015.

3 Mr Greer commenced as KMP on 5 September 2016.

4 Mr Yerbury commenced as KMP on 26 October 2015.

5 Mr Connolly ceased as KMP on 30 June 2016.

6 Mr Price ceased as KMP on 5 August 2015.

7 Mr Smith ceased as KMP on 23 October 2015.

8 Mr Stallan ceased as KMP on 3 March 2016.

\* 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.

# Directors' report and remuneration report

Signed in accordance with a resolution of the directors.



**Trevor Bourne**  
Chairman



**Ian R Davies**  
Managing Director

Brisbane, Queensland  
21 August 2017

# Auditor's Independence Declaration



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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 financial year ended 30 June 2017, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Anthony Jones  
Partner  
Sydney  
21 August 2017

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# Financial Statements

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# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

		Consolidated	
	Note	2017 \$'000	2016 \$'000
Revenue from sales	6(a)	43,649	69,287
Cost of sales	7(a)	(43,582)	(51,083)
<b>Gross profit</b>		<b>67</b>	<b>18,204</b>
Other revenue	6(b)	2,992	5,278
Other income	6(c)	54	38,502
Oil and gas exploration expenses		(8,688)	(2,268)
General and administrative expenses	7(b)	(14,811)	(17,098)
Other expenses	7(c)	(225)	(3,410)
Impairment	7(e)	–	(69,673)
Finance expenses	7(f)	(2,050)	(2,731)
<b>Loss before tax</b>		<b>(22,661)</b>	<b>(33,196)</b>
Income tax benefit / (expense)	8	–	–
<b>Loss after tax</b>		<b>(22,661)</b>	<b>(33,196)</b>
<b>Net loss for the year attributable to owners of the parent entity</b>		<b>(22,661)</b>	<b>(33,196)</b>
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in fair value of cash flow hedges (net of tax)	24	2,388	(341)
		<b>2,388</b>	<b>(341)</b>
<b>Total comprehensive income for the year attributable to owners of the parent entity</b>		<b>(20,273)</b>	<b>(33,537)</b>
<b>Earnings per share attributable to the ordinary equity holders of the parent entity:</b>		<b>cents</b>	<b>cents</b>
Basic loss per share	10	(1.81)	(2.88)
Diluted loss per share	10	(1.81)	(2.88)

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

# Consolidated Statement of Financial Position

As at 30 June 2017

		Consolidated	
	Note	As at 30 June 2017 \$'000	As at 30 June 2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11	134,760	102,450
Prepayments		2,326	2,091
Trade and other receivables	12	14,244	10,613
Inventory	13	11,577	14,010
Other financial assets	14	–	742
<b>Total Current Assets</b>		<b>162,907</b>	<b>129,906</b>
<b>Non-current Assets</b>			
Trade and other receivables		25	229
Property, plant and equipment	15	51,270	55,685
Intangibles	16	738	1,260
Exploration assets	17	203,831	162,734
Oil and gas properties	18	94,722	104,291
<b>Total Non-current Assets</b>		<b>350,586</b>	<b>324,199</b>
<b>TOTAL ASSETS</b>		<b>513,493</b>	<b>454,105</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	18,250	10,081
Other financial liabilities	20	170	512
Provisions	21	11,246	24,897
<b>Total Current Liabilities</b>		<b>29,666</b>	<b>35,490</b>
<b>Non-current Liabilities</b>			
Other financial liabilities	20	1,222	1,875
Provisions	22	43,120	47,095
<b>Total Non-current Liabilities</b>		<b>44,342</b>	<b>48,970</b>
<b>TOTAL LIABILITIES</b>		<b>74,008</b>	<b>84,460</b>
<b>NET ASSETS</b>		<b>439,485</b>	<b>369,645</b>
<b>EQUITY</b>			
Contributed equity	23	539,958	451,233
Reserves	24	16,307	12,348
Accumulated losses	25	(116,780)	(93,936)
<b>TOTAL EQUITY</b>		<b>439,485</b>	<b>369,645</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2017

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		47,016	80,356
Payments to suppliers and employees		(17,964)	(18,512)
Payments for exploration expenditure		(3,610)	(2,821)
Payments for production expenditure		(27,231)	(32,058)
Payments for rehabilitation of wells		(10,962)	–
Interest received		1,421	1,319
Interest paid – Halliburton		(47)	(61)
Fees received for technical services		4,812	7,365
Other operating payments		(961)	(1,323)
Net payments for commodity hedges		(1,024)	(3,130)
Other receipts		426	3,209
<b>Net cash flows from operating activities</b>	26	<b>(8,124)</b>	<b>34,344</b>
<b>Cash flows from investing activities</b>			
Payments for oil and gas properties		(4,047)	(4,189)
Purchase of property, plant and equipment & intangibles		(2,017)	(5,918)
Payments for exploration assets		(40,350)	(15,570)
Proceeds from sale of Maisey block		–	42,000
Proceeds from sale of fixed assets		3	70
<b>Net cash flows used in investing activities</b>		<b>(46,411)</b>	<b>16,393</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues		90,727	–
Payments of transaction costs for issue of shares		(2,002)	–
Net proceeds from/(payment to) Halliburton under tight oil agreement		(642)	2,001
Payments for debt facility fees		(738)	(784)
<b>Net cash flows from financing activities</b>		<b>87,345</b>	<b>1,217</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>32,810</b>	<b>51,954</b>
Net foreign exchange differences		(500)	1,492
Cash and cash equivalents at the beginning of the year		102,450	49,004
<b>Cash and cash equivalents at the end of the year</b>	11	<b>134,760</b>	<b>102,450</b>

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 2017

The following table presents the Consolidated Statement of Changes in Equity for the year ended 30 June 2017:

	Attributable to the equity holders of the parent					
	Contributed equity \$'000	Accumulated losses \$'000	Share based payments reserve \$'000	Hedging Reserve \$'000	Other reserve \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	<b>451,233</b>	<b>(93,936)</b>	<b>14,919</b>	<b>(2,388)</b>	<b>(183)</b>	<b>369,645</b>
Loss for the year	–	(22,661)	–	–	–	(22,661)
Other comprehensive income	–	–	–	2,388	–	2,388
<b>Total comprehensive income</b>	<b>–</b>	<b>(22,661)</b>	<b>–</b>	<b>2,388</b>	<b>–</b>	<b>(20,273)</b>
<b>Transactions with owners, recorded directly in equity:</b>						
Shares issued	90,727	–	–	–	–	90,727
Transaction costs on share issue	(2,002)	–	–	–	–	(2,002)
Share based payments	–	–	1,388	–	–	1,388
Transfer between reserves	–	(183)	–	–	183	–
<b>Balance at 30 June 2017</b>	<b>539,958</b>	<b>(116,780)</b>	<b>16,307</b>	<b>–</b>	<b>–</b>	<b>439,485</b>

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

	Attributable to the equity holders of the parent					
	Contributed equity \$'000	Accumulated losses \$'000	Share based payments reserve \$'000	Hedging Reserve \$'000	Other reserve \$'000	Total \$'000
<b>Balance at 1 July 2015</b>	<b>451,233</b>	<b>(60,740)</b>	<b>13,653</b>	<b>(2,047)</b>	<b>(183)</b>	<b>401,916</b>
Loss for the year	–	(33,196)	–	–	–	(33,196)
Other comprehensive income	–	–	–	(341)	–	(341)
<b>Total comprehensive income</b>	<b>–</b>	<b>(33,196)</b>	<b>–</b>	<b>(341)</b>	<b>–</b>	<b>(33,537)</b>
<b>Transactions with owners, recorded directly in equity:</b>						
Share based payments	–	–	1,266	–	–	1,266
<b>Balance at 30 June 2016</b>	<b>451,233</b>	<b>(93,936)</b>	<b>14,919</b>	<b>(2,388)</b>	<b>(183)</b>	<b>369,645</b>



# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 1: CORPORATE INFORMATION

The financial statements of Senex Energy Limited ("the Company") and its controlled entities (collectively known as "the Group") for the year ended 30 June 2017 were authorised for issue on 21 August 2017 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 (\$).

### (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 2016 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
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

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.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title (Summarised)	Summary	Application date for Senex
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 Revenue, AASB 111 Construction Contracts and various related interpretations. The standard becomes mandatory for Senex for the 30 June 2019 financial year. Senex does not intend to early adopt the standard.</p> <p>Senex has currently commenced an implementation process to identify the impacts on transition. Our initial diagnostic notes the following areas may be impacted:</p> <ul style="list-style-type: none"> <li>• Assessment of the contract and determining the appropriate contract period for the purposes of AASB 15;</li> <li>• Measurement of consideration including the potential impact of variable consideration;</li> <li>• Impacts of customer acceptance clauses on timing of recognition of income; and</li> <li>• Classification of costs paid to customers.</li> </ul> <p>At this stage, while we expect the impact of the new standard will result in changes to the current practice of accounting for revenue, we are not yet in a position to reasonably estimate the impact on the financial statements including anticipated additional disclosures.</p>	Year ending 30 June 2019
AASB 16	Leases	<p>AASB 16 provides a single lessees accounting model whereby all leases are recorded on the statement of financial position, similar to the current treatment applied to finance leases. Lessees are required to recognise an asset and liability for all leases with the exemption of short term leases (less than 12 months) and low value leases. The standard becomes mandatory for Senex for the 30 June 2020 financial year. Senex does not intend to early adopt the standard.</p> <p>Senex has commenced an implementation process to identify the impacts on transition. Our preliminary assessment indicates that if the provisions of AASB 16 were applied in the current period, a number of operating leases will fall within the scope of AASB 16. We are also assessing to what level of contracts the scope exclusion can be applied with respect to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources.</p> <p>At this stage, while we expect the impact of the new standard will result in changes to the current practice of accounting for leases, we are not yet in a position to reasonably estimate the impact on the financial statements including anticipated additional disclosures.</p>	Year ending 30 June 2020
AASB 9	Financial Instruments (December 2014)	<p>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.</p> <p>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. Senex early adopted the hedge accounting requirements of AASB 9 for the financial year ended 30 June 2015. Accordingly the classification, measurement and impairment requirements are yet to be adopted.</p>	Year ending 30 June 2019

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2017.

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.

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 leadership team.

### (f) Foreign currency translation

#### Functional and presentation currency

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

#### Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date and any resulting gain or loss is taken to profit or loss.

### (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 to 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 in full.

### (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 reporting 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

#### 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.

#### Financial assets measured at amortised cost

After initial measurement, such financial assets are subsequently measured at amortised cost, using the effective interest rate (EIR) method, less impairment. This category generally applies to trade and other receivables.

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.

#### 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 at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments including Australian dollar and US dollar denominated Brent oil collars, swaps, call options and put options, to hedge its foreign currency and 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.

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

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.

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.

### (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.

### (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.

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.



# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 two to five 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 on properties that have moved to production. The costs are accumulated on a field by field basis and represent the cost of developing the commercial reserves for production.

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 annual reserves certification.

### (r) Impairment of non-financial assets (excluding 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 determined by 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 the fair value less costs of disposal, the estimated future cash flows relating to 2P reserves are discounted to their present value using a post-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, over its remaining useful life.

### (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 profit or loss 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, these are not discounted. These 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 profit or loss 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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

### (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. 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 profit or loss 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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (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. Capitalised costs include costs associated with a legal right to explore, cost of technical services and studies, seismic acquisition, directly attributable overheads, materials used for exploration activities and exploration and drilling and testing. Exploration costs are not amortised prior to the conclusion of appraisal activities. Costs are transferred to oil and gas properties upon approval of a development plan to extract the commercial reserve.

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 temporary differences. 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 income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses 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.

### (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) 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, relating to the 'rounding off' of amounts in the financial statements.

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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## 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 2017		As at 30 June 2016	
	Amortised Cost \$'000	Fair value through Other comprehensive income \$'000	Amortised Cost \$'000	Fair value through Other comprehensive income \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	134,760	—	102,450	—
Trade and other receivables	14,269	—	10,842	—
Cash flow hedges – crude oil price contracts*	—	—	—	742
	<b>149,029</b>	<b>—</b>	<b>113,292</b>	<b>742</b>
<b>Financial Liabilities</b>				
Trade and other payables	18,250	—	10,081	—
Other financial liability**	1,392	—	2,387	—
	<b>19,642</b>	<b>—</b>	<b>12,468</b>	<b>—</b>

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 2017 or 30 June 2016.

\* 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 that are effective are recognised in OCI and any ineffective gains or losses are recognised in the profit or loss.

\*\* Level 3 – The carrying value of the other financial liability owing to Halliburton under the tight oil agreement approximates fair value at 30 June 2017. 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 Group's Risk Management Framework under the supervision of the Audit and Risk Committee. 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 commodity 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.



# Notes to the Financial Statements

For the year ended 30 June 2017

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

### Market Risk

#### Foreign currency risk

The Group's foreign currency exposure arises from sales or purchases by an operating entity in currencies other than its 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.

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	
	2017 \$'000	2016 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	16,356	10,617
Trade and other receivables	11,023	9,415
<b>Net exposure</b>	<b>27,379</b>	<b>20,032</b>

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)	
	2017 \$'000	2016 \$'000
<b>Judgements of reasonably possible movements</b>		
<b>Effect on loss before tax</b>		
AUD / USD +10%	(2,738)	(2,003)
AUD / USD -10%	2,738	2,003

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

#### 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 oil price hedges for the first half of the 2017 financial year covering a total of 400,000 barrels of oil production for the period 1 July 2016 to 31 December 2016. The Group entered into a series of US dollar denominated swap and call instruments covering a total of 350,000 barrels of oil production for the period 1 January 2017 to 30 June 2017. The quantity of swap and call instruments in each month is designed to cover the highly probable forecast sales in each month. The swaps provided downside protection below US\$55 per barrel for 350,000 barrels of oil sales for the period January 2017 to June 2017. The call options provided upside participation in Brent oil prices over US\$60 per barrel for 350,000 barrels of sales over the 1 January 2017 to 30 June 2017 period (see note 14 for further details). Subsequent to the end of the reporting period, the Group entered into a series of US dollar denominated put options covering a total of 400,000 barrels of oil production for the period 1 August 2017 to 31 March 2018. The put options provide downside protection below US\$50 per barrel and are designed to cover a portion of highly probable forecast sales in each month. The board will continue to monitor commodity price risk and seek to mitigate it, if considered necessary. The effect on profit before tax disclosure below takes into consideration any commodity price derivatives in place at 30 June 2017.

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
<b>2017</b>			
Oil	+ 10%	1,102	1,102
	-10%	(1,102)	(1,102)
<b>2016</b>			
Oil	+ 10%	130	130
	-10%	—	—

# Notes to the Financial Statements

For the year ended 30 June 2017

## 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 maintain appropriate liquidity levels.

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

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Financial liabilities</b>		
Trade and other payables – 6 months or less	18,250	10,081
Other financial liability – Halliburton tight oil agreement:		
– 6 months or less	96	280
– greater than 6 months less than 1 year	74	232
– 1 to 5 years	1,222	1,515
– greater than 5 years	–	360
	<b>19,642</b>	<b>12,468</b>

The Group funds its activities through equity raisings, use of debt facilities and operating cash flows in order to manage its liquidity risk.

In April 2015, the Group established an \$80 million unsecured three-year debt facility for general corporate purposes. With a successful equity raising during the year, the Group elected to reduce the facility to \$20 million. 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 2017 totalling \$4,114,000 (2016: \$2,788,000) 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 2017 is \$15,886,000 (2016: \$77,212,000).

### Credit risk

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Capital management

When managing capital, 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 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 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

### Recoverability of oil and gas properties and exploration assets

#### Oil and gas properties

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.

# Notes to the Financial Statements

For the year ended 30 June 2017

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

In estimating its forecast cash flows for 30 June 2017 the Group has adopted Brent oil price assumptions based on consensus data of US\$58/bbl in 2018, US\$63/bbl in 2019 and a long term average of US\$70/bbl real 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%.

In estimating its forecast cash flows for 30 June 2016, the Group 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\$74/bbl real 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 30 June 2017 or 30 June 2016, with limited valuation headroom. The recoverable amount and the FVLCD is sensitive to changes in:

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

### Exploration assets

At 30 June 2017, the group performed a review of indicators of impairment for exploration assets. These reviews did not give rise to any indicators of impairment or impairment charges (30 June 2016: \$69,673,000) (refer note 2(z)).

### 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, 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 rehabilitation 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.

### 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 activities 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).

## 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 leadership 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.

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 Basin

The Surat Basin is a geological basin 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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 5: OPERATING SEGMENTS (CONTINUED)

### Accounting policies

The accounting policies used by the Group in reporting segments internally are 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.

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2017 and 30 June 2016:

	Consolidated					
	Surat Basin		Cooper / Eromanga Basins		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Revenue</b>						
Oil sales <sup>1</sup>	–	–	43,649	69,188	43,649	69,188
Gas sales	–	–	–	99	–	99
Flowline revenue	–	–	1,107	3,768	1,107	3,768
<b>Total segment revenue</b>	<b>–</b>	<b>–</b>	<b>44,756</b>	<b>73,055</b>	<b>44,756</b>	<b>73,055</b>
<i>Corporate item:</i>						
Interest income					1,885	1,510
<b>Total revenue per statement of comprehensive income</b>					<b>46,641</b>	<b>74,565</b>

	Consolidated					
	Surat Basin <sup>2</sup>		Cooper / Eromanga Basins <sup>3</sup>		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Results</b>						
<b>Segment profit / (loss)</b>	(84)	37,670	(8,694)	(54,255)	(8,778)	(16,585)
<b>Reconciliation of segment net profit / (loss) before tax to net profit / (loss) from continuing operations before tax</b>						
<i>Corporate items:</i>						
Interest income					1,885	1,510
Other income					54	70
Finance expenses					(928)	(1,093)
Other expenses					(83)	–
General and administrative expenses					(14,811)	(17,098)
<b>Net loss before tax per the statement of comprehensive income</b>					<b>(22,661)</b>	<b>(33,196)</b>

1 Inclusive of hedge gains and premiums

2 In FY16, segment profit 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 \$18,436,000 (2016 \$20,437,000) and impairment of nil (2016 \$69,673,000)



# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 5: OPERATING SEGMENTS (CONTINUED)

Segment assets and segment liabilities at 30 June 2017 and 30 June 2016 are as follows:

	Surat Basin		Consolidated Cooper / Eromanga Basins		Total	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
<b>Segment assets</b>						
Segment operating assets	60,778	24,270	334,056	335,084	394,834	359,354
Corporate assets <sup>1</sup>					118,659	94,751
<b>Total assets per the statement of financial position</b>					<b>513,493</b>	<b>454,105</b>
<b>Segment liabilities</b>	20,125	28,001	44,087	42,928	64,212	70,929
Corporate liabilities <sup>2</sup>					9,796	13,531
<b>Total liabilities per the statement of financial position</b>					<b>74,008</b>	<b>84,460</b>
<b>Additions and acquisitions of non current assets (other than financial assets and deferred tax assets):</b>						
Property, plant and equipment and intangibles	37	33	1,896	6,848	1,933	6,881
Exploration assets	31,812	6,022	14,900	10,845	46,712	16,867
Oil and gas properties	–	–	2,309	4,825	2,309	4,825
	<b>31,849</b>	<b>6,055</b>	<b>19,105</b>	<b>22,518</b>	<b>50,954</b>	<b>28,573</b>
Corporate additions <sup>3</sup>					930	7
<b>Total Additions</b>					<b>51,884</b>	<b>28,580</b>

1 The corporate assets include cash and cash equivalents of \$111,072,000 (2016: \$85,111,000), accrued interest of \$667,000 (2016: \$204,000), prepayments of \$831,000 (2016: \$692,000), commodity hedges of nil (2016: \$742,000), receivables of \$382,000 (2016: \$306,000) and property, plant, equipment and intangibles of \$5,707,000 (2016: \$7,695,000).

2 The corporate liabilities include trade and other payables of \$4,477,000 (2016: \$7,147,000) and provisions of \$5,319,000 (2016: \$6,384,000).

3 The corporate additions include chargeable plant and equipment of nil (2016: \$7,000), hardware equipment \$577,000 (2016: nil) and computer software intangibles \$353,000 (2016: nil).

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 6: REVENUE

	Consolidated	
	2017 \$'000	2016 \$'000
<b>(a) Revenue from sales</b>		
Oil sales <sup>1</sup>	43,649	69,188
Gas sales	–	99
	<b>43,649</b>	<b>69,287</b>
<b>(b) Other revenue</b>		
Interest income	1,885	1,510
Flowline revenue	1,107	3,768
	<b>2,992</b>	<b>5,278</b>
<b>(c) Other income</b>		
Net gain on sale of Maisey block	–	38,238
Net gain on sale of fixed assets	2	70
Other	52	194
	<b>54</b>	<b>38,502</b>

1 Inclusive of hedge settlements and premiums – 2017 \$3,273,000 premium net of settlements (2016: \$13,041,000 hedge settlements net of premium).  
The ineffective portion of hedges is disclosed in note 7(c) other expenses -other (2016 note 6(c) other income – other).

## NOTE 7: EXPENSES

	Consolidated	
	2017 \$'000	2016 \$'000
<b>(a) Cost of sales</b>		
Operating costs	(25,092)	(30,645)
Amortisation of oil and gas properties	(13,369)	(15,854)
Depreciation of facilities	(5,121)	(4,584)
	<b>(43,582)</b>	<b>(51,083)</b>
<b>(b) General and administrative expenses</b>		
Employee expenses	(11,632)	(15,175)
Restructuring expenses	(126)	(1,751)
Depreciation, amortisation and write-offs	(2,655)	(3,167)
Technical service fees (recovery of costs)	4,875	7,351
Other general and administrative expenses	(4,773)	(5,848)
	<b>(14,311)</b>	<b>(18,590)</b>
Foreign exchange gain/(loss)	(500)	1,492
	<b>(14,811)</b>	<b>(17,098)</b>
<b>(c) Other expenses</b>		
Flowline operating costs	(714)	(862)
Rig standby costs <sup>1</sup>	819	(1,791)
Joint operations recharges	(247)	(757)
Other	(83)	–
	<b>(225)</b>	<b>(3,410)</b>

1 Reversal of previously recognised provision related to rig standby costs

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 7: EXPENSES (CONTINUED)

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>(d) Depreciation, amortisation and write-offs</b>			
<i>Included in cost of sales:</i>			
Amortisation of oil and gas properties	18	(13,369)	(15,854)
Depreciation of facilities	15	(5,121)	(4,584)
		<b>(18,490)</b>	<b>(20,438)</b>
<i>Not included in cost of sales:</i>			
Depreciation expense	15	(1,709)	(1,943)
Amortisation of intangibles	16	(969)	(1,091)
Write off fixed assets	15	–	(531)
Write (off)/back of inventory		23	398
		<b>(2,655)</b>	<b>(3,167)</b>
<b>(e) Impairment</b>			
Exploration assets and in-field consumables		–	(69,673)
		<b>–</b>	<b>(69,673)</b>
<b>(f) Finance expenses</b>			
Rehabilitation accretion		(1,122)	(1,639)
Debt facility fees		(881)	(1,030)
Other financial liability interest		(47)	(62)
		<b>(2,050)</b>	<b>(2,731)</b>
<b>(g) Employee costs<sup>1</sup></b>			
Wages, salaries and bonuses		(30,545)	(30,407)
Restructuring expenses		(126)	(1,751)
Share based payments		(1,388)	(1,265)
Employee admin expenses		(4,427)	(3,907)
		<b>(36,486)</b>	<b>(37,330)</b>
<b>(h) Rental expense relating to operating leases</b>			
<i>Included in general and administrative expenses:</i>			
Operating lease expenses		(1,378)	(1,377)
		<b>(1,378)</b>	<b>(1,377)</b>

<sup>1</sup> 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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 8: INCOME TAX

### Income tax expense

	Consolidated	
	2017 \$'000	2016 \$'000
<b>The major component of income tax expense is:</b>		
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	10,175	10,028
Net tax asset not / (previously) brought to account	(10,175)	(10,028)
<b>Income tax benefit / (expense) reported in the Statement of Comprehensive Income</b>	<b>–</b>	<b>–</b>

### 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	
	2017 \$'000	2016 \$'000
<b>Accounting profit / (loss) before income tax</b>	<b>(22,661)</b>	<b>(33,196)</b>
At the Group's statutory income tax rate of 30% (2016: 30%)	6,798	9,959
Share-based payments	(42)	(64)
Research and development benefit	157	178
Rehabilitation costs	3,295	–
Other	(33)	(45)
Recognition / (derecognition) of deferred tax on losses	(10,175)	(10,028)
<b>Income tax benefit / (expense) reported in the Statement of Comprehensive Income</b>	<b>–</b>	<b>–</b>



# Notes to the Financial Statements

For the year ended 30 June 2017

## 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Deferred tax assets / (liabilities)</b>				
Receivables	291	297	(6)	297
Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties	(47,510)	(41,918)	(5,592)	18,141
Trade and other payables	1,397	807	590	686
Provisions	3,069	15,797	(12,728)	(6,805)
Other	1,759	558	1,201	(1,027)
Income tax losses and offsets	72,455	44,744	27,711	(7,327)
	31,461	20,285	11,176	3,965
Income tax losses and offsets not recognised as realisation is not probable	(31,461)	(20,285)	(11,176)	(3,965)
<b>Net deferred income tax asset / (liability) recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Tax transparency

The Group currently only operates and has subsidiaries in Australia. During the financial year, the Group paid \$3,636,000 of state taxes, fringe benefits tax and royalties in Australia (2016: \$5,185,000).

### 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 2017. At 30 June 2017, the Group had \$241,516,000 (2016: \$149,145,000) 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 2017) of \$72,455,000 (2016: \$44,744,000) 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	
	2017 \$'000	2016 \$'000
<b>Tax losses</b>		
Unused tax losses	123,121	37,728
Unused research and development incentive credits	118,395	111,417
<b>Potential tax benefit at 30% (2016: 30%)</b>	<b>72,455</b>	<b>44,744</b>

### 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 2017. As a result, no deferred tax asset has been recognised in the financial statements for PRRT purposes for the period ended 30 June 2017.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 8: INCOME TAX (CONTINUED)

The total of unrecognised temporary differences in respect of PRRT for existing projects is \$714,169,000 (2016: \$618,286,000). If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$199,967,000 (2016: \$173,120,000) may have been recognised in the financial statements at 30 June 2017. 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 \$285,668,000 (2016: \$247,314,000).

Senex Energy Limited and its controlled entities impacted by the PRRT regime also have a number of exploration permits and retention leases 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 2017. The total amount of unrecognised temporary differences in relation to PRRT for exploration permits is \$1,032,755,000 (2016: \$964,976,000).

## NOTE 9: AUDITORS' REMUNERATION

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

	Consolidated	
	2017	2016
	\$	\$
<b>Amounts received or due and receivable by Ernst &amp; Young (Australia) for the following:</b>		
Audit or review of the financial report of the Group	258,700	299,741
Other assurance related services	121,320	42,000
Other non-audit services	42,645	–
	<b>422,665</b>	<b>341,741</b>

## 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	
	2017	2016
	\$'000	\$'000
<b>For basic and diluted earnings per share:</b>		
Net profit / (loss) attributable to ordinary equity holders of the parent entity	<b>(22,661)</b>	<b>(33,196)</b>

### Weighted average number of shares

	Consolidated	
	2017	2016
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	1,252,319,487	1,152,686,422
Effect of dilution – share options	241,379	–
Effect of dilution – performance rights	2,437,519	1,299,138
Effect of dilution – share appreciation rights	2,188,786	519,941
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>1,257,187,171</b>	<b>1,154,505,501</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 10: EARNINGS PER SHARE (CONTINUED)

### Earnings per share

	Consolidated 2017 cents	2016 cents
<b>Earnings per share attributable to the ordinary equity holders of the parent entity:</b>		
Basic earnings per share	(1.81)	(2.88)
Diluted earnings per share	(1.81)	(2.88)

### 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.

#### 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.

## NOTE 11: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2017 \$'000	2016 \$'000
Cash at bank and in hand	114,550	88,860
Cash advanced to joint operations	20,210	13,590
	<b>134,760</b>	<b>102,450</b>

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 – TRADE AND OTHER RECEIVABLES

	Consolidated 2017 \$'000	2016 \$'000
Trade receivables from oil sales	11,308	9,639
Sundry receivables non-interest bearing and unsecured	1,531	653
Attributable share of receivables for joint operations	1,405	321
	<b>14,244</b>	<b>10,613</b>

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 13: CURRENT ASSETS – INVENTORY

	Consolidated 2017 \$'000	2016 \$'000
<b>Inventory</b>		
Warehouse inventory (net of provision)	11,151	13,411
Oil inventory	426	599
	<b>11,577</b>	<b>14,010</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 14: CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated 2017 \$'000	2016 \$'000
<b>Other financial assets</b>		
Cash flow hedges – crude oil price contracts	–	742
	<b>–</b>	<b>742</b>

### Cash flow hedges

At 30 June 2017, no hedging instruments had been entered into for production subsequent to this date.

## NOTE 15: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Note	Property, Plant & Equipment \$'000	Consolidated Assets Under Construction \$'000	Total \$'000
<b>At 30 June 2016</b>				
Cost		73,413	3,163	76,576
Accumulated depreciation		(20,891)	–	(20,891)
<b>Net book amount</b>		<b>52,522</b>	<b>3,163</b>	<b>55,685</b>
<b>Movements for the year ended 30 June 2017</b>				
Opening net book amount		52,522	3,163	55,685
Additions		2,463	400	2,863
Disposals		(1)	–	(1)
Transfers		(110)	(337)	(447)
Depreciation charge for the year	7(d)	(6,830)	–	(6,830)
<b>Closing net book amount</b>		<b>48,044</b>	<b>3,226</b>	<b>51,270</b>
<b>At 30 June 2017</b>				
Cost		75,765	3,226	78,991
Accumulated depreciation		(27,721)	–	(27,721)
<b>Net book amount</b>		<b>48,044</b>	<b>3,226</b>	<b>51,270</b>
<b>At 30 June 2015</b>				
Cost		68,483	2,679	71,162
Accumulated depreciation		(14,364)	–	(14,364)
<b>Net book amount</b>		<b>54,119</b>	<b>2,679</b>	<b>56,798</b>
<b>Movements for the year ended 30 June 2016</b>				
Opening net book amount		54,119	2,679	56,798
Additions		785	6,103	6,888
Transfers		4,145	(5,088)	(943)
Write-offs		–	(531)	(531)
Depreciation charge for the year	7(d)	(6,527)	–	(6,527)
<b>Closing net book amount</b>		<b>52,522</b>	<b>3,163</b>	<b>55,685</b>
<b>At 30 June 2016</b>				
Cost		73,413	3,163	76,576
Accumulated depreciation		(20,891)	–	(20,891)
<b>Net book amount</b>		<b>52,522</b>	<b>3,163</b>	<b>55,685</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 16: NON-CURRENT ASSETS – INTANGIBLES

	Note	Consolidated 2017 \$'000	2016 \$'000
<b>At the beginning of the year</b>			
Cost		5,563	4,620
Accumulated amortisation		(4,303)	(3,212)
<b>Net book amount</b>		<b>1,260</b>	<b>1,408</b>
<b>Movements for the year ended 30 June</b>			
Opening net book amount		1,260	1,408
Transfers		447	943
Amortisation charge for the year	7(d)	(969)	(1,091)
<b>Closing net book amount</b>		<b>738</b>	<b>1,260</b>
<b>At 30 June</b>			
Cost		6,010	5,563
Accumulated amortisation		(5,272)	(4,303)
<b>Net book amount</b>		<b>738</b>	<b>1,260</b>

## NOTE 17: NON-CURRENT ASSETS – EXPLORATION ASSETS

	Note	Consolidated 2017 \$'000	2016 \$'000
<b>Exploration assets</b>			
Balance at the beginning of the period, net of accumulated amortisation and impairment		162,734	227,631
Additions		46,712	16,867
Disposals		–	(4,892)
Transfers to development assets		(1,491)	(7,199)
Exploration write-off		(4,124)	–
Impairment	7(e)	–	(69,673)
<b>Balance at the end of the period</b>		<b>203,831</b>	<b>162,734</b>



# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 18: NON-CURRENT ASSETS – OIL AND GAS PROPERTIES

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Oil and gas properties</b>			
Balance at the beginning of the period, net of accumulated amortisation and impairment		104,291	108,121
Additions		2,309	4,825
Transfers from exploration assets		1,491	7,199
Amortisation charge for the period	7(d)	(13,369)	(15,854)
<b>Balance at the end of the period, net of accumulated amortisation and impairment</b>		<b>94,722</b>	<b>104,291</b>
<b>Balance at the beginning of the period</b>			
Cost		228,566	216,542
Accumulated amortisation		(86,800)	(70,946)
Accumulated impairment, net of reversals		(37,475)	(37,475)
<b>Net carrying amount</b>		<b>104,291</b>	<b>108,121</b>
<b>Balance at the end of the period</b>			
Cost		232,366	228,566
Accumulated amortisation		(100,169)	(86,800)
Accumulated impairment, net of reversals		(37,475)	(37,475)
<b>Net carrying amount</b>		<b>94,722</b>	<b>104,291</b>

## NOTE 19: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

		Consolidated	
		2017 \$'000	2016 \$'000
Other creditors and accruals – unsecured		11,924	5,817
Payables to joint operations creditors		6,326	4,264
		<b>18,250</b>	<b>10,081</b>

## NOTE 20: OTHER FINANCIAL LIABILITIES

		Consolidated	
		2017 \$'000	2016 \$'000
<b>Current</b>			
Halliburton tight oil agreement*		170	512
<b>Non – current</b>			
Halliburton tight oil agreement*		1,222	1,875
		<b>1,392</b>	<b>2,387</b>

\* Under the Halliburton tight oil agreement, Halliburton has funded 2/3<sup>rd</sup> 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.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 21: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2017 \$'000	2016 \$'000
Annual and long service leave	1,221	1,040
Rehabilitation	6,598	18,901
Onerous contracts	156	1,256
Other provisions	3,271	3,700
	<b>11,246</b>	<b>24,897</b>

## NOTE 22: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2017 \$'000	2016 \$'000
Rehabilitation	42,450	46,707
Long service leave	633	321
Onerous contracts	37	67
	<b>43,120</b>	<b>47,095</b>

### 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	
	2017 \$'000	2016 \$'000
<b>Rehabilitation</b>		
Balance at the beginning of the year	65,608	62,727
Additional provision recognised during the year	1,401	1,218
Changes in cost estimates and discount rate adjustment	(6,781)	1,306
Completion of P&A works-WSGP	(12,302)	–
Unwinding	1,122	1,639
Disposals (refer Note 19)	–	(1,282)
<b>Balance at the end of the year</b>	<b>49,048</b>	<b>65,608</b>

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Onerous contracts</b>		
Balance at the beginning of the year	1,323	–
Provision recognised / (released) during the year	(819)	1,389
Payments made during the year	(311)	(66)
<b>Balance at the end of the year</b>	<b>193</b>	<b>1,323</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 22: NON-CURRENT LIABILITIES – PROVISIONS (CONTINUED)

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Other provisions</b>		
Balance at the beginning of the year	3,700	3,529
Additional provision recognised during the year	–	171
Other movements	(429)	–
<b>Balance at the end of the year</b>	<b>3,271</b>	<b>3,700</b>

### Other provisions

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

## NOTE 23: CONTRIBUTED EQUITY

	Parent Entity	
	2017 \$'000	2016 \$'000
1,442,250,404 ordinary fully paid shares (2016: 1,152,686,422)	539,958	451,233
<b>Total issued capital</b>	<b>539,958</b>	<b>451,233</b>

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			
	2017		2016	
	Number of shares	\$'000	Number of shares	\$'000
<b>Movement in ordinary fully paid shares on issue</b>				
Balance at the beginning of the period	1,152,686,422	451,233	1,149,657,377	451,233
Issue of shares during the period:				
Equity raising – Institutional placement	173,154,143	54,544	–	–
Equity raising – Share purchase plan	114,735,303	36,142	–	–
Exercise of unlisted options	160,000	41	–	–
Employee shares	1,514,536	–	–	–
Performance rights (nil consideration)	–	–	3,029,045	–
Transaction costs on shares issued (net of tax)	–	(2,002)	–	–
<b>Balance at the end of the period</b>	<b>1,442,250,404</b>	<b>539,958</b>	<b>1,152,686,422</b>	<b>451,233</b>

173,154,143 ordinary fully paid shares were issued at a price of 31.5 cents each through the institutional placement to EIG Global Energy Partners and other institutional and sophisticated investors during the year, raising \$54,544,000.

114,735,303 ordinary fully paid shares were issued during the year at a price of 31.5 cents each to existing shareholders under a share purchase plan, raising \$36,142,000.

160,000 ordinary fully paid shares were issued at a price of 25.5 cents each for the exercise of unlisted options during the year, raising \$40,800.

1,514,536 ordinary fully paid shares were issued during the year to certain employees (other than the CEO and the senior executives) in recognition of corporate performance for the year ended 30 June 2016 (FY16).

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 24: RESERVES

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Share-based payments reserve</b>		
Balance at the beginning of the year	14,919	13,653
Share based payment expenses	1,388	1,266
<b>Balance at the end of the year</b>	<b>16,307</b>	<b>14,919</b>
<b>Hedging reserve</b>		
Balance at the beginning of the year	(2,388)	(2,047)
Reclassification to profit or loss <sup>1</sup>	2,388	2,047
Net gain / (loss) recognised on re-measurement	–	(2,388)
<b>Balance at the end of the year</b>	<b>–</b>	<b>(2,388)</b>
<b>Other reserve</b>		
Balance at the beginning of the year	(183)	(183)
Transfer to accumulated losses	183	–
<b>Balance at the end of the year</b>	<b>–</b>	<b>(183)</b>
<b>Total reserves</b>	<b>16,307</b>	<b>12,348</b>

<sup>1</sup> Recognised as part of sales revenue (effective portion) and other expenses (ineffective portion).

### Nature and purpose of reserves

#### Share-based payments reserve

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

#### Hedging 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. Amounts in the reserve are 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. The balance of the previously recognised other reserve was transferred to accumulated losses during the year.

## NOTE 25: ACCUMULATED LOSSES

	Consolidated	
	2017 \$'000	2016 \$'000
Balance at the beginning of the year	(93,936)	(60,740)
Net loss attributable to ordinary equity holders of the parent entity	(22,661)	(33,196)
Transfers from other reserve	(183)	–
<b>Balance at the end of the year</b>	<b>(116,780)</b>	<b>(93,936)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 26: CONSOLIDATED STATEMENT OF CASH FLOWS RECONCILIATION

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Reconciliation of the net profit / (loss) after tax to net cash flows from operations</b>			
<b>Net profit/(loss)</b>		<b>(22,661)</b>	<b>(33,196)</b>
<i>Adjustments:</i>			
Depreciation, amortisation and impairment		21,168	23,473
(Gain) / loss on foreign exchange translation		500	(1,492)
(Gain) / loss on sale of Maisey block		–	(38,238)
(Gain) / loss on sale of assets		(2)	(70)
Rehabilitation liability accretion		1,122	1,639
Share based payments		1,388	1,266
Impairment expenses		–	69,673
Write off exploration assets		4,124	–
Write off fixed assets		–	531
Write off / (back) inventory		(23)	(398)
Increase/(decrease) in hedges reserve		2,388	(341)
Debt facility expense		881	1,030
Income tax expense / (benefit)	8	–	–
<i>Changes in assets and liabilities:</i>			
(Increase)/decrease in prepayments		(284)	60
(Increase)/decrease in trade and other receivables		(4,069)	12,412
(Increase)/decrease in inventory		173	(282)
(Increase)/decrease in other financial assets		742	(571)
(Increase)/decrease in make good asset		35	27
Increase/(decrease) in trade and other payables		(1,403)	(2,039)
Increase/(decrease) in provisions		(12,203)	860
<b>Net cash flows from operating activities</b>		<b>(8,124)</b>	<b>34,344</b>



# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 27: 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 remaining terms of the leases range between two to four years.

Future minimum payments under the non-cancellable leases as at 30 June 2017 are as follows:

	Consolidated 2017 \$'000	2016 \$'000
<b>Corporate</b>		
<b>Minimum lease payments</b>		
– not later than one year	1,537	1,467
– later than one year and not later than five years	1,547	3,084
	<b>3,084</b>	<b>4,551</b>

### Capital commitments

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

	Consolidated 2017 \$'000	2016 \$'000
<b>Corporate</b>		
- not later than one year	6,735	1,021
	<b>6,735</b>	<b>1,021</b>

### Exploration and development commitments

#### Commitments of the Group

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 2018 approximately \$28,594,000 (2016: \$43,055,000). Expenditure beyond 30 June 2018 is expected to total approximately \$66,087,000 (2016: \$115,043,000) to maintain the same interests.

These commitments may be subject to renegotiation or farmed out, or tenements to which they relate may be relinquished. Consequently, these commitments have not been provided for in the financial statements.

#### Commitments free carried by other parties

Exploration and evaluation commitments disclosed above do not include amounts free carried by other parties under separate arrangements. These free carry amount totals approximately \$32,427,000 (2016: \$43,580,000).

## NOTE 28: 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 2017.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 29: 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 at issue date.

No options were granted during the year ended 30 June 2017 (2016: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.55 years (2016: 0.91 years).

The following table presents movements in options for the year ended 30 June 2017 and 30 June 2016:

	2017	2017	2016	2016
	Number	WAEP (c)	Number	WAEP (c)
<b>Outstanding as at 1 July</b>	3,466,000	28.3	4,666,000	27.6
Granted	–	–	–	–
Exercised	(160,000)	25.5	–	–
Forfeited*	(1,306,000)	25.5	(1,200,000)	25.5
Expired	–	–	–	–
<b>Outstanding at 30 June</b>	<b>2,000,000</b>	<b>25.5</b>	<b>3,466,000</b>	<b>28.3</b>
Exercisable at 30 June	2,000,000	25.5	3,466,000	28.3

\* The weighted average share price at the date of forfeit of these options was 25.5 cents.

#### (b) Performance rights

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

Short term incentive performance rights were granted to the CEO and certain executives during the year ended 30 June 2017 (FY17 STI rights) subject to a performance condition requiring the board's determination of the corporate performance rating for FY17 on the basis of safety, environment, reserves replacement, earnings, improvement on return on average capital employed and individual performance targets and a service condition requiring the executive to be a Senex employee on 1 July 2018. 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 FY17, the board awarded FY17 STI bonuses averaging 36.8% of maximum STI to the CEO and those executives, with 57.6% of the FY17 STI Rights held by the CEO and those executives lapsing on 24 July 2017, the date of the board's determination. The remaining 42.4% will vest if those executives are Senex employees on the vesting date, 1 July 2018.

For each FY17 STI right that vests, the holder is entitled to receive, without payment, on the exercise of that performance right, one fully paid ordinary share in the Company, unless the board elects to provide cash in lieu of part or all of the shares to which the holder is entitled. The expiry date of vested FY17 STI rights is seven years after grant date. A vested FY17 STI right is exercisable at any time up until expiry date.

A performance right does not entitle the holder to participate in any share issue of the Company or any related body corporate.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 29: SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of performance rights granted, exercised and lapsed during the year ended 30 June 2017 and 30 June 2016:

	2017	2016
	Number	Number
<b>Outstanding as at 1 July</b>	8,794,303	13,900,452
Granted	4,135,927	6,758,228
Exercised	–	(3,029,045)
Lapsed	(3,348,201)	(8,835,332)
<b>Outstanding at 30 June</b>	<b>9,582,029</b>	<b>8,794,303</b>

The weighted average fair value of performance rights granted during the year was 25 cents (2016:16 cents).

### (c) Share appreciation rights

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

Long term incentive SARs were granted to the CEO and certain executives during the year ended 30 June 2017 (FY17 LTI SARs) in two tranches, each subject to a performance condition over a three-year period, and subject to a service condition requiring the executive to be a Senex employee at the end of the three year period.

For FY17 LTI SARs that vest, the holder is entitled to receive, without payment, on the exercise of those SARs, fully paid ordinary shares in the Company equal to the maturity value of the exercised SARs, unless the board elects to provide cash in lieu of part or all of the shares to which the holder is entitled. The expiry date of vested FY17 LTI SARs is seven years after grant date. A vested FY17 LTI SAR is exercisable at any time up until expiry date.

A SAR does not entitle the holder to participate in any share issue of the Company or any related body corporate.

SARs representing 70% of FY17 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 FY17 LTI (Tranche 2 SARs) are subject to an LTI Performance Condition (Production Run Rate Performance Condition) that the Company achieve a 30 consecutive day production run rate in the 6 months ending 30 June 2019 capable of sustainably delivering annual production of 2.5 – 3.0 mmbob with the expectation of a substantial contribution from gas.

All 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 SARs granted, exercised and lapsed during the year ended 30 June 2017 and 30 June 2016:

	2017	2016
	Number	Number
<b>Opening balance at 1 July</b>	19,709,046	–
Granted	13,129,089	23,384,934
Exercised	–	–
Lapsed	–	(3,675,888)
<b>Closing balance at 30 June</b>	<b>32,838,135</b>	<b>19,709,046</b>

The weighted average fair value of SARs granted during the year was 12 cents (2016: 8 cents).

### 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	
	2017	2016
	\$	\$
Equity-settled share-based payments		
– Performance rights	681,172	948,023
– Share appreciation rights	706,334	317,793
	<b>1,387,506</b>	<b>1,265,816</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 30: KEY MANAGEMENT PERSONNEL

### Compensation of key management personnel

	Consolidated 2017 \$	2016 \$
Short-term	3,806,341	4,254,536
Post employment	179,537	183,806
Termination benefits	–	247,833
Share-based payment	1,166,634	795,718
	<b>5,152,512</b>	<b>5,481,893</b>

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

### Other transactions and balances with key management personnel

During FY17, the Group made payments of \$1,125,765 (FY16: \$14,886) to Morgans Financial Limited, a company associated with Mr Tim Crommelin (a non-executive director), for provision of data services and acting as lead manager for an institutional placement and share purchase plan during FY17.

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 was not obliged to pay any retainer or other service fee to Morgan Corporate and no fees were paid under the engagement in FY17 or FY16. 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 31: PARENT ENTITY INFORMATION

### (a) Summary financial information

	Parent Entity 2017 \$'000	2016 \$'000
Total current assets	296,805	227,049
Total non-current assets	114,300	111,337
<b>TOTAL ASSETS</b>	<b>411,105</b>	<b>338,386</b>
Total current liabilities	8,724	11,207
Total non-current liabilities	3,362	3,978
<b>TOTAL LIABILITIES</b>	<b>12,086</b>	<b>15,185</b>
<b>NET ASSETS</b>	<b>399,019</b>	<b>323,201</b>
<b>EQUITY</b>		
Contributed equity	539,958	451,233
Share based payments reserve	16,307	14,919
Other reserve	–	(2,571)
Accumulated losses	(157,246)	(140,380)
<b>TOTAL EQUITY</b>	<b>399,019</b>	<b>323,201</b>
<b>Net profit / (loss) of the parent entity</b>	<b>(16,683)</b>	<b>(6,371)</b>
<b>Other comprehensive income of the parent entity</b>	<b>2,388</b>	<b>(341)</b>
<b>Total comprehensive income/(loss) of the parent entity</b>	<b>(14,295)</b>	<b>(6,712)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 31: PARENT ENTITY INFORMATION (CONTINUED)

### (b) Guarantees entered into by the parent entity

There are cross guarantees provided as described in note 34.

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 2017 (2016: nil).

### (d) Contractual commitments for capital acquisitions

The parent entity had contractual commitments for capital acquisitions at 30 June 2017 of \$nil (2016: \$1,021,000).

## NOTE 32: 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 (* denotes Senex operatorship)	Consolidated Working Interest	
	2017 Percentage %	2016 Percentage %
<b>Cooper/Eromanga Basins</b>		
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* <sup>1</sup>	0.0%	55.0%
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%

1 PEL100 was relinquished during the 2017 financial year and replaced by PRLs 207-209

Permits (* denotes Senex operatorship)	Consolidated Working Interest	
	2017 Percentage %	2016 Percentage %
<b>Surat Basin</b>		
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%



# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 32: INTEREST IN JOINT OPERATIONS (CONTINUED)

RETENTION	Consolidated Working Interest	
	2017 Percentage %	2016 Percentage %
<b>Permits (* denotes Senex operatorship)</b>		
<b>Cooper/Eromanga Basins</b>		
PRL 15*	60.0%	60.0%
PRL 84*	100.0%	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*	80.0%	80.0%
PRL 207 – 209* <sup>1</sup>	55.0%	0.0%

1 PEL100 was relinquished during the 2017 financial year and replaced by PRLs 207-209

PRODUCTION	Consolidated Working Interest	
	2017 Percentage %	2016 Percentage %
<b>Permits (* denotes Senex operatorship)</b>		
<b>Cooper/Eromanga Basins</b>		
PPL 206 (Derrilyn) <sup>2</sup>	35.0%	35.0%
PPL 207 (Warrior)*	70.0%	70.0%
PPL 208 (Derrilyn)	35.0%	35.0%
PPL 211 (Reg Sprigg West)	25.0%	25.0%
PPL 215 (Toparoa)	35.0%	2.3%
PPL 240 (Snatcher)*	60.0%	60.0%
PPL 242 (Growler)*	60.0%	60.0%
PPL 243 (Mustang)*	60.0%	60.0%
PPL 258 (Spitfire)*	60.0%	60.0%

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

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 32: INTEREST IN JOINT OPERATIONS (CONTINUED)

The Group's share of the joint operations assets and liabilities consists of:

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	11	20,210	13,590
Trade and other receivables		1,405	220
<b>Non-current Assets</b>			
Property, plant and equipment		20,424	21,871
Exploration assets		75,283	69,138
Oil and gas properties		76,367	79,174
<b>TOTAL ASSETS</b>		<b>193,689</b>	<b>183,993</b>
<b>Current Liabilities</b>			
Trade and other payables		6,326	3,423
<b>Non-current Liabilities</b>			
Provision for rehabilitation		17,821	17,299
<b>TOTAL LIABILITIES</b>		<b>24,147</b>	<b>20,722</b>
<b>NET ASSETS</b>		<b>169,542</b>	<b>163,271</b>

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

		Consolidated	
		2017 \$'000	2016 \$'000
<b>Revenue</b>			
Oil sales		40,049	47,663
		<b>40,049</b>	<b>47,663</b>
<b>Expenses</b>			
Cost of sales		(29,066)	(33,767)
Oil and gas exploration expenses		(8,684)	(2,495)
		<b>(37,750)</b>	<b>(36,262)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 33: 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:

		Equity interest %	
Name	Country of incorporation	2017	2016
<b>Parent entity</b>			
Senex Energy Limited	Australia		
<b>Directly controlled by Senex Energy Limited</b>			
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
<b>Directly controlled by Stuart Petroleum Pty Ltd</b>			
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 34: DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Relief Instrument), 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 2017.

It is a condition of the Relief Instrument that the Company and each of the subsidiaries enter into the deed of cross guarantee. The effect of the cross guarantee 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 Relief Instrument:

- 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

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'.

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 34: DEED OF CROSS GUARANTEE (CONTINUED)

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

Set out below is a consolidated Statement of Comprehensive Income and a summary of movements in consolidated retained earnings of the 'closed group':

	2017 \$'000	2016 \$'000
Revenue	43,649	69,287
Cost of sales	(43,582)	(51,083)
<b>Gross profit</b>	<b>67</b>	<b>18,204</b>
Other revenue	2,992	5,278
Other income	54	38,502
Oil and gas exploration expenses	(8,688)	(2,268)
General and administrative expenses	(14,811)	(17,098)
Other operating expenses	(225)	(3,410)
Impairment	–	(69,673)
Finance expenses	(2,050)	(2,731)
<b>Loss before tax</b>	<b>(22,661)</b>	<b>(33,196)</b>
Income tax expense	–	–
<b>Loss after tax</b>	<b>(22,661)</b>	<b>(33,196)</b>
<b>Net loss for the period attributable to owners of the parent entity</b>	<b>(22,661)</b>	<b>(33,196)</b>
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Change in fair value of cash flow hedges (net of tax)	2,388	(341)
	<b>2,388</b>	<b>(341)</b>
<b>Total comprehensive income for the year attributable to owners of the parent entity</b>	<b>(20,273)</b>	<b>(33,537)</b>

# Notes to the Financial Statements

For the year ended 30 June 2017

## NOTE 34: 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 2017 \$'000	As at 30 June 2016 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	134,760	102,450
Prepayments	2,326	2,091
Trade and other receivables	14,244	10,613
Inventory	11,577	14,010
Other financial assets	–	742
<b>Total Current Assets</b>	<b>162,907</b>	<b>129,906</b>
<b>Non-current Assets</b>		
Trade and other receivables	25	229
Property, plant and equipment	51,270	55,685
Intangibles	738	1,260
Exploration assets	203,831	162,734
Oil and gas properties	94,722	104,291
<b>Total Non-current Assets</b>	<b>350,586</b>	<b>324,199</b>
<b>TOTAL ASSETS</b>	<b>513,493</b>	<b>454,105</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	18,250	10,081
Other financial liability	170	512
Provisions	11,246	24,897
<b>Total Current Liabilities</b>	<b>29,666</b>	<b>35,490</b>
<b>Non-current Liabilities</b>		
Other financial liability	1,222	1,875
Provisions	43,120	47,095
<b>Total Non-current Liabilities</b>	<b>44,342</b>	<b>48,970</b>
<b>TOTAL LIABILITIES</b>	<b>74,008</b>	<b>84,460</b>
<b>NET ASSETS</b>	<b>439,485</b>	<b>369,645</b>
<b>EQUITY</b>		
Contributed equity	539,958	451,233
Reserves	16,307	12,348
Accumulated losses	(116,780)	(93,936)
<b>TOTAL EQUITY</b>	<b>439,485</b>	<b>369,645</b>

## NOTE 35: EVENTS AFTER THE REPORTING DATE

On 25 July 2017, Senex announced to ASX that it had made a Birkhead oil discovery on the western flank of the South Australian Cooper Basin, with the Marauder-1 exploration well, located in ex PEL 104 (Senex 60% and operator) flowing at a rate of 655 barrels of oil per day on a drill stem test.

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 2017 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 34, 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 34.

(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 2017.

On behalf of the board



**Trevor Bourne**  
Chairman

Brisbane, Queensland  
21 August 2017



**Ian R Davies**  
Managing Director

# Independent Audit Report



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Senex Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Senex Energy Limited (the Company) and, its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

# Independent Audit Report



## 1. Carrying value of oil and gas properties (producing assets)

Why significant	How our audit addressed the key audit matter
<p>The Group operates in an industry with exposure to fluctuations in oil price which impacts the Group's revenues, operating cash flows and ultimately the carrying value of producing oil and gas properties. The Group performs impairment testing annually, which includes the calculation of the recoverable amount of the Cooper Basin Cash Generating Unit (CGU) which includes oil and gas properties totalling \$94.7m (18% of total assets).</p> <p>The determination as to whether or not there is an impairment requires significant judgment in estimating forecast cash flows. Minor changes in certain assumptions can lead to significant changes in the calculated recoverable amount.</p> <p>Disclosure regarding this matter can be found in Note 4 and Note 18 to the financial report.</p>	<p>Our approach included performing the following procedures:</p> <ul style="list-style-type: none"><li>• We evaluated the Group's assumptions within the board approved cash flow forecast, with reference to third party broker forecasts where possible. Furthermore, we enquired with operational management, performed comparisons to historical operating performance and considered other assumptions formed by the Group and the joint venture partners (where applicable).</li><li>• We involved our valuation specialists to assess the appropriateness of key assumptions such as oil price, foreign exchange rates, discount rates and 2P reserve trading multiples.</li><li>• We agreed third party subsurface engineer reports on 2P reserves to the Group's reserve assumptions, extraction techniques and values, in addition to assessing the competency of the internal and external experts, and independence of the external experts.</li><li>• We performed a sensitivity analysis to assess the impact on the calculated recoverable amount as a result of reasonable possible changes in the key assumptions, as well as assessed the sensitivity analysis performed by the Group.</li><li>• We analysed the calculated recoverable amount in light of available market information, including the Group's market capitalisation and broker reports.</li><li>• We tested the cash flow forecasts for clerical accuracy and completeness.</li></ul>

# Independent Audit Report



## 2. Carrying value of exploration assets (non-producing assets)

Why significant	How our audit addressed the key audit matter
<p>The carrying value of exploration assets is impacted by the Group's ability, and intention, to continue to explore its exploration assets. The results of exploration work also determines to what extent the oil and gas reserves and resources may or may not be commercially viable for extraction. Due to the quantum of this asset (\$204m, 40% of total assets) and the subjectivity involved in determining its carrying value, this is a key audit matter.</p> <p>Disclosure regarding this matter can be found in Note 4 and Note 17 to the financial report.</p>	<p>Our approach included performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We assessed the Group's accounting for exploration costs for consistent application against its accounting policy and Australian Accounting Standard - AASB 6 <i>Exploration for &amp; Evaluation of Mineral Resources</i>.</li> <li>• We considered the Group's intention to carry out significant exploration activities. This was performed by review of approved joint venture budgets and other strategic information generated by the Group, enquiries with operational management and the directors, referencing external economic factors and the outcome of progress to date.</li> <li>• We considered the Group's right to explore in the relevant exploration area, which included obtaining and assessing relevant documentation such as license agreements.</li> <li>• We assessed the carrying value of assets by focusing on specific areas and licenses with negative indicators, including examining the plans for future exploration or extraction of value from the assets capitalised to date.</li> <li>• We assessed the Group's ability to finance any planned future exploration and evaluation activity.</li> <li>• We performed analysis on exploration costs written off to the consolidated statement of comprehensive income and costs capitalised during the period.</li> </ul>

### Information Other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Audit Report



## Directors' Responsibilities 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in

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# Independent Audit Report



extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 48 to 68 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Senex Energy Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

Ernst & Young

Anthony Jones  
Partner  
Sydney  
21 August 2017

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# Additional information

## Tenement interests

Senex's portfolio of exploration, development and production assets at 30 June 2017

PERMIT (*Operated by Senex)	INTEREST (%)	JOINT VENTURERS (^Operator)	ORIGINAL PEL
<b>EXPLORATION</b>			
<b>Cooper/Eromanga Basins</b>			
ATP 736*	80	Bridgeport	-
ATP 737*	80	Bridgeport	-
ATP 738*	80	Bridgeport	-
ATP 794 (Barcoo)	35	Bridgeport^	-
ATP 794 (Barcoo Junction Prospect Area)	12	Bridgeport^	-
ATP 794* (Springfield)	24	Bridgeport, Icon	-
ATP 794* (Regleigh)	24	Bridgeport, Icon	-
PEL 87*	60	Beach	-
PEL 88*	100		-
PEL 90* (Remainder)	100		-
PEL 90* (Kiwī)	75	Cooper	-
PEL 93*	70	Cooper	-
PEL 94	15	Beach^, Strike	-
PEL 182*	57	Beach	-
PEL 424*	60	Beach	-
PEL 516*	100		-
PEL 636*	100		-
PEL 637*	60	Origin	-
PEL 638* (Deeps)	53.75	Planet Gas, Origin	-
PEL 638* (Shallows)	80	Planet Gas	-
PELA 639* – application	100		-
PELA 642* – application	100		-
<b>Surat Basin</b>			
ATP 1190 (Weribone)	20.65	AGL, Armour Energy^	-
ATP 767*	100		-
ATP 795*	100		-
ATP 8891*	100		-
ATP 593* (Don Juan CSG)	45	Arrow	-
ATP 593* (Deep)	24	Arrow	-
ATP 771* (Don Juan CSG)	45	Arrow	-
ATP 771* (Deep)	100		-
PCA 125* – (East) (Don Juan CSG)	45	Arrow	-
PCA 125* – (East) (Deep)	100		-
PCA 126* – (West) (Don Juan CSG)	45	Arrow	-
PCA 126* – (West) (Deep)	100		-
PCA 127* – (Central) (Don Juan CSG)	45	Arrow	-
PCA 127* – (Central) (Deep)	100		-
<b>Simpson / Eromanga / Pedirka Basins (Poolowanna Trough)</b>			
PEL 288*	100		-
PEL 289*	100		-
PEL 290*	100		-
PEL 331*	100		-
GSEL 612*	100		-
GSEL 613*	100		-
GSEL 614*	100		-
GSEL 615*	100		-
GSEL 616*	100		-
GSEL 617*	100		-
GSEL 618*	100		-
GSEL 619*	100		-
GSEL 620*	100		-
GSEL 621*	100		-
GSEL 622*	100		-
GSEL 623*	100		-
GSEL 624*	100		-
GSEL 625*	100		-

1 GLNG's interest in Maisey Block has not been included

# Additional information

PERMIT (*Operated by Senex)	INTEREST (%)	JOINT VENTURERS (^Operator)	ORIGINAL PEL
<b>PRODUCTION</b>			
<b>Cooper/Eromanga Basins</b>			
PPL 203 (Acrasia)*	100		90
PPL 206 (Derrilyn <sup>2</sup> )	35	Santos^	Santos
PPL 207 (Worrior)*	70	Cooper	93
PPL 208 (Derrilyn)	35	Santos^	113
PPL 209 (Harpoono)*	100		113
PPL 211 (Reg Sprigg West <sup>3</sup> )	25	Santos^, Beach, Origin	90
PPL 213 (Mirage)*	100		115
PPL 214 (Ventura)*	100		115
PPL 215 (Toparoa)	35	Santos^	113
PPL 217 (Arwon)*	100		93
PPL 218 (Arwon East)*	100		113
PPL 221 (Padulla)*	100		113
PPL 241 (Vintage Crop)*	100		516
PPL 240 (Snatcher)*	60	Beach	111
PPL 242 (Growler)*	60	Beach	104
PPL 243 (Mustang)*	60	Beach	111
PPL 251 (Burrunga)*	100		115
PPL 258 (Spitfire)*	60	Beach	104
<b>RETENTION</b>			
<b>Cooper/Eromanga Basins</b>			
PRL 15*	60	Beach	104
PRL 16*	100		113
PRL 50*	100		88
PRL 51*	100		88
PRL 52*	100		88
PRL 53*	100		88
PRL 54*	100		88
PRL 55*	100		88
PRL 56*	100		88
PRL 57*	100		88
PRL 58*	100		88
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PRL 70*	100		90
PRL 71*	100		90
PRL 72*	100		90
PRL 73*	100		90
PRL 74*	100		90
PRL 75*	100		90
PRL 76*	100		102
PRL 77*	100		102
PRL 78*	100		113
PRL 79*	100		113
PRL 80*	100		113
PRL 81*	100		113
PRL 82*	100		113
PRL 83*	100		113

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

SXY interest in PPL 211 licence is 100%, working interest in RSW-1 well is 25%. No unitisation agreement (as with Derrilyn) only letter agreement in place

# Additional information

PERMIT (*Operated by Senex)	INTEREST (%)	JOINT VENTURERS (^Operator)	ORIGINAL PEL
PRL 84*	100		113
PRL 105*	100		115
PRL 106*	60	Origin	115
PRL 107*	100		115
PRL 108*	50	PNC Aust Pty Ltd	105
PRL 109*	50	PNC Aust Pty Ltd	105
PRL 110*	50	PNC Aust Pty Ltd	105
PRL 116*	100		115
PRL 117*	100		115
PRL 118*	80	Planet Gas	514
PRL 119*	80	Planet Gas	514
PRL 120*	80	Planet Gas	514
PRL 121*	80	Planet Gas	514
PRL 122*	80	Planet Gas	514
PRL 123*	80	Planet Gas	514
PRL 124*	80	Planet Gas	514
PRL 125*	80	Planet Gas	514
PRL 126*	80	Planet Gas	514
PRL 127*	80	Planet Gas	514
PRL 128*	80	Planet Gas	514
PRL 135*	57	Beach	182
PRL 136*	60	Beach	104
PRL 137*	60	Beach	104
PRL 138*	60	Beach	104
PRL 139*	60	Beach	104
PRL 140*	60	Beach	104
PRL 141*	60	Beach	104
PRL 142*	60	Beach	111
PRL 143*	60	Beach	111
PRL 144*	60	Beach	111
PRL 145*	60	Beach	111
PRL 146*	60	Beach	111
PRL 147*	60	Beach	111
PRL 148*	60	Beach	111
PRL 149*	60	Beach	111
PRL 150*	60	Beach	111
PRL 183*	80	Cooper	110
PRL 184*	80	Cooper	110
PRL 185*	80	Cooper	110
PRL 186*	80	Cooper	110
PRL 187*	80	Cooper	110
PRL 188*	80	Cooper	110
PRL 189*	80	Cooper	110
PRL 190*	80	Cooper	110
PRL 207*	55	Cooper, Santos	100
PRL 208*	55	Cooper, Santos	100
PRL 209*	55	Cooper, Santos	100
<b>Surat Basin</b>			
PCA 5* – application	100		
PCA 6* – application	100		
PCA 7* – application	100		
PL 311* – application	100		
PL 312* – application	100		
PL 1022* – application (East)	100		
PL 1023* – application (West)	100		
PL 1024* – application (Central)	100		

# 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 2017:

Size of holding	Number of holders			
	Listed fully paid shares	Unlisted options	Unlisted performance rights	Unlisted share appreciation rights
1-1,000	1,163	-	-	-
1,001-5,000	4,022	-	-	-
5,001-10,000	2,336	-	-	-
10,001-100,000	6,154	-	-	-
100,001+	1,451	1	7	7
<b>Total</b>	<b>15,126</b>	<b>1</b>	<b>7</b>	<b>7</b>

(b) The number of holders holding less than a marketable parcel of fully paid shares as at 1 August 2017 was 1,899.

(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 2017:

No.	Name	Number	%
1	HSBC Custody Nominees (Australia) Limited	314,042,415	21.70
2	Citicorp Nominees Pty Limited	216,744,068	14.98
3	JP Morgan Nominees Australia Limited	72,161,138	4.99
4	National Nominees Limited	57,475,195	3.97
5	Elphinstone Holdings Pty Ltd	21,777,928	1.50
6	HSBC Custody Nominees (Australia) Limited	15,042,541	1.04
7	Mr Robert Bryan	15,000,000	1.04
8	Bow Energy Limited	12,738,621	0.88
9	Bond Street Custodians Ltd	6,555,108	0.45
10	BNP Paribas Noms Pty Ltd	5,533,665	0.38
11	Mr Timothy Bryce Kleemann	4,324,070	0.30
12	Mr Michael Ryalls & Mrs Dulcie Ellen Ryalls	4,173,870	0.29
13	Pacific Development Corporation Pty Ltd	4,000,000	0.28
14	Mr Kevin Patrick Robins	3,847,619	0.27
15	Mrs Almut Winter	3,783,500	0.26
16	Brazil Farming Pty Ltd	3,747,619	0.26
17	BNP Paribas Nominees Pty Ltd	3,399,273	0.23
18	Allman Super Nominees Pty Ltd	2,809,209	0.19
19	Mr Christopher John Pike & Ms Natalie Green	2,576,931	0.18
20	Warbont Nominees Pty Ltd	2,563,479	0.18



# Additional information

Details of the names of the two substantial holder groups who have given notice to the Company of their interests, the date of the current substantial holding notice each has given, and the number and percentage of equity securities in which the substantial holders and their associates had a relevant interest at that date, as disclosed in their notice:

Names of substantial holders	Date of notice	Number of ordinary shares	% of ordinary shares
Sentient Executive GP III, Limited	10 March 2017	188,212,276	13.52%
Sentient Executive GP IV, Limited			
EIG Global Energy Partners, LLC	27 March 2017	176,622,620	12.25%
EIG Asset Management, LLC			
EIG Management Company, LLC			
EIG Energy Fund XVI GP, LLC			
EIG-Keats Energy Partners GP, LLC			
EIG Energy Fund XVI, LP			
EIG Energy Fund XVI-B, LP			
EIG Energy Fund XVI (Cayman), LP			
EIG Energy Fund XVI (Scotland), LP			
EIG Energy Fund XVI-E, LP			
EIG-Keats Energy Partners, LP			
EIG Olympus Holdings, LP			
EIG Olympus Holdings GP, LP			
and other controlled entities of EIG Global Energy Partners, LLC from time to time			
Mr Randall Wade			
Mr Blair Thomas			
Mr William Sonneborn			
and certain trusts associated with those individuals			

## 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

## Key announcements

<b>2017</b>	<b>Announcement</b>
14 June	Drilling commences on Western Surat Gas Project
5 May	Senex board changes
26 April	March 2017 Quarterly Report
21 March	Senex international non-deal roadshow presentation
17 March	Senex accelerates Cooper Basin gas production with grant funding
17 March	EIG receives FIRB approval for investment in Senex
14 March	Senex commences gas exploration at Silver Star-1
8 March	Senex completes Share Purchase Plan
21 February	Senex sanctions \$50m investment in Western Surat Gas Project
21 February	Half Year Report to 31 December 2016
8 February	Senex launches Share Purchase Plan
7 February	Senex completes institutional placement
1 February	Senex welcomes EIG as a substantial shareholder
1 February	Senex EIG Transaction and Capital Raising Presentation
25 January	December Quarterly Report
<b>2016</b>	<b>Announcement</b>
2 December	Senex begins FY17 Cooper Basin drilling campaign
15 November	Senex completes Glenora pilot development in WSGP
17 October	September 2016 Quarterly Report
23 August	2016 Annual Report
23 August	2016 Full Year Results & FY17 Outlook Presentation
27 July	2016 Annual Reserves Statement
27 July	June 2016 Quarterly Report

# Additional information

## Five-year history

At 30 June

	FY17	FY16	FY15	FY14	FY13
<b>Financial performance (\$'000)</b>					
Sales revenue	43,649	69,287	115,910	170,862	137,287
Total revenue	46,695	113,067	121,512	179,673	165,870
Income tax benefit / (expense)	–	–	(10,681)	(10,681)	(391)
Profit / (loss) after tax	(22,661)	(33,196)	(80,646)	37,895	61,004
<b>Financial position (\$'000)</b>					
Total assets	513,493	454,105	484,174	562,620	498,866
Total equity	439,485	369,645	401,916	482,524	440,085
<b>Production and Reserves</b>					
Production – oil (mmbbls)	0.75	1.00	1.35	1.38	1.25
2P Reserves – oil (mmboe)	9.3	10.4	11.3	13.3	10.8
2P Reserves – gas (mmboe)	74.7	73.0	83.3	26.6	26.6
<b>Other capital expenditure (\$'000)</b>					
Property, plant and equipment and intangibles	2,863	6,888	8,796	12,501	20,129
<b>Share information</b>					
Issued shares	1,442,250,404	1,152,686,422	1,149,657,377	1,146,343,917	1,140,804,837
Weighted average shares	1,252,319,487	1,152,686,422	1,149,307,488	1,143,837,116	1,134,792,989
Share price	0.28	0.26	0.28	0.70	0.59
<b>Ratios</b>					
Basic earnings / (loss) per share (cents)	(1.81)	(2.88)	(6.11)	3.31	5.38
Earnings / (loss) per share (cents) diluted	(1.81)	(2.88)	(7.02)	3.28	5.32
<b>General (\$'000)</b>					
Market capitalisation	396,619	293,935	321,904	796,709	673,075
Current Liabilities	29,666	35,490	29,831	37,188	32,430
Profit / (loss) from continuing operations before tax	(22,661)	(33,196)	(91,327)	48,575	61,395
Interest income	1,885	1,510	634	1,678	5,421
Depreciation and amortisation	21,145	23,605	24,744	27,424	21,630
Impairment	–	69,673	96,963	–	2,300
Exploration expenses	8,688	2,268	18,430	16,759	12,843

# Additional information

## Glossary

**\$** Australian dollars unless otherwise stated

**1P** Proved (developed plus undeveloped) reserves in accordance with the SPE PRMS

**2P** Proved plus probable reserves in accordance with the SPE PRMS

**3P** Proved plus probable plus possible reserves in accordance with the SPE PRMS

**2C** Best estimate scenario of contingent resources in accordance with the SPE PRMS

**ASX** Australian Securities Exchange

**ATP** Authority to prospect granted under the *Petroleum Act 1923 (Qld)* or the *Petroleum Gas (Production and Safety) Act 2004 (Qld)*

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

**Bcf** Billion cubic feet

**Beach** Beach Energy Limited

**boe** Barrels of oil equivalent, the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy

**bopd** Barrels of oil per day

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

**Cooper-Eromanga Basin** The Cooper Basin and the overlying Eromanga Basin within the limits of the Cooper Basin

**CSG** Coal seam gas where gas is stored within coal deposits or seams

**GLNG** The Santos GLNG joint venture comprising Santos Limited, Total, PETRONAS and KOGAS

**Gross pay** The overall interval in which hydrocarbons are present in a well

**GSA** Gas sales agreement

**JCC** Japanese Crude Cocktail oil price

**JV** Joint Venture

**Lattice** Lattice Energy Limited (formally Origin Energy Resources Limited)

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

**Market capitalisation** 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** Thousand barrels

**mmbbls** Million barrels

**mmbboe** Million barrels of oil equivalent

**mmscf/d** Million standard cubic feet of gas per day

**Net Pay** 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** Net profit after tax

**Oil** A mixture of liquid hydrocarbons of different molecular weights

**Option** A right issued by the Company subject to an exercise price, an expiry date and other conditions, entitling the holder to receive a Share by exercising the Option, paying the exercise price and satisfying all other conditions before the expiry date

**Origin** Lattice Energy Limited (formally Origin Energy Resources Limited)

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

**PELA** An application for a PEL

**Performance Right** A right issued by the Company to an eligible employee of the Group under the Company's Employee Performance Rights Plan (**Rights Plan**) subject to an expiry date and other conditions which may include performance conditions and service conditions; the Company provides the reward to the holder in the form of Shares unless the Company elects to provide part or all of the reward in cash

**PJ** Petajoule

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

**Planet** Planet Gas Limited

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

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

**Production** The volume of hydrocarbons produced in production operations (including extended production testing)

**RRR** 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** Commercially recoverable resources which have been justified for development, as defined in the SPE PRMS

**SACB JV** The South Australian Cooper Basin Joint Venture which involves Santos (as operator), Beach and Origin

**Sales volumes** Equal to production less volumes of hydrocarbons consumed in operations (fuel, flare, vent and other shrinkage) and inventory movements

**Santos** Santos Limited

**SAR** A share appreciation right issued by the Company to an eligible employee of the Group under the Company's Share Appreciation Rights Plan (**SARs Plan**) subject to an expiry date and other conditions which may include performance conditions and service conditions, entitling the holder to receive a reward if the SAR vests by exercising the vested SAR before the expiry date; the value of the reward is calculated by reference to the positive increase in the market price of Shares from the day the SAR is granted to the day it is exercised; the Company provides the reward to the holder in the form of Shares unless the Company elects to provide part or all of the reward in cash

**Senex** Senex Energy Limited

**Share** Fully paid ordinary share issued by the Company

**SPE PRMS** The Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers

**Surat Basin** The sedimentary geological basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales

**tcf** Trillion cubic feet of gas

**TRIFR** Total recordable injury frequency rate

**TSR** Total shareholder return

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# 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 (Non-executive Director)

Timothy BI Crommelin (Non-executive Director)

Debra L Goodin (Non-executive Director)

John Warburton (Non-executive Director)

Yanina A Barilá (Non-executive Director)

### Company Secretary

Francis L Connolly

David A Pegg

### Principal place of business

Level 14, 144 Edward Street  
Brisbane, Queensland, 4000  
Australia

Telephone +61 7 3335 9000  
Facsimile +61 7 3335 9999  
Website [www.senexenergy.com.au](http://www.senexenergy.com.au)

### Share registry

Computershare Investor Services Pty Limited  
117 Victoria Street  
West End, Queensland, 4101  
Australia

Telephone 1300 850 505 (toll free within Australia)  
Email [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website [www.computershare.com](http://www.computershare.com)

To maintain or update your details online and enjoy full access to all your holdings and other valuable information, visit [www.investorcentre.com](http://www.investorcentre.com)

### Securities exchange

Australian Securities Exchange (ASX) Code: SXY

### Bankers

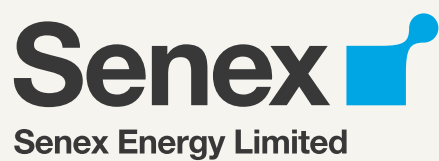
ANZ  
Level 20, 111 Eagle Street  
Brisbane, Queensland, 4000  
Australia

Westpac  
Level 7, 260 Queen Street  
Brisbane, Queensland, 4000  
Australia

### Auditors

Ernst & Young  
Level 51, 111 Eagle Street  
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Visit us at  
[www.senexenergy.com.au](http://www.senexenergy.com.au)

