Senex Energy Limited

2018 ANNUAL REPORT

About this report
This Annual Report is a summary of Senex's operations, activities and financial position for the year ended 30 June 2018. 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, 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. 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 2018 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

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 Thursday 15 November 2018, Brisbane

Contents

Cooper Basin at dusk

ABOUT SENEX

Senex is a growing and independent Australian oil and gas company with a 30-year history.

We manage a strategically positioned portfolio of onshore oil and gas assets in Queensland and South Australia with access to Australia's east coast energy market.

Senex is focused on creating sustainable value for shareholders by leveraging our capability as a low cost, efficient and safe explorer and producer.

DELIVERING WITH PURPOSE

During 2018 Senex refreshed its corporate statements to articulate what we believe in, stand for and value. They tell us collectively where we are going, how and why.

Our Purpose, Mission and Values provide the framework for navigating this ever-changing industry, positioning us to deliver with purpose now, and into the future.

OUR PURPOSE

Why we exist

We are Senex Energy

A growing and independent company, providing oil and gas to improve lives and support the energy needs of Australia and the world.

OUR MISSION

How we deliver

We are united

» We protect our people and the environment
» We build quality relationships with our customers, partners and stakeholders
» We deliver what we promise
» We attract and retain talented people with drive and energy
» We create value for our investors

OUR VALUES

What drives us

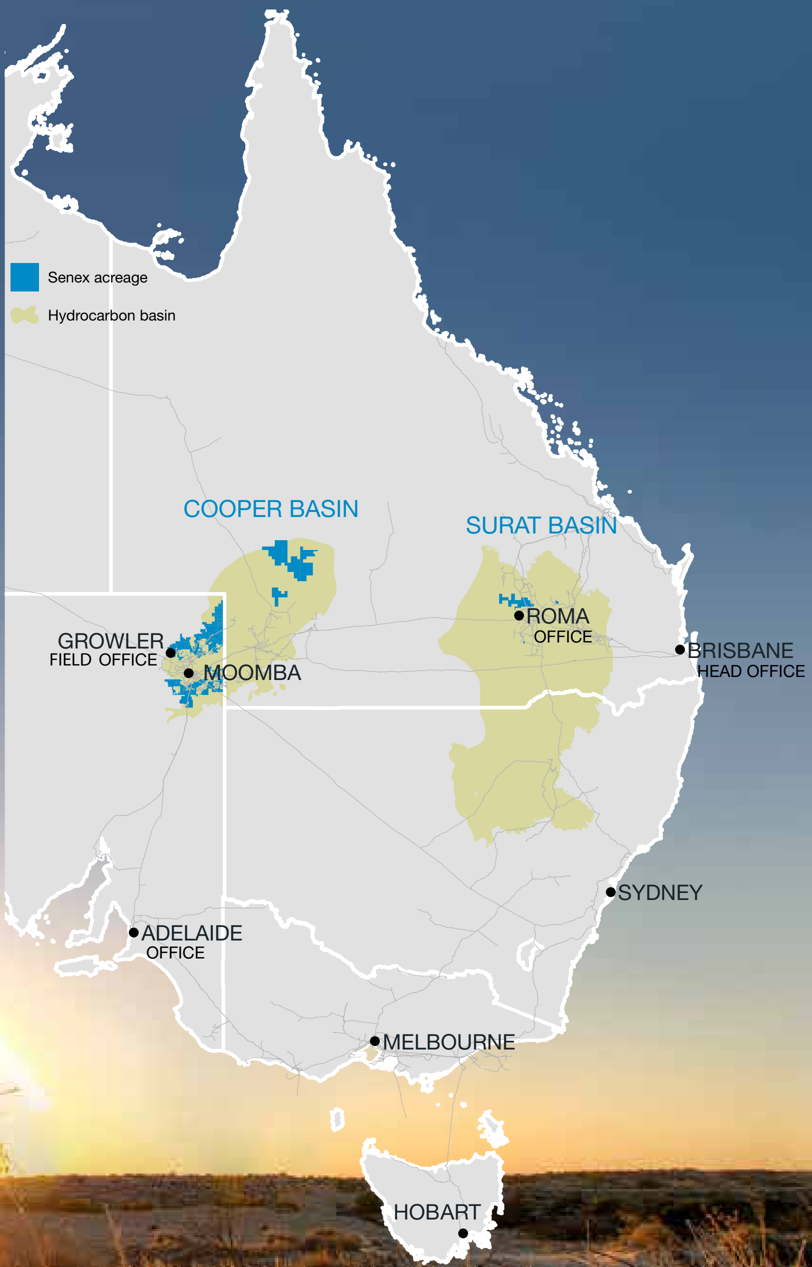
We value

» Protecting our people and the environment
» Integrity in everything we do
» Striving for excellence
» Winning together

WHERE WE WORK

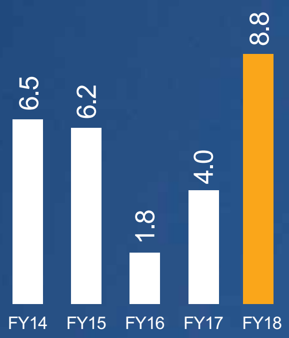
Senex has significant acreage in Australia's most prolific onshore energy regions: the Surat and Cooper Basins.

Our committed workforce of approximately 180 employees deliver every day – from our Brisbane, Adelaide and Roma offices, and our field operations.



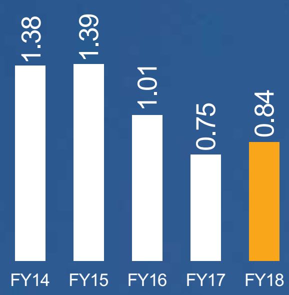
HIGHLIGHTS

Senex returned to growth during the 2018 financial year, delivering increased production, revenue and operating cashflow, while positioning the company to realise significant value from its enlarged portfolio of quality assets.



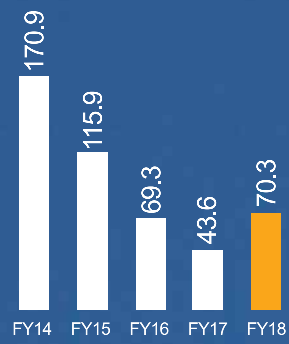
Total Recordable Injury Frequency Rate (TRIFR) (per million hours worked)

Unfortunately, six recordable incidents occurred in FY18, five in the Cooper Basin and one in the Surat Basin, equating to a TRIFR of 8.8 based on one million exposure hours. We are redoubling our efforts to improve our safety performance as we ramp up operations.



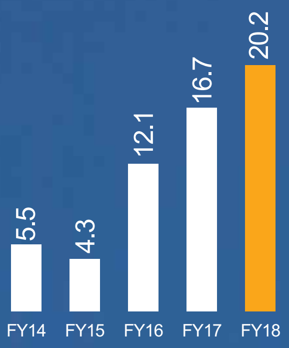
Production (mmboe)

Production increased by 12%, with new oil production from drilling success in the western flank and increasing volumes from the Western Surat Gas Project.



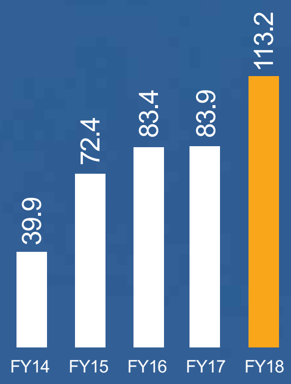
Sales revenue ($m)

Sales revenue increased by 61% due to higher production volumes and a higher realised oil price of $95 per barrel (FY17: $61 per barrel).



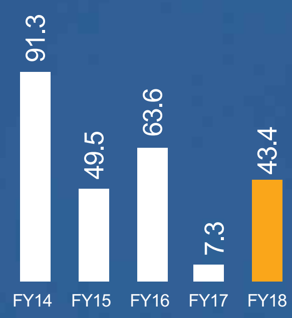
Net 1P Reserves (mmboe)

Net 1P reserves increased by 21%, largely driven by positive subsurface performance on the Western Surat Gas Project appraisal program.



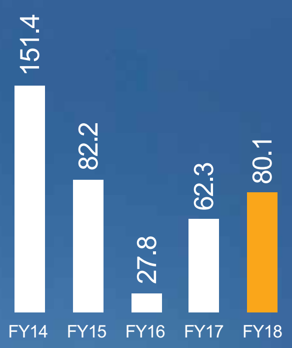
Net 2P reserves (mmboe)

Net 2P reserves increased by 35%, largely driven by the inaugural booking of Project Atlas reserves and further increases in the Western Surat Gas Project.



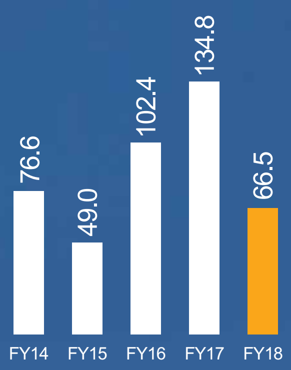
EBITDAX ($m)

The EBITDAX result reflected increased gross profit from higher sales volumes and realised oil prices, focus on cost management in the Cooper Basin, and a non-recurring gain of $16.9 million relating to a transaction with Beach Energy.



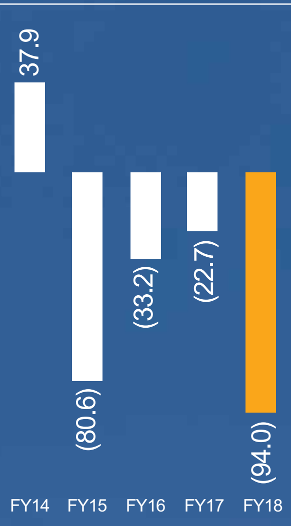
Capital Expenditure ($m)

Senex deployed $52 million in the Surat Basin (largely on the Western Surat Gas Project) and $23 million in the Cooper Basin, with the remainder spent on corporate initiatives.



Cash position ($m)

Senex entered FY19 with $66.5 million cash, driven by robust earnings and operating cash flow, after investing over $80 million on our suite of core assets during FY18.



Statutory net profit after tax ($m)

Statutory NPAT[1] was impacted by a non-cash impairment of $113.3 million in respect of non-core Cooper Basin exploration assets following a comprehensive asset portfolio review to prioritise capital allocation to accelerate gas project development.

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

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Dear Shareholder,

Market conditions have been more favourable for your company over the past year, with oil recovering from a prolonged period of low prices.

Your company has taken advantage of this improvement and returned to growth while strategically positioning itself for an exciting period ahead.

The availability of affordable, reliable and sustainable energy has continued to be the focus of public policy debate this year.

In June 2017, the Commonwealth Government put in place the Australian Domestic Gas Security Mechanism as part of its planned solution to ensure sufficient gas supply for future energy needs. Gas producers responded to this challenge by advancing the development of new gas projects and agreeing to make sufficient gas available for domestic needs.

Nevertheless, the gas industry together with state and Commonwealth governments cannot afford to be complacent about the importance of new gas supply. Developing Australia's abundant gas resources will be critical to address structural shortages in the east coast market. For producers like Senex to invest in unlocking these resources, we need regulatory stability. To this end, Senex supports the Commonwealth Government's proposed National Energy Guarantee – it provides that certainty and cements the position of gas in the energy mix as an important transition energy source.

Senex is certainly playing its part in Australia's changing energy mix. Project Atlas is the natural gas permit located in Queensland's Surat Basin that was awarded to your company in September 2017. This gas will be developed and produced by Senex solely for domestic customers. We support the Queensland Government's proactive policy to increase gas supply to the domestic market, and we are delighted to have been selected as the preferred developer for this high quality acreage.

> Sound capital management has always been a hallmark of your company and will continue to be as Senex moves into a phase of investing for growth.

During the reporting period, your company continued to deliver on its strategic priorities and position the business for growth in production and cash flow.

- Project Atlas and the Western Surat Gas Project are the flagships in your company's portfolio of high value opportunities in the east coast gas market that will begin to realise their potential in the near term.
- We are an established low-cost oil producer in the Cooper Basin and we continue to deliver results from this business, leveraging our capability and our strategically located acreage.
- Your company will also evaluate other market opportunities that complement Senex's strategic priorities and skill-set.

Safety in our operations is always our first and most important priority. This is an area of increasing focus for our leadership team and all of our people, especially as the level of operational activity ramps up as we progress key growth projects.

Sound capital management has always been a hallmark of your company and will continue to be as Senex moves into a phase of investing for growth. After the balance date, Senex agreed a corporate and development debt facility with Australia and New Zealand Banking Group (ANZ) to fund the development of the Surat Basin gas projects. This followed an extensive assessment of bank and non-bank debt financing alternatives to secure the best option for Senex at this stage of our development. We take our privileged position as stewards of your capital very seriously.

A number of Board changes took place during the financial year. Following the resolutions passed at the company's Annual General Meeting in November 2017, EIG Global Energy Partners Managing Director, Andy Zhmurovsky joined the Board. He contributes valuable insights from his wealth of experience of more than 20 years managing investments in energy projects in Australia and internationally.

Following the sale of Sentient's stake in Senex, Yanina Barila resigned from the Board in December 2017. I would like to formally acknowledge the important contribution Yanina and Sentient made to Senex's growth.

I would like to thank my fellow directors for their efforts in guiding the company to realise its potential for shareholders. I would also like to acknowledge Ian Davies and his executive team for their leadership of the company and delivering a year of solid operating and financial performance.

Throughout the year, the Directors have seen first-hand the commitment and diligence of the Senex team. On behalf of the Board, I thank all staff for your efforts and applaud you for the outcomes Senex has achieved throughout the year.

Looking ahead, your company is building towards a period of tremendous growth. The east coast gas development projects together with focused work in our western flank oil business will drive a step-change in the scale of Senex's production, earnings and cash flow for the long term.

In closing, I would like to acknowledge you, our shareholders, for your continued support for the company as we strive to reward you with sustainable growth and build a positive legacy for all of our stakeholders. I am positive about the year ahead for Senex, and I look forward to updating you on your company's progress at our Annual General Meeting in November.

TREVOR BOURNE
Chairman

MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

In the 2018 financial year we returned to growth and positioned the company to realise significant value from an enlarged portfolio.

Delivering on this latent potential is our primary focus for the year ahead. It will underpin a step-change in our operating and financial performance, and allow us to play an important part in Australia's changing energy mix.

Senex's focus – and the theme for this report to shareholders – is **delivering with purpose**.

DELIVERING OUR STRATEGY

During the year, we made significant progress in our east coast gas business, advancing the key projects that will drive our performance.

The Queensland Government awarded Senex the state's first domestic-only gas acreage, based on our demonstrated capability to responsibly develop this high quality acreage for the domestic market. We are delighted to have been entrusted to deliver this important energy resource to market.

We also progressed the Western Surat Gas Project, delivering our first major investment in a 30-well appraisal campaign, and readying the project to enter the development phase.

After completing a comprehensive review of our asset portfolio during the year, we simplified the business to prioritise capital allocation towards the development of our east coast gas projects and our core Cooper Basin oil assets. Our capacity to fund this growth is underpinned by a combination of our existing strong balance sheet, and a corporate and development debt facility that has been secured since the end of the financial year.

SAFETY AND ENVIRONMENTAL PERFORMANCE

Given the nature of our operations, safety is central to everything we do. Unfortunately, our safety performance declined in the past year, with an increase in injuries sustained across drilling and completions and operations. We are proud of our behavioural safety culture and are bitterly disappointed to have experienced an increase in injuries to our workforce. This necessarily requires a re-doubling of efforts in this most important area.

I am delighted to report excellent environmental performance for the year across the business, while we implemented a strong environmental management framework for our Surat Basin projects.

OPERATING PERFORMANCE

We returned to growth during the 2018 financial year, reporting improved reserves, production, and operating cashflow. These results were underpinned by a combination of solid operating performance and improved pricing.

Our base oil portfolio continues to deliver, and in combination with our strong balance sheet, has funded operating and capital expenditure across the business in FY18. With our focus remaining on the prolific Cooper Basin western flank we delivered a successful drilling program, discovering the Marauder field and bringing online our first horizontal oil development well, which has continued to produce ahead of expectations.

Importantly, our work on the Phase 2 appraisal wells at our Western Surat Gas Project has given us the opportunity to hone our skills as a low-cost gas producer while monetising the raw gas production which continues to increase quarter on quarter.

We reported significant growth in our 1P and 2P reserves for 2018 primarily driven by our Surat Basin assets and demonstrating both the quality of our assets and their earning potential in the coming years.

CREATING A POSITIVE LEGACY

An important part of delivering with purpose is establishing lasting, positive relationships on-the-ground in our local communities and more broadly as the world moves towards a low-carbon future.

Our local communities rightly expect that companies like Senex will not only minimise their impacts but make a positive contribution. We work hard to meet these expectations through the positive relationships we build with landholders and other stakeholders, local employment and procurement, and our support for charitable causes that deliver real local benefits.

> We are proud to be playing our part in Australia's changing energy mix, and we expect to be judged on our actions as much as our words.

The gas industry is encountering an unprecedented level of scrutiny as Australia's energy mix continues to evolve. As an emerging producer, it is important for us to have a voice in this public debate and I am pleased to have been appointed to the Board of the Australian Petroleum Production & Exploration Association (APPEA).

We are proud to be playing our part in Australia's changing energy mix, and we expect to be judged on our actions as much as our words. We commend the governments of Queensland and South Australia for their innovative approaches to introducing new gas supply and we call on other state governments to do the same. Industry needs to efficiently develop gas projects so that supply is brought to market at competitive prices. In combination, both of these actions will put downward pressure on gas prices for the benefit of households and businesses.

Importantly, all of the participants in the gas industry must collaborate and clearly explain the important role of gas in the energy mix and in doing so, safeguard our future.

LOOKING AHEAD

During the year, we have significantly advanced our strategic position, along with the operational and financial capacity to support the major drivers of growth in the business. I am confident that we will deliver material gas volumes to the east coast market from the end of 2019 and with it, we will drive a step-change in Senex's production, earnings and cash flow. Exploration and development in our quality, low cost oil business on the western flank of Cooper Basin will seamlessly complement this growth.

I would like to personally thank the executive team for their dedication to driving the performance of the business. Thanks also to all of Senex's people for playing your part to help our company achieve significant milestones this year. **Together, we have set the foundation to deliver transformational growth.**

IAN DAVIES
Managing Director

STRATEGY

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

The following table summarises our strategic priorities, which are underpinned by our Purpose and Mission. In the 2018 financial year Senex made major headway against its strategic priorities against the backdrop of an improved macro environment.

We know that our success will be measured by the quality, speed and safety with which we execute our strategic priorities, and we are focused on continued delivery against these measures in the 2019 financial year and beyond.

Strategic priorities	Gas Realising the near-term potential in the Australian east coast gas market.
Objectives	To build a material gas business that drives a step-change in production, cashflow and earnings for Senex.
Market environment	Significant long-term supply opportunities exist in a structurally short east coast gas market, 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.
Our competitive advantage	Senex is one of the few independent companies investing in greenfield gas developments to meet this opportunity. We are leveraging our strategic position as an agile, independent and low-cost operator to bring new gas supply into the market.
FY18 progress	» Awarded Project Atlas in the Surat Basin, and partnered with Jemena to fast-track delivery of gas to domestic customers in 2019 » Successful 30-well appraisal program to ready the Western Surat Gas Project for development, while commercialising appraisal gas » Discovery of a potential new gas play at the Gemba field, southern Cooper Basin » Signing a Gas Sales Agreement with Pelican Point Power Limited for new gas volumes from the Vanessa field
Our focus going forward	We are focused on the successful delivery of our major east coast gas development projects in the Surat Basin (Project Atlas and the Western Surat Gas Project), along with new gas opportunities in the Cooper Basin.

Oil

Focusing our material exploration and production position in Cooper Basin oil.

To create value through the disciplined exploration, appraisal and development of Cooper Basin western flank oil assets.

Global oil markets have rebalanced, with Brent crude trading between US$60 - $80/bbl in 2018. Global demand remains strong, enhanced by increasing demand from developing economies.

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.

» Discovery of the Marauder oil field in the Birkhead horizon
» First horizontal well in the Birkhead reservoir
» Agreement with Beach to focus on highest priority exploration and development opportunities in the western flank
» Optimisation and/or rationalisation of non-core Cooper Basin assets, farm-down and relinquishment

We are focused on delivering reserve and production additions from a western flank work program, with Senex free-carried by Beach Energy (Beach) for up to $43 million of expenditure.

Growth

Pursuing opportunities in new markets and new ventures.

To identify and execute opportunities to grow and diversify our business.

Volatility experienced in the global and domestic energy markets over the past two years has driven a moderate level of merger and acquisition activity in Australia. Some quality assets continue to come to market, albeit with a high level of competition and transaction risk applying to each individual sale process.

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

» Demonstrated our track record and experience to secure Project Atlas gas acreageas part of the first domestic-only tender ran by the Queensland government
» Exited the 2018 financial year with a strong financial position of $67 million cash, and have since delivered a corporate and development debt facility to fund the development of Senex's Surat Basin projects, expandable to support new development assets
» Continued disciplined review of organic and inorganic opportunities

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 with emphasis on an optimal risk / reward profile.

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. In 2017, Ian was elected to the Australian Petroleum Production & Exploration Association (APPEA) Board of Directors.

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.

GARY MALLETT

Chief Financial Officer

BBus, CA

Gary is responsible for corporate finance, business planning, governance, IT and business improvement at Senex.

Gary joined Senex in May 2018, bringing over 30 years' experience to his role as CFO. Gary has held executive and senior finance roles in a diverse range of ASX-listed resource and industrial companies, both domestically and abroad. Before joining Senex, Gary spent 12 years with Origin Energy where he held the role of Group Financial Controller and Acting Chief Financial Officer. He also spent five years with Brambles in both the United Kingdom and Australia, and six years with the North Limited Group, pre-acquisition by Rio Tinto.

SUZANNE HOCKEY

Executive General Manager People and HSE

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.

PETER MILLS

Executive General Manager Operations and Growth

BEng (Electronics)

As Executive General Manager Operations and Growth, Peter takes responsibility for delivering value from Senex's portfolio of assets in the Cooper Basin and capturing growth opportunities in line with Senex's strategy. His role has accountability for field operations, development, production engineering and drilling and completions, as well as business development and new ventures.

Joining Senex in July 2018, Peter brings over 35 years of experience from domestic and international environments having worked in Australia and globally across Asia, Europe the United Kingdom and North America. He has held roles with Woodside, BHP Petroleum, Hess, Premier Oil, Pexco Energy and InterOil.

Peter is a Petroleum Engineer by training and has worked extensively across the upstream value cycle including exploration, development, production and commercial in conventional and unconventional oil and gas plays.

DAVID PEGG

Company Secretary and General Counsel

BCom, LLB, MSc

David is responsible for planning, coordinating and advising the Board and Executive Committee on all Senex related legal and governance matters.

David is an experienced senior executive in the energy and resources sector with a background in law, corporate governance, business development, project oversight and government relations. David joined the Senex team in 2013. Prior to joining Senex, David was General Counsel and Company Secretary at Ergon Energy Limited and Queensland Energy Resources Limited. Prior to these roles, David spent seven years at national law firm Blake Dawson (now part of global law firm Ashurst) in its Corporate and Resources group.

DAVID SPRING

Executive General Manager Exploration

BSc (Hons) Geophysics

David is responsible for delivering the company's exploration strategy, exploiting current resources and evaluating 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 Queensland Assets

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

Julie is responsible for delivering value from Senex's portfolio of assets in Queensland, which include Project Atlas and the Western Surat Gas Project.

Julie brings over 15 years of experience in strategy, finance and corporate advisory to her role. Joining Senex in 2010, Julie was previously Chief Finance Officer, and more recently Executive General Manager Strategic Planning. In this role Julie managed 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. In July 2018 Julie was appointed as a non-executive director to the board of Mastermyne, an ASX listed mining services provider.

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1 IAN DAVIES

2 GARY MALLETT

3 SUZANNE HOCKEY

4 PETER MILLS

5 DAVID PEGG

6 DAVID SPRING

7 JULIE WHITCOMBE

FINANCIAL REVIEW

RESULTS FOR THE FINANCIAL YEAR		FY18	FY17	CHANGE $	CHANGE %
Sales revenue	$ million	**70.3**	43.6	26.7	61%
EBITDAX	$ million	**43.4**	7.3	36.1	495%
Exploration expense	$ million	**(3.2)**	(8.7)	5.5	63%
EBITDA	$ million	**40.3**	(1.4)	41.7	N/A
Non-cash impairment	$ million	**(113.3)**	–	(113.3)	–
EBIT	$ million	**(93.6)**	(22.5)	(71.1)	(316%)
Statutory NPAT	$ million	**(94.0)**	(22.7)	(71.3)	(314%)
Underlying NPAT	$ million	**2.0**	(22.5)	24.5	N/A
Oil operating cost excluding royalties	$ per barrel	**28.6**	30.2	(1.6)	(5%)
Operating cashflow	$ million	**5.3**	(8.1)	13.4	N/A
Capital expenditure	$ million	**80.1**	62.3	17.8	29%
Cash balance	$ million	**66.5**	134.8	(68.3)	(51%)
Effective income tax rate	%	**0%**	0%	–	–
Earnings per share	cps	**(6.5)**	(1.8)	(4.7)	(261%)

PRODUCTION VOLUMES		FY18	FY17	CHANGE VOL	CHANGE %
Oil	mmbbl	**0.75**	0.75	0	0%
Gas and gas liquids	mmboe	**0.09**	0.00	0.09	N/A
Total	mmboe	**0.84**	0.75	0.09	12%

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

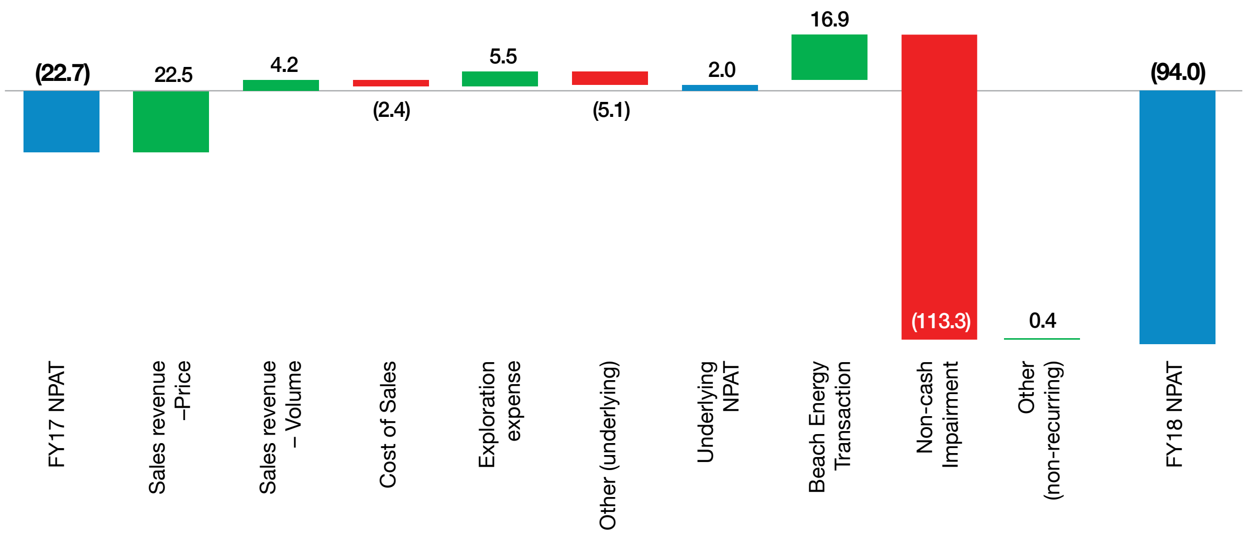
$ MILLION	FY18	FY17
Statutory net profit/(loss) after tax	**(94.0)**	(22.7)
Add/(less):		
Gain on sale of exploration assets	**(0.4)**	–
Gain on Beach Energy transaction	**(16.9)**	–
Non-cash impairment	**113.3**	–
Restructuring	–	0.1
Tax (benefit)/expense	–	–
Underlying net profit/(loss) after tax	2.0	(22.5)

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

$ MILLION	FY18	FY17
Statutory net profit/(loss) after tax	**(94.0)**	(22.7)
Add/(less):		
Net interest	**0.4**	0.2
Tax	–	–
Amortisation & depreciation	**20.6**	21.1
Non-cash impairment	**113.3**	–
EBITDA	**40.3**	(1.4)
Add/(less):		
Oil and gas exploration expense	**3.2**	8.7
EBITDAX	**43.4**	7.3

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

FY18 statutory net profit after tax versus FY17



KEY MOVEMENTS

Sales revenue

Senex's full year sales revenue of $70.3 million (FY17: $43.6 million) primarily reflected a higher realised price on oil sales, with oil sales volumes up marginally compared to FY17 and new revenue from gas sales:

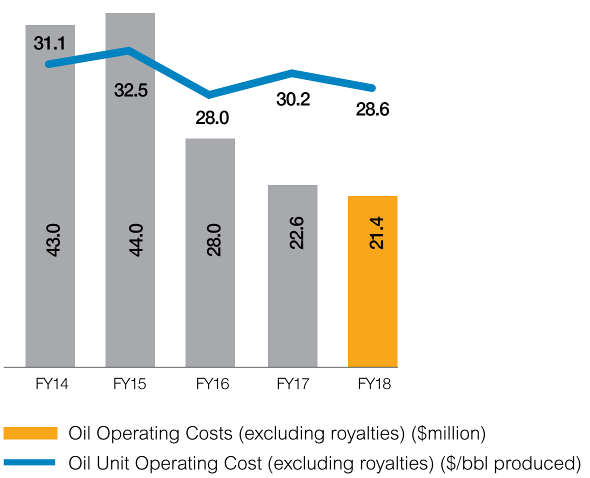
- Realised oil prices increased to A$95 per barrel sold (FY17: A$61 per barrel), with stronger underlying Brent crude pricing partially offset by an unfavourable foreign exchange rate movement.
- Oil sales volumes were maintained at 0.72 mmbbl (FY17: 0.72 mmbbl), with new production from drilling success on the western flank offset by natural field decline.
- Gas sales volumes were 0.07 mmboe (FY17: Nil), all from the Western Surat Gas Project.

Operating costs

Senex continued its excellent track record as a low cost oil producer. Our focus on cost control resulted in a reduction in oil operating costs (excluding royalties) of 5% to $21.4 million (FY17: $22.6 million).

Oil unit operating cost per barrel was $28.6 (FY17: $30.2 per barrel), achieved against stable production volumes and fixed costs in the oil business.

Oil operating costs per barrel



Exploration expense

The company's exploration expense of $3.2 million (FY17: $8.7 million) primarily reflected the write off of non-commercial wells.

Transaction with Beach Energy

In April 2018 Senex entered into an agreement with Beach to terminate the Senex-Beach joint venture unconventional gas project with consideration of up to $43 million transferred as a free-carry commitment to the mutually owned Senex-operated Cooper Basin western flank oil assets. This agreement resulted in the recognition of a gain of $16.9 million representing the difference between Senex's 60% share of the consideration and the carrying value of the Senex-Beach unconventional gas permits.

Earnings (EBITDAX)

The EBITDAX result reflected increased gross profit from higher realised oil prices and initial gas sales volumes, continued good cost management in the Cooper Basin, and a non-recurring gain of $16.9 million from the transaction with Beach Energy.

Non-cash impairment

Senex booked a non-cash impairment of $113.3 million (FY17: nil) in respect of non-core Cooper Basin assets following a comprehensive asset portfolio review to prioritise capital allocation to accelerate gas project development.

Income tax expense

No income tax expense was recognised in FY18 due to carry forward tax losses derived largely from our ongoing exploration and development program. Further details can be found in our Tax Transparency Report and in Note 8 to the Financial Statements.

FINANCING OUR GROWTH

Senex delivered funding for its east coast gas development projects to drive a step-change in production, cash flow and earnings.

During the 2018 financial year Senex ran an extensive process to secure funding for the parallel development of our new project – Atlas – and the Western Surat Gas Project. The competitive process assessed bank and non-bank debt financing alternatives in Australian and international capital markets, and included significant technical due diligence on the company's east coast development projects.

> The debt facility will be utilised to fund Senex through the next two years of significant investment as it develops Project Atlas in parallel with the Western Surat Gas Project, and will be mostly deployed on new wells, gas and water gathering systems, and associated infrastructure.

CORPORATE AND DEVELOPMENT DEBT FACILITY

- Secured in July 2018
- Fully underwritten by ANZ
- A$125 million senior secured Reserve Based Lending (RBL) Facility
- Seven year tenor
- Competitive margins: starting interest cost approximately 6% per annum, stepping down on completion of development projects
- A$25 million working capital facility

Following the assessment, Senex has chosen a A$150 million funding arrangement which provides certainty and highly competitive interest cost and terms, with flexibility for expansion and early repayment. The debt financing is fully underwritten by ANZ.

The debt facility will be utilised to fund Senex through the next two years of significant investment as it develops Project Atlas in parallel with the Western Surat Gas Project, and will be mostly deployed on new wells, gas and water gathering systems, and associated infrastructure.

In addition to the debt facility, Senex has accessed another pool of permanent, efficient capital with Jemena funding the downstream infrastructure on Project Atlas, and we are exploring a similar solution for the Western Surat Gas Project.

Senex expects that once the projects reach material production, significant free cash flow will be produced. This will be available to the business for paying down the debt facility and funding future growth projects.

Drilling activities in the Surat Basin

OPERATING REVIEW

In the 2018 financial year our oil business performed strongly and we made major steps forward in our strategy to build a material east coast gas business.

Against an improved macro environment of strengthening oil prices and robust gas prices, Senex entered the period with a strong cash position. Shortly into the new financial year, Senex was awarded a transformative piece of gas acreage in Project Atlas, located 65 kilometres east of our Western Surat Gas Project.

With the addition of Project Atlas in the portfolio, the company moved to undertake a comprehensive review of its asset portfolio to focus on the high value opportunities ahead. Following the review, strategic focus and capital allocation are being prioritised to Senex's east coast development projects and its western flank oil assets to drive growth in production, cash flow and earnings.

The result is a simpler and more focused business. We passed a number of critical milestones during the 2018 financial year and those achievements – along with some of the challenges – are summarised in the following pages.

PRODUCTION SUMMARY

0.84 MMBOE	**$29 PER BARREL**
Production volume	**Unit operating cost of oil** (excluding royalties)
↑ 12% increase	↓ 5% decrease

In the 2018 financial year Senex delivered total production of 0.84 mmboe, compared with 0.75 mmboe in the prior year, and within guidance of 0.75 – 0.90 mmboe. This included 90,000 boe of contribution from the Western Surat Gas Project.

In the Cooper Basin Senex discovered a new oil field and successfully applied horizontal drilling technology, while the base oil portfolio continued to perform solidly and in line with expectations. The company maintained low unit operating costs in the Cooper Basin of A$29 per barrel excluding royalties.

RESERVES SUMMARY

20.2 MMBOE	**113.2 MMBOE**
1P reserves	**2P reserves**
↑ 21% increase	↑ 35% increase

Against the prior year, Senex's proved (1P) reserves increased by 21%, while proved plus probable (2P) reserves increased by 35%. The increases in both 1P and 2P reserves reflect activities to develop Senex's east coast gas business, with first reserves booked on Project Atlas and a steady increase year-on-year related to the Western Surat Gas Project.

FY18 DRILLING SUMMARY

BASIN	TYPE	WELL	TENEMENT	SXY %	RESULT
Surat Basin	Gas appraisal	Western Surat Gas Project – Phase 2 campaign (30 wells)	ATP 889 ATP 795	100%	All wells placed on production
Surat Basin	Gas exploration	Western Surat Gas Project– Mimas-2	ATP 795	100%	Cased and suspended
Cooper Basin	Oil exploration	Marauder-1	Ex-PEL 104/111; PRL 136	60%	Producing
Cooper Basin	Oil appraisal	Martlet North-2	Ex-PEL 104; PRL 148	60%	Plugged and abandoned
Cooper Basin	Oil exploration	Frey-1	PEL 93	70%	Plugged and abandoned
Cooper Basin	Oil development	Growler-15	Ex-PEL 104/111; PPL 242	60%	Producing
Cooper Basin	Oil exploration	Marauder-2 DW-1	Ex-PEL 104/111; PRL 136	60%	Producing
Cooper Basin	Gas exploration/appraisal	Gemba-1	PEL 516	100%	Cased and suspended ahead of testing

Senex was the operator on all wells drilled during FY18

GAS

LOOKING BACK

Awarded Project Atlas acreage by the Queensland Government, established a path to market with Jemena and booked maiden reserves

Delivered a successful 30-well appraisal program on the Western Surat Gas Project while commercialising appraisal gas

Signed a Gas Sales Agreement with Pelican Point Power Limited for new gas volumes from the Vanessa field

Discovered a potential new gas play at the Gemba field, southern Cooper Basin

LOOKING FORWARD

Finalising corporate and development debt facility to fund the development of our Surat Basin gas projects

Making Final Investment Decisions on the Western Surat Gas Project and Project Atlas

Engaging with customers for Project Atlas gas, to be delivered to the domestic market by end 2019

Testing at the Gemba field to determine future development path

Drilling activities on the Western Surat Gas Project

SURAT BASIN

PROJECT ATLAS, SURAT BASIN

In September 2017 Senex was awarded 58 square kilometres of top-tier gas acreage by the Queensland Government, subsequently named Project Atlas. This followed a competitive process during which Senex demonstrated its capability to deliver new gas volumes from the acreage into the domestic market within two years of Petroleum Lease grant.

The project is an exciting opportunity for Senex to create value for its shareholders in line with the company's strategy of realising the near-term value in the east coast gas market. Senex is systematically bringing together the three critical elements for a successful gas development:

1. Resource
2. Infrastructure
3. Market

Senex is confident it can deliver this greenfield development within the compressed timeframe, with gas to be sold to domestic customers on the east coast of Australia by late 2019. The company expects to obtain regulatory approvals over the acreage in mid-2019, and until that time will work to progress reservoir characterisation, land access, cultural heritage clearance and environmental impact assessments. During the financial year 2018 Senex received its initial Environmental Authority (permitting early site works) and received its Petroleum Lease from the Queensland Government.

Resource

The company's activities since being awarded the block have focused on field development planning, commencement of baseline environmental assessments, and securing infrastructure, processing and transportation agreements to get gas to market. Project Atlas is surrounded on three sides by currently producing fields operated by QGC, and Senex has utilised open file well data to commence field development planning activities. The company currently expects to drill around 100 wells on the acreage to sustain gas production of 32 terajoules per day at plateau.

This work has culminated in the booking of maiden reserves over the acreage. The initial booking of 144 petajoules (24.5 mmboe) of 2P reserves reflects confidence in this top-tier acreage given the proximity of producing wells to the north, west and south of the block.

The conversion of the significant undeveloped 2P reserves on Project Atlas (as well as the Western Surat Gas Project) to developed reserves and production is the overwhelming priority for Senex.

Infrastructure

In June 2018 Senex announced it had established a path to market which would ensure the delivery of gas from Project Atlas to the domestic market by late 2019, partnering with major infrastructure operator Jemena. Jemena will build, own and operate a gas processing facility and pipeline to connect the facility to the existing Darling Downs Pipeline, which runs to the Wallumbilla hub.

Jemena will fund capital expenditure of approximately $140 million associated with the design, construction and commissioning of the downstream infrastructure, and Senex will pay an agreed tariff for delivery of sales gas to the domestic market over an agreed 25 year contract term.

The agreement with Jemena represents a number of benefits for Senex:

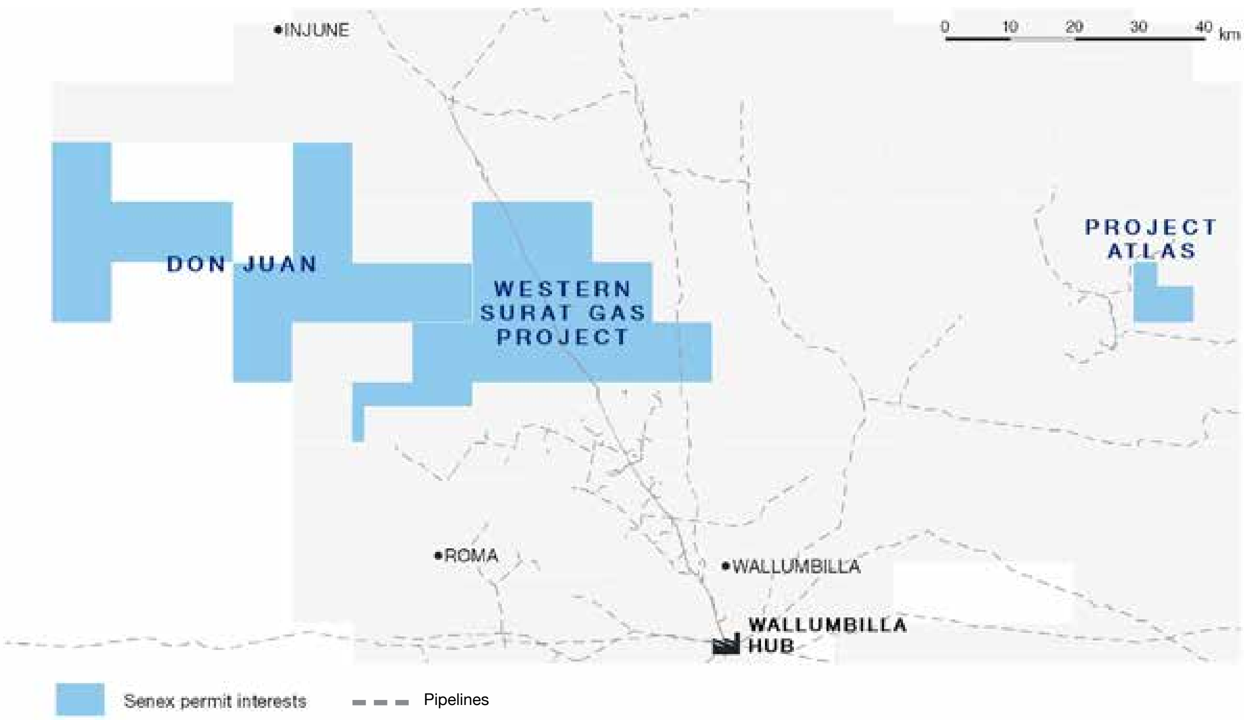
- The involvement of this reputable partner materially de-risks the compressed schedule and gives Senex further confidence it will deliver gas to the domestic market by end 2019;
- The commercial transaction with Jemena represents compelling value for Senex, with Jemena selected following a competitive bid process, offering the most cost effective and direct pathway to the domestic market; and
- It establishes an efficient permanent source of capital for Senex, substituting material upfront capital costs for a long-dated and very competitive operating tariff.

Market

The company considers there is a large demand for gas volumes on the Australian east coast, and Project Atlas is well positioned to access this market. During the tender process the company received expressions of interest from domestic customers totalling over 150 terajoules per day of combined demand.

Having established its path to market, Senex will engage with domestic gas customers in FY19 with a view to signing gas contracts. The physical connection to Wallumbilla will provide maximum options to access different end users across the domestic market.

LOCATION OF GAS PROJECTS, SURAT BASIN QUEENSLAND



OPERATING REVIEW CONT.

WESTERN SURAT GAS PROJECT, SURAT BASIN

During the financial year 2018 Senex achieved a number of milestones on the Western Surat Gas Project, readying it to progress to a Final Investment Decision and its first stage of development.

Exploration and appraisal

Senex undertook its first material investment in the project during the 2018 financial year, delivering 30 appraisal wells with associated infrastructure on the **Glenora** and **Eos blocks**. The Phase 2 appraisal program allowed Senex to develop and demonstrate its capability as a low-cost gas producer ahead of moving into the development phase. The appraisal wells were delivered on budget at $1.2 million per installed well, reflecting Senex's commitment to developing the project at lowest possible cost, utilising local contractors wherever possible.

The Phase 2 wells were brought online over the last quarter of calendar year 2017 and at July 2018 were producing around 3 terajoules per day. The performance of the wells has followed the typical profile of coal seam gas wells, with dewatering preceding a steady increase in gas production rates. Overall, we have seen a statistically wide range of outcomes as expected in coal seam gas.

The performance of the Phase 2 wells has been impacted by lower than forecast well availability as a result of a number of early life downhole failures and flow restrictions in the gathering network. Senex has since undertaken remedial works on the gathering system and in July 2018 contracted a workover rig to improve response times to downhole failures. The learnings from the Phase 2 well campaign have been incorporated into planning for the next phase of drilling and operations on the project.

Notwithstanding the lower availability early in field life, we expect the Phase 2 wells to ramp up to a plateau level over the course of the 2019 financial year.

Senex has been able to sell Phase 1 and Phase 2 gas following execution of a sales agreement signed with GLNG during the period. Gas produced was sold on competitive terms, providing a superior outcome to flaring this valuable resource.

Further west, Senex continued to progress its exploration and appraisal of the greater Western Surat Gas Project area. The **Mimas-2** well was drilled in December 2017 in an area with limited well control. Results from logs and drill stem tests undertaken on the well show reservoir characteristics similar to the quality of the Eos and Glenora blocks.

Development activities

During the period, Senex received regulatory and environmental approvals from the Queensland Government necessary to develop the Western Surat Gas Project in full, and in August 2018, we received the remaining Commonwealth approvals. As a result, Senex now holds all primary regulatory and environmental approvals necessary to commence development of the Western Surat Gas Project, initially focusing on the Glenora and Eos blocks.

In February 2018, we sanctioned long-lead items for **sales gas infrastructure.** The compression facility will have an initial capacity of 16 terajoules per day and be easily expandable given its modular design.

An increase in both 1P reserves and 2P reserves for the year was driven by positive subsurface performance from the Phase 2 appraisal program, the Mimas-2 core well and continued refinement of the Field Development Plan.

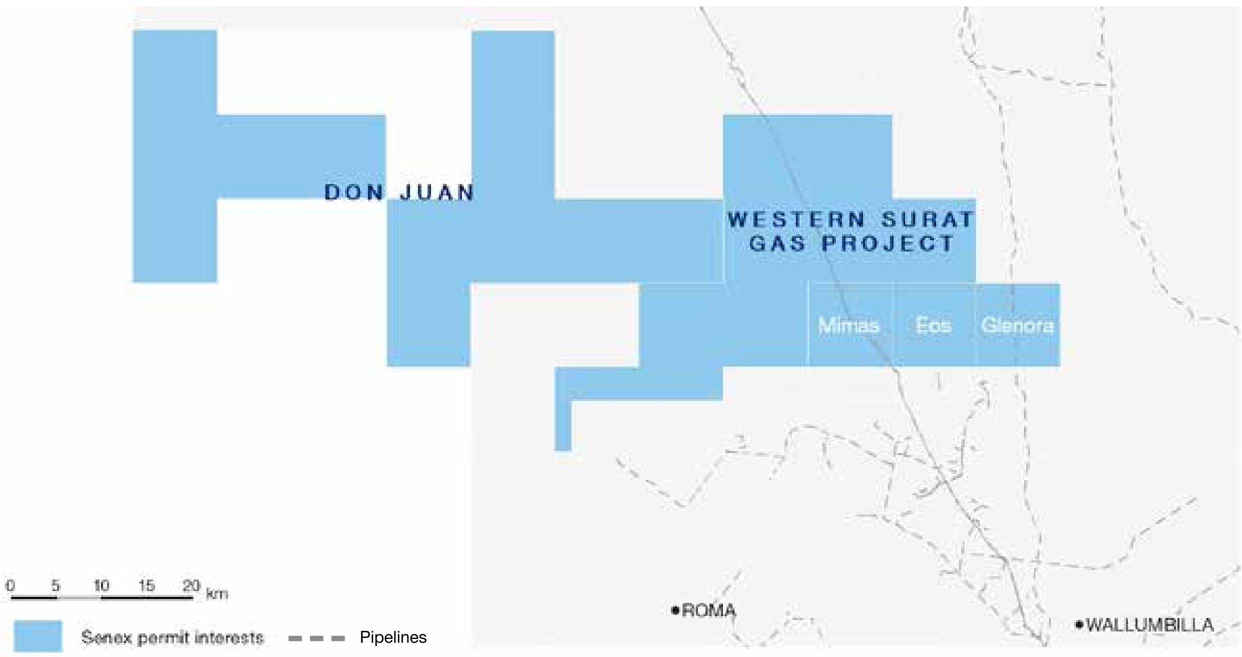
The conversion of the significant undeveloped 2P reserves on the Western Surat Gas Project (as well as Project Atlas) to developed reserves and production is the overwhelming priority for Senex. Our staged approach to development is initially focused on the Glenora and Eos blocks, against which Senex has booked 190 petajoules of 2P reserves.

DON JUAN, SURAT BASIN

The Don Juan acreage sits directly west of Senex's Western Surat Gas Project and represents a material uncontracted gas resource for Senex.

Given the improving outlook for gas pricing on the east coast, Senex took the opportunity to expand its equity position to 100% during the period, acquiring Arrow's stake of 55% for nil consideration. The changed equity position was reflected in a reserves revision for the Don Juan acreage, along with a technical revision to align the field development assumptions with the Western Surat Gas Project. Factoring these in, the net overall movement on the Don Juan asset was relatively minor.

WESTERN SURAT GAS PROJECT AND DON JUAN, SURAT BASIN QUEENSLAND



COOPER BASIN

VANESSA GAS FIELD, COOPER BASIN

During the period Senex signed a Gas Sales Agreement (GSA) with Pelican Point Power Limited (a member of the group that comprises ENGIE Australia & New Zealand) and prepared to bring the Vanessa conventional gas field online. Located in the northern Cooper Basin (PEL 182: Senex 57% and operator), the field was commissioned in late FY18 and brought online in July.

Under the GSA, Pelican Point Power Limited is purchasing gas for use in South Australia, including for use at its Pelican Point Power Station; a significant generator of electricity to the South Australian market. Senex is receiving a competitive market price for processed gas supply.

The Senex-led pipeline construction project received $5.82 million under the South Australian Government's PACE Gas Grant Program to bring gas to the domestic market from the Vanessa field and the nearby Patchawarra East joint venture area, with those joint venture parties matching the funding received.

GEMBA GAS OPPORTUNITY, COOPER BASIN

During the period Senex received a further PACE Gas Grant to support the exploration of the Gemba gas opportunity.

The **Gemba-1 gas exploration** well is located on the south-west margin of the Allunga Trough, a proven gas fairway, approximately 37 kilometres south west of the Moomba Oil and Gas Processing Facility. Designed to evaluate the gas potential of the low-permeability intra-Patchawarra sandstones, the well successfully intersected gas in the target zones with volumes ahead of pre-drill expectations. The well was extended given encouraging gas shows in the Dullingari group, representing a potential new gas play.

Senex is developing a fracture stimulation and testing program for the evaluation of Gemba-1, targeted for the first half of FY19.

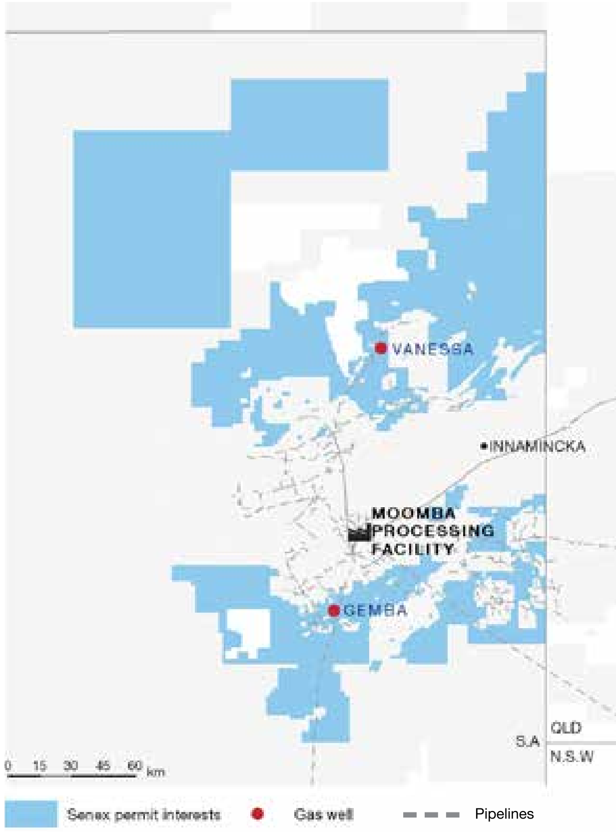
UNCONVENTIONAL GAS STRATEGY, COOPER BASIN

Senex continues to see significant prospectivity in its Cooper Basin unconventional gas acreage given the opportunities that exist for new long-term supply into the east coast gas market.

In April 2018 we saw an opportunity to simplify the business, shifting focus with our joint venture partner Beach Energy from an unconventional gas exploration project to our productive western flank oil permits. As part of this agreement, Beach's commitment to free-carry Senex for up to $43 million of work has transferred to the mutually-owned Senex-operated Cooper Basin western flank oil assets where it will be deployed over the next year.

Senex and Beach completed the agreement in late FY18, giving us the flexibility to progress the longer-dated unconventional gas opportunity in the future.

FY18 GAS ACTIVITIES IN THE COOPER BASIN, SOUTH AUSTRALIA



During FY18, Senex discovered a potential new gas play with the Gemba-1 gas exploration well.

OIL

LOOKING BACK

Discovered the Marauder oil field in the Birkhead Formation

Successfully executed the first horizontal well in the Birkhead reservoir, still performing strongly

Agreed to focus on highest priority western flank program with Beach

LOOKING FORWARD

Western flank drilling campaign to drive growth in production and free cash flow

Optimising and rationalising non-core Cooper Basin acreage to drive down operating costs

PRODUCTION

Oil production from the Cooper Basin remained core to the company's strategy in FY18, funding operating expenditure across the business.

During the 2018 financial year Senex delivered strong production from its base oil portfolio and brought two new wells online (the Marauder-1 oil exploration well and the Growler-15 oil development well). The contribution of these new wells matched natural field decline in the rest of the portfolio, generating a net result for the year of approximately 750,000 barrels of oil produced (in line with the FY17 result).

Senex delivered another year of solid cost control, with unit operating costs excluding royalties reducing to A$29 per barrel of oil produced compared to A$30 per barrel the prior year.

EXPLORATION, APPRAISAL AND DEVELOPMENT

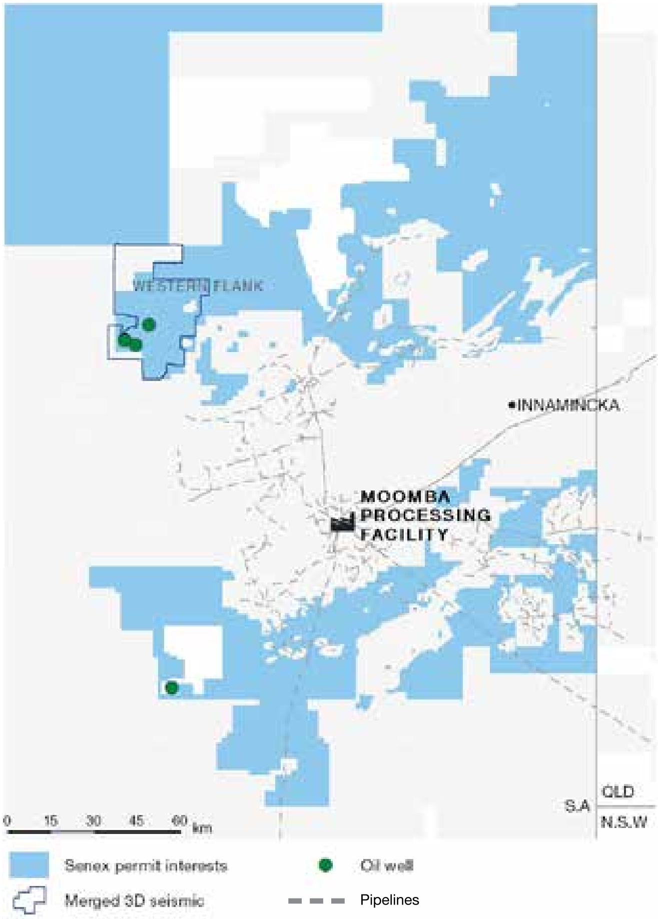
Senex prioritised oil exploration, appraisal and development opportunities on the western flank during the 2018 financial year. Field development planning on critical producing fields was progressed within the period and incorporated into a near-term work program agreed with Beach Energy in April 2018 (see expanded section below). Field development planning resulted in additions to 1P and minor revisions to 2P reserves.

Following the award to Senex of Project Atlas, Senex undertook a comprehensive review of its asset portfolio to focus on the high value opportunities ahead. This included the ranking of acreage in Senex's large Cooper Basin position, drawing on the company's extensive understanding of the Basin and utilising its regional petroleum system model. The model, refined over the past three years and bringing together Senex and its peers' investment in seismic and drilling over the past three decades, uses a play-based methodology to highlight and rank areas of prospectivity in Senex's acreage position.

As a result of the asset portfolio review, the company began a process to rationalise non-core Cooper Basin acreage mid-way through the 2018 financial year, with certain acreage divested, farmed-down and relinquished during the period. The remaining non-core exploration acreage in the portfolio has been impaired to nil value in line with the accounting treatment for the evaluation of mineral resources given Senex has no current plans for substantive expenditure on these assets.

> Senex prioritised oil exploration, appraisal and development opportunities on the western flank during the 2018 financial year.

FY18 OIL ACTIVITIES IN THE COOPER BASIN, SOUTH AUSTRALIA



Seismic activity

During the year, Senex completed processing and interpretation of the **Liberator 3D seismic survey** (ex-PEL 111: Senex 60% and operator), acquired during FY17. The interpreted results of the 295 square kilometre survey were merged with Senex's existing 3D seismic data set on the western flank along with adjacent 3D seismic surveys undertaken by our peers, giving the company's subsurface team a total area of 941 square kilometres of data to work with. This resulted in over 15 new exploration prospects being mapped in the western flank, including large, high materiality targets and several near-field opportunities.

The most attractive of these targets will be drilled in FY19 and free-carried by Beach Energy, as part of the agreement announced in April 2018 (see expanded section on the following page).

OPERATING REVIEW CONT.

Drilling activity

Senex drilled five oil wells in the Cooper Basin during the 2018 financial year, with four of these situated on the western flank and three of them successful. Several of the wells incorporated contingent sidetrack wells to maximise the chance of success and optimise capital efficiency.

Early in the year Senex made an oil discovery on the western flank with **Marauder-1** (ex-PEL 104: Senex 60% and operator) intersecting net pay of up to 8.6 metres in the Birkhead Formation reservoir. The well was brought online the following month, and a follow-up well, **Marauder-2**, drilled in March 2018. Marauder-2 delineated the extent of the field and intersected Birkhead sands, although the exploration target for this well was unsuccessful. The sidetracked development target Marauder-2 DW-1 was brought online early in FY19. The discovery of the Marauder field resulted in the booking of new 1P and 2P reserves.

The **Growler-15 oil development well** (ex-PEL 104: Senex 60% and operator) was drilled in February 2018, representing the first horizontal well on the Growler field and on Senex's western flank acreage. The well intersected 578 metres of net oil pay in the Birkhead Formation reservoir and was brought online in 27 days from spud with initial rates around 1,850 barrels of oil per day. The well produced strongly throughout the remainder of FY18 and is expected to increase overall recovery from the Growler field, reflected in the booking of new 1P reserves and the conversion of 2P undeveloped reserves to 2P developed reserves.

The **Martlet North-2 oil appraisal well** (ex-PEL 111: Senex 60% and operator) was drilled in August 2017 to appraise the north-eastern extent of the Martlet North field, but was plugged and abandoned due to lack of commercial pay.

Finally, the **Frey-1 oil exploration well** (ex-PEL 93: Senex 70% and operator) was drilled in September 2017 to test the Namur Sandstone and Murta Formations in the south-western Cooper Basin. Frey-1 did not encounter significant hydrocarbons and was plugged and abandoned. Given the higher risk nature of this exploration well Senex farmed-down its interest in the well and ultimately contributed approximately 30% of the total cost.

Agreement with Beach Energy

In April 2018 Senex announced the termination of the Senex-Beach joint venture unconventional gas project with consideration of up to $43 million transferred as a free-carry commitment to the mutually owned Senex-operated Cooper Basin western flank oil assets. The agreement means that Senex and Beach can focus on lower-risk, high returning oil opportunities on the western flank, targeting reserve and production adds.

The work program includes at least three horizontal development wells and seven exploration wells and associated infrastructure. It leverages the 688 square kilometres of merged seismic data over the western flank, with several exploration targets located in the newly acquired Liberator seismic area. It also builds on the success of the recent Growler-15 development well, which demonstrated the efficacy of horizontal drilling in the Birkhead reservoir to access undeveloped resource. This firm program is expected to be complete during FY19 and based upon success, an additional work program will be agreed between the joint venture partners.

Senex's oil business in the Cooper Basin

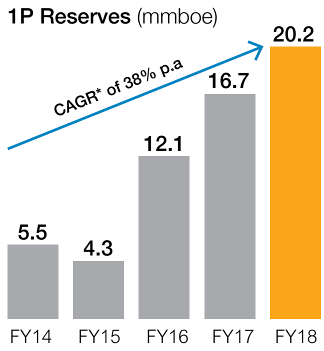
RESERVES AND RESOURCES

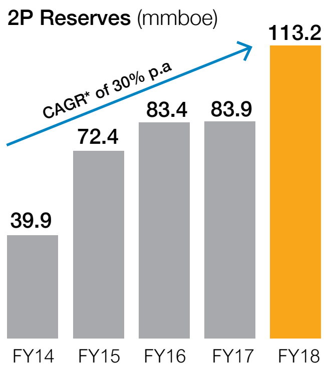
The significant increase in both 1P and 2P reserves clearly demonstrates the Senex strategy in action as we build our east coast gas business and focus on the prolific western flank of the Cooper Basin

In 2018 Senex's 1P reserves increased to 20.2 mmboe, up 21%, while 2P reserves increased to 113.2 mmboe, up 35%. Our 2P reserves life is estimated at 19 years for gas and 8 years for oil[1].

In the **Surat Basin**, the award of Project Atlas during the year resulted in a material increase in Senex 2P reserves of 144 petajoules (24.5 mmboe). In the Western Surat Gas Project an increase in both 1P reserves (22 petajoules, 3.8 mmboe) and 2P reserves (43 petajoules, 7.2 mmboe) was driven by positive subsurface performance from the 30-well Phase 2 appraisal program, the Mimas-2 core well, and continued refinement of the Field Development Plan (FDP).

The movement in **Cooper Basin** 1P and 2P reserves after accounting for production was minor. The movement reflected positive drilling results at the Marauder and Growler fields and technical revisions across several fields based on individual performance and FDP updates.





*CAGR: Compound Annual Growth Rate

Senex's major development focus in the near term is on Project Atlas and the Glenora and Eos blocks of the Western Surat Gas Project. Together these two project areas constitute 334 petajoules (57 mmboe) of 2P reserves, of which around 90% is currently undeveloped. The conversion of these undeveloped 2P reserves to developed reserves and production is the overwhelming priority for Senex.

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 31 July 2018.

Proved reserves (1P)

MMBOE	OIL	GAS AND GAS LIQUIDS	TOTAL	DEVELOPED	UNDEVELOPED	TOTAL
Surat Basin	–	17.5	**17.5**	5.7	11.8	**17.5**
Cooper Basin	2.5	0.1	**2.7**	2.7	–	**2.7**
Total	2.5	17.7	**20.2**	8.4	11.8	**20.2**

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

Proved plus probable reserves (2P)

MMBOE	OIL	GAS AND GAS LIQUIDS	TOTAL	DEVELOPED	UNDEVELOPED	TOTAL
Surat Basin	–	104.6	**104.6**	5.7	98.9	**104.6**
Cooper Basin	8.3	0.2	**8.6**	3.7	4.8	**8.6**
Total	8.3	104.8	**113.2**	9.4	103.7	**113.2**

Proportion of total proved plus probable reserves that are unconventional (coal seam gas): 92%

Contingent resources (2C)

MMBOE	OIL	GAS AND GAS LIQUIDS	TOTAL
Surat Basin	–	–	–
Cooper Basin	5.3	–	**5.3**
Total	5.3	–	**5.3**

Reserves and Contingent resources movement

MMBOE	30 JUNE 2017	PRODUCTION	ACQUISITION & DIVESTMENT	REVISIONS	30 JUNE 2018	CHANGE
1P reserves	16.7	(0.8)	–	4.3	**20.2**	21%
2P reserves	83.9	(0.8)	31.6	(1.5)	**113.2**	35%
2C resources	208.1	–	–	(202.8)	**5.3**	(97%)

Numbers may not add due to rounding. Percentages calculated on rounded numbers.

1 Assumes gas reserves and production from initial production areas of the Western Surat Gas Project (Glenora and Eos only) and Project Atlas of 48 terajoules per day (~3 mmboe per annum) and steady-state oil production of 1 mmbbl per annum.

SUSTAINABILITY REVIEW

Senex is committed to continuously improving our performance in sustainability. In 2018 we gave significant attention to building a values-led culture that supports our position as a growing and independent company providing oil and gas to improve lives and support the energy needs of Australia and the world.

This review covers Senex's performance and activities for the past financial year across four key areas of sustainability: safety, environment, people and stakeholder relations.

LOOKING BACK

Disappointing safety performance despite a continued strong safety culture, with Senex redoubling efforts to address the current Total Recordable Injury Frequency Rate (TRIFR) of 8.75

Maintained our strong environmental performance, and received milestone environmental approvals on both the Western Surat Gas Project and Project Atlas

Refreshed corporate Purpose and Mission statements to drive a values-led culture

Strengthened relationships with local community, landholders, Native Title holders, business and industry groups

LOOKING FORWARD

Increasing focus on behavioural safety and contractor management to drive improvement in safety performance

Submitting environmental approval applications for the full field development activities on Project Atlas

Implementing a new Learning Management System and providing additional online resources for employee development

Progressing landholder engagement activities to support development of east coast gas projects

SAFETY

With safety at the heart of everything we do, we are disappointed with our decline in safety performance this year. We take our commitment to provide a safe environment for our people and contractors very seriously, and have redoubled our efforts to improve our overall risk awareness, contractor management processes, systems and safety culture.

OUR SAFETY STATISTICS AT A GLANCE

KEY MEASURES	FY18	FY17
Total Recordable Injury Frequency Rate	8.75	3.95
Lost Time Injury Frequency Rate	5.83	1.32
Recordable incidents	6	3
Exposure hours worked – total	685,788	760,027
Exposure hours worked – contractors	247,524	337,027
Contractor exposure hours as % of total	36%	44%
Health and Safety Audits Conducted	45	43
Fatalities	–	–

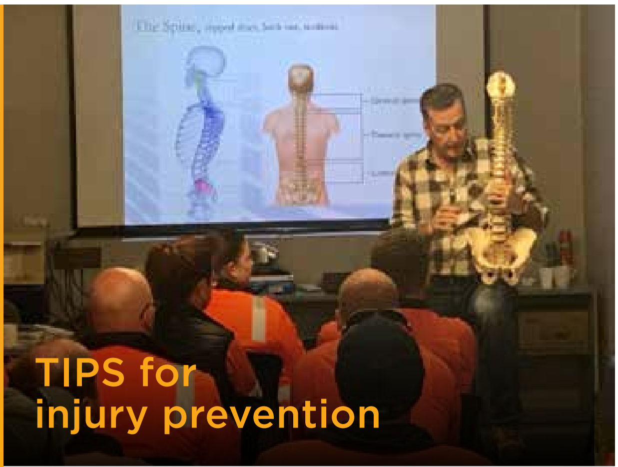
SAFETY PERFORMANCE

Tracking and measuring our safety performance is critical to ensuring we are appropriately and effectively implementing our safety frameworks.

Unfortunately, we experienced a total of six recordable injuries during the financial year; five in the Cooper Basin and one in the Surat Basin. Of the total injuries, three were sustained by third-party drilling contractors and three by Senex operators. Three injuries were the result of either a slip, trip or fall mechanism, two were attributed to hands and fingers being caught in pinch points and one was a musculoskeletal injury from lifting an object.

In order to address the root cause of incidents, particularly in our drilling and completions activities, renewed focus has been placed on personal risk awareness and contractor safety management. To prevent the likelihood of reoccurrence, each incident was comprehensively reviewed, lessons learned were captured and mitigating actions were implemented. We are also working with our industry partners to share learnings so that we can strive to reduce our injuries to zero.

SAFETY IN ACTION



TIPS for injury prevention

Recognising an increasing trend in musculoskeletal incidents in our work environments, experienced physiotherapist and Total Injury Prevention Specialists (TIPS) Director Paul Knotts, was engaged to deliver injury prevention training.

Employees in the Cooper Basin and Brisbane and Adelaide offices were educated through workshops on how to apply the principles of office ergonomics and the best ways to prevent musculoskeletal injuries at work and home.

Senex will continue to partner with TIPS to complete the rollout of injury prevention training to our Surat Basin employees with the ultimate aim to improve our safety performance.

We are also working with our industry partners to share learnings so that we can strive to reduce our injuries to zero.

SAFETY SYSTEMS AND PROCESSES

Senex continued to focus on improving its health and safety management systems during the year, supporting the implementation of the key processes required to ensure operations will be safe and reliable.

In FY18 Senex:

- rolled out new Permit to Work and Isolation systems and training across all operational sites;
- delivered a Senex specific hazard identification tool for workers to use when conducting risk assessments (RA) and job hazard analyses (JHA);
- tested existing emergency management systems and internal capability through an annual company-wide crisis and emergency management exercise in the Cooper Basin;
- provided First Aid training to all field personnel in Surat and Cooper Basins, strengthening emergency medical response capability; and
- approved the development of a new incident reporting and audit management system to be implemented in FY19.

INDUSTRY COLLABORATION

Senex remains active in Queensland's Safer Together group; a gas industry safety forum established in 2014 with more than 100 member companies. Our continued participation in the group reinforces our commitment to consistent and continuous improvement of safety standards across the industry.

The commitment of time and focus to the Safer Together initiative continues to extend to Senex's leadership team, including working group positions for Senex MD and CEO Ian Davies and EGM People and HSE Suzanne Hockey.

When it comes to safety leadership in the industry and participation in Safer Together, our contribution continues to outweigh the expectations for an organisation of our size.

COMMITMENT TO THE SAFETY OF OUR COMMUNITIES

Senex has continued investing into key safety initiatives and partnerships that provide added assurance of 24-hour world-class medical care to workers, communities and visitors in remote oil and gas regions.

- This financial year, Senex in partnership with Beach Energy re-committed to support the Cooper Medivac 24 helicopter service for another 3 years. 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 the ability to access remote sites often inaccessible by plane, the Cooper Medivac 24 service also provides vital support to the Royal Flying Doctor Service.
- We also continue to support the Royal Flying Doctor Service, with annual funds directly contributing to their 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, with further information provided in the Stakeholder Relations section of this report.

SAFETY IN THE COMMUNITY

Cooper Medivac community call outs

During the year the Royal Flying Doctor Service relied on the Cooper Medivac helicopter service to connect remote communities with expert medical care.

The RFDS reached out to the Medivac service to assist with two community call outs at the remote Poeppel's Corner, which borders Northern Territory, South Australia and Queensland – a burns patient was successfully transferred by Medivac helicopter to Moomba via Birdsville, and a patient with chest pains was transferred to Birdsville.

A third community call out required the Medivac helicopter to collect a patient with severe abdominal pains.

All three patients were then transferred to the RFDS fixed-wing crew for evacuation to a tertiary medical facility.

Senex has continued investing into key safety initiatives and partnerships that provide added assurance of 24-hour world-class medical care to workers, communities and visitors to remote oil and gas regions.

ENVIRONMENT

Senex continued its strong performance in environmental management and delivered key milestones for the east coast gas development projects.

OUR ENVIRONMENTAL STATS AT A GLANCE

KEY MEASURES	FY18	FY17
Environmental inspections completed	28	32
Environmental improvement notices	–	2
Environmental spills	8 (72 litres)	10 (217 litres)
Serious incidents	–	–
Greenhouse gas emissions (tonnes of CO_2 equivalent)	NYR	25,699
Water produced (ML)	2,222	2,010
Water used (ML)	92	70
Water re-used from existing Senex ponds (ML)	65	39

NYR – Not yet reported

ENVIRONMENTAL PERFORMANCE

No serious reportable environmental incidents occurred across any of Senex's operations during FY18. In the period we focused on maintaining and improving environmental management at our well-established Cooper Basin operations, and on progressing environmental approvals and implementing a strong environmental management framework for our Surat Basin projects.

Inspections and notices

» The environment team conducted 28 environmental inspections and audits across the Surat and Cooper Basins during the 2018 financial year.

» Five inspections were conducted by Queensland and South Australian regulators.

» No environmental improvement or infringement notices were issued.

Spills and incidents

» The total volume of environmental spills continues to reduce, with 72 litres recorded in FY18 against 217 litres in FY17.

» Incidents were immediately addressed through containment and remediation. These results reflect process improvements and continued robust internal reporting. Spill response and prevention processes were reviewed and updated as part of continuous improvement.

ENVIRONMENTAL INNOVATION

Innovative solutions in the Cooper Basin

Senex kick-started a bio-remediation trial during the 2018 financial year using specialised microbes to treat hydrocarbon contaminated soil. The microbial product uses a naturally occurring micro-organism that is non-toxic and non-pathogenic. The microbes work by breaking down, degrading and digesting hydrocarbons and other organic compounds into CO^2 and water, leaving no remaining residue.

With promising early results, success will pave the way to use the microbial products on a larger scale as a means of safe, low impact management of contaminated soil and on-location treatment of spills.

PROGRESS IN THE SURAT BASIN

Environmental activities ramped up significantly in the Surat Basin during FY18 in line with Senex's strategy to deliver the east coast gas development projects.

Western Surat Gas Project

During the 2018 financial year Senex received environmental approval from the state to develop up to 425 development wells and associated infrastructure on the project acreage, and in August 2018 a formal decision by the Minister providing Commonwealth approvals was received. Approval by the state and Commonwealth signifies that Senex has demonstrated that any potentially adverse environmental impacts from the development of the project will be appropriately avoided, managed or mitigated.

As part of the approvals process, Senex submitted significant baseline data, and engaged with community and key stakeholders on the potential environmental impacts of the project. Interested and potentially affected parties were invited to comment, with these comments submitted and reviewed as part of Senex's overall application. Senex received a small number of comments, many of them positive, as part of our state and Commonwealth applications, and we will continue to work closely with all stakeholders as the project progresses to encourage understanding of our plans. Our approach and progress with key stakeholders is further described on page 34 of this Sustainability Review.

During the period, Senex drilled, completed and connected a 30-well campaign (the Phase 2 work program). All activities were undertaken under the framework of a robust environmental management system, with processes to identify potential risks, and the implementation of appropriate controls. Reinstatement and rehabilitation works are being undertaken following the completion of these work activities, and the environmental management system will continue to undergo continual refinement ahead of future development.

Senex's environment team conducted 15 proactive environmental inspections and audits in the project acreage during the period, with no formal notices issued by the Queensland regulator. A minor release of sediment into water during the year did not result in any material environmental harm but was reported to the Department of Environment and Science (DES). Senex has reviewed the incident, captured the learnings and implemented mitigating actions as a result.

Project Atlas

Following the successful award of the Atlas project, Senex prepared and secured initial Environmental Authority from the Queensland Government in March 2018. This authority enables early site works and the grant of the Petroleum Lease over the block.

Site studies have commenced to assess the project area. These baseline studies will inform subsequent environmental impact assessments that will be required to support approval applications for the full field development activities. These applications are planned to be submitted to both state and Commonwealth environmental regulators in the first half of FY19.

CLIMATE CHANGE AND ENVIRONMENTAL MANAGEMENT

Recognising the need to transition to a low-carbon economy, Senex is committed to evaluating and implementing operational initiatives that will reduce our emissions in 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. The report provides these emissions calculations for FY17, as the FY18 calculations are completed late in the calendar year.

Reduced energy production consumption and greenhouse gas emissions

» 25,699 tonnes of CO2 equivalent in FY17 vs 28,973 tonnes in FY16

Noting the lag in reported data, this result for FY17 is consistent with reduced activity levels, including lower production, flaring and field and facilities development. For FY18, we expect a measured increase in emissions proportionate to additional exploration and production activity across the Cooper Basin and Surat Basin projects.

Increased water production

» 2,222 megalitres of water produced in FY18 vs 2,010 megalitres in FY17

The increase in water production levels can be primarily attributed to new wells coming online, water-cut increases from producing wells in the Cooper Basin and appraisal activities on the Western Surat Gas Project.

Decreased water usage

» 92 megalitres in FY18 (71% of total from Senex water storage ponds) vs 109 megalitres in FY17.

In FY18 Senex successfully achieved a reduction in water use as well as a significant increase in the re-use of water for construction and drilling activity in the Cooper Basin and on the Western Surat Gas Project. Senex continues to supply treated and tested produced water to local graziers in the Cooper Basin, helping them to maintain their livestock watering. In the Surat Basin Senex is prioritising the beneficial reuse of produced water, including for construction, drilling and dust suppression. The opportunity to irrigate adjacent farm land using produced water is being investigated and would further promote the co-existence of gas activities with surrounding agricultural land use.

SAVING OUR SPECIES

Supporting the reintroduction of locally-extinct mammals

Senex threw its support behind the Wild Desert project this year, with the aim of understanding, restoring and promoting desert ecosystems - in this case, by reintroducing seven locally-extinct mammals into a desert area bordering South Australia and New South Wales.

Our contribution of an accommodation and kitchen block will provide great benefit to the researchers and visitors to the regional site, and our provision of fencing materials will be used in the construction of the critical predator-proof fencing.

Species to be re-introduced include the western quoll, crest-tailed mulgara, bilbies, burrowing bettongs and bandicoots.

PEOPLE

We are proud of our diverse and inclusive culture and recognise that respect and a sense of belonging is a key contributor to high performance and success. As we grow our business we continue to attract and retain high quality people who share our values and a common ambition to 'make a difference'.

OUR WORKFORCE AT A GLANCE

	FY18	FY17
Number of employees	180	169
Full time/fixed term/part time/casual (%)	81/4/3/12	79/9/4/8
Office based/field based (%)	73/27	74/26
Women in the workforce	31%	29%
Women in management positions	29%	30%

RESOURCING OUR TEAM TO DELIVER

During the 2018 financial year, Senex continued to grow internal capability to support critical business activities.

Two new roles were created within the Executive Committee this year to better position us to achieve our strategic objectives – our Executive General Manager Operations and Growth takes accountability for Cooper Basin assets and business development opportunities and our Executive General Manager Queensland Assets is accountable for delivering our east coast gas projects in Queensland (both functions were previously within the role of the Chief Operating Officer).

Our overall workforce increased by 11 employees during FY18, bringing the Senex team to a total of 180 individuals employed in full time, fixed term, part time and casual roles. The additional resources are spread across multiple disciplines, predominantly in the Queensland Assets team, setting it up for our critical year of project execution to deliver the Western Surat Gas Project and Project Atlas in parallel.

For our east coast gas projects, we continuously strive to hire from and base people locally to our business operations. At this early stage in our development we have a small local operations team and during FY18 we continued to engage local contractors to deliver services such as drilling, civil construction and well completions.

> Refreshing our Purpose, Mission and Values statements to our employees in 2018 enabled us to confirm what we as a company believe in, stand for and value.

COMMUNITY SUPPORT

Boosting educational opportunities for regional Queenslanders

Senex established a new corporate partnership with the Queensland University of Technology (QUT) in FY18, pledging $125,000 to support academically promising but financially disadvantaged students.

The Senex Energy Learning Potential Fund Scholarship is designed to encourage disadvantaged and low-income students from regional Queensland to undertake an undergraduate degree of their choice at QUT.

The annual scholarship of up to $5,000 will be awarded in perpetuity through QUT's Learning Potential Fund; which strives to bring opportunity to those who might otherwise not have the chance to pursue a university education.

Senex is proud to be partnering with QUT and to support students living in and around our regional Queensland operational areas who are facing economic challenges.

A SHARED PURPOSE, MISSION AND VALUES

Refreshing our Purpose, Mission and Values statements to our employees in 2018 enabled us to confirm what we as a company believe in, stand for and value. With a strong focus on executing our growth strategy it was important for us to reinforce where we are going as an organisation, why and how. Our new Purpose, Mission and Value statements are outlined at the beginning of this report on page 2.

Building a team unified by our values empowers every employee at Senex to make the best decisions and achieve company goals. There was a continued focus during the year on recognising and rewarding employees who go above and beyond and truly live our organisational values.

A total of eighteen employees were recognised through the quarterly Living the Values awards program during FY18. Nominated initially by peers and colleagues, nominations are then reviewed by the Executive Committee and recognised at Quarterly Town Hall meetings.

DEVELOPING LEADERSHIP CAPABILITY

Efforts are well advanced on developing a comprehensive and progressive leadership program that will be rolled out to existing and emerging leaders during FY19.

Partnering for the long-term, the program has been designed with and will be supported by external specialists in close consultation with Senex's Human Resources team.

Planned as a multi-year modular program with face-to-face and online components, the aim is to build leadership capability that will drive and embed Senex's strategy, culture and values.

The program demonstrates a significant investment on Senex's behalf in developing leaders to deliver with purpose now and into the future.

HEALTH AND WELLBEING

Mindfulness challenge

Available to all employees, Senex's four-week mindfulness challenge provided a welcome opportunity for individuals to take ten minutes to refocus on their health and wellbeing.

Kicking-off with a lunch and learn session and followed by daily 10-minute mindfulness sessions hosted by qualified Senex employees, over one in five employees participated in and enjoyed the challenge. The provision of additional resources such as mindfulness apps meant mindfulness could be achieved at work and at home.

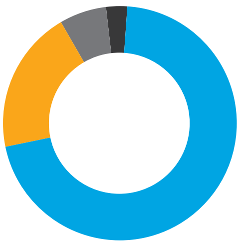
Overwhelmingly positive feedback has guaranteed that sessions will continue into the future.

WHAT OUR WORKFORCE LOOKS LIKE

Employment status (%)

- 84% Permanent
- 16% Other arrangements

Region-based count



- 127 Brisbane
- 36 Cooper Basin
- 12 Surat Basin
- 5 Adelaide

Managers – gender (%)

- 71% Male gender
- 29% Female gender

Workforce gender (%)

- 69% Male gender
- 31% Female gender

STAKEHOLDER RELATIONS

Throughout FY18, Senex continued to build positive and enduring relationships with our local communities, landholders, businesses and industry groups crucial to our long-term success.

SURAT BASIN, QUEENSLAND

In the community

In September 2017 Senex was awarded Project Atlas, located in the Western Downs region, and the team immediately started to build relationships with the community. In parallel, we continued to work with the Maranoa community, the primary region in which the Western Surat Gas Project is located.

Overall, Senex maintained or raised its presence in those regions during the 2018 financial year through the following activities:

» Employing locally based employees

Senex maintains a physical presence in the Surat Basin at our Roma office, which provides support for local employees and the wider community. We are looking to expand our physical presence into Wandoan with investigations under-way to secure office premises in the area.

Two crucial roles, Operations Field Coordinator and Land Access Field Coordinator, were recruited during the financial year to support both the Western Surat Gas Project and the Project Atlas work programs, with both roles based in the Roma region.

As project activities ramp up, we expect to employ more locals in permanent and casual positions in both project regions. Recruitment activities have commenced in Maranoa and the Western Downs to seek expressions of interest from local talent.

» Providing opportunities to listen to and inform the community about the project

Community Drop-in Sessions were held in Roma and Wandoan in August 2018 as part of our commitment to engaging with the communities in which our projects are located.

» Sponsorships and donations program

We continue to empower and support non-profit and community groups to deliver value-adding events and initiatives in the region. This financial year we commenced a partnership with Police-Citizens Youth Clubs (PCYC) to deliver the Roma ColourXplosion fun run and walk, as well as supporting local camp drafts, rodeos, the Maranoa Business Awards and more.

» Participation in local business forums and community initiatives

In August 2017, we hosted a Queensland Parliamentary Friends of the Resources Industry dinner at Parliament House, providing an opportunity to share an update on our Queensland activities with our lawmakers.

STRATEGY IN ACTION

Navigating regulatory and industry change

East coast electricity and domestic gas security remains high on the political agenda, requiring close monitoring, understanding and participation in regulatory and policy activities potentially impacting Senex. As part of our continuing efforts to strengthen our voice and build our position as a trusted upstream operator our Managing Director, Ian Davies, was elected to the Board of the Australian Petroleum Production & Exploration Association (APPEA) and is an active participant of its Communications Committee. We also continue our active participation in industry and government forums, including the Queensland Resources Council, and the South Australian Chamber of Mines and Energy and contribute to submissions for key legislative reviews and deliberations.

Mid-way through FY18, we presented to local businesses and community members on Senex's current and upcoming activities at Commerce Roma's gas industry update. We also provided a Project Atlas update to Wandoan and district residents as part of the Wandoan Community Commerce and Industry's 'Year Ahead' dinner held in partnership with Western Downs Regional Council.

» Frequent visits from leaders and employees to Roma and site

Our senior leaders, operational employees and support staff regularly visited our operational sites throughout the year, enabling continued interaction with local stakeholders, including government and regulatory representatives, the community and industry.

Working with our landholders

The Senex Land Access Team continues to coordinate and manage the timely delivery of Conduct and Compensation Agreements (CCAs) to enable work to progress on the Western Surat Gas Project, Project Atlas, and the Don Juan acreage. The team currently manages approximately 40 active CCAs and the ongoing facilitation of on-ground site survey activities for each project area.

Additional CCAs are expected to be executed in FY19 between the Western Surat Gas Project and Project Atlas areas. Early consultation is well advanced with the impacted landholders, with each interaction recorded and tracked via a consultation management program.

More than 200 landholder interactions occurred in FY18, covering the ongoing coordination, negotiation and development of Senex work programs. The vast majority of these interactions were positive as we worked collaboratively with landholders to find mutually beneficial solutions recognising that we are conducting our activities on their land.

On ground performance remains a key area of focus for Senex and contractors as work fronts expand in project areas. Contractor performance and behaviour on land shapes the way in which we develop and maintain relationships with our landholders. Senex continues to offer consistent project messaging and updates as we focus on building long term working relationships based on mutual courtesy and respect in the pursuit of operational coexistence.

Native Title and Cultural Heritage

Throughout FY18 we delivered on our commitment to build long term and respectful relationships with our Surat Basin traditional owners of the land on which we operate.

We worked closely with the Mandandanji People and the Iman People as clearance and monitoring activities were completed in the Western Surat Gas Project and Project Atlas areas. These activities are important for identifying and protecting culturally significant items, including those that may not be discovered otherwise. No breaches were recorded for Senex or its contractors during FY18.

We provided support to the Mandandanji People by sponsoring their attendance at the Aboriginal Enterprises in Mining, Energy and Exploration Ltd (AEMEE) conference. Focused on growing Indigenous businesses in Australia in mining and allied industries, the event provided the opportunity for the Mandandanji People to promote their businesses to the industry and offered a professional development for Mandandanji business personnel.

COOPER BASIN, SOUTH AUSTRALIA

In the community

Our support of remote and rural communities in South Australia continued during FY18. This was reflected by:

» Our ongoing major sponsorship of the Royal Flying Doctor Service

Each year, Senex commits over $100,000 to the Royal Flying Doctor Service Central Operations. This directly supports the 24/7 life-saving aeromedical service for workers, residents and tourists in rural and remote south and central Australia. Senex has supported the not-for-profit organisation since 2013.

» Continued investment in the 24/7 Cooper Medivac 24 helicopter service

The Cooper Medivac 24 helicopter service was initiated by Senex in 2014 and remains the only aeromedical service operating at night in Australia. Senex shares its commitment to the helicopter service with Beach Energy. More information can be found in the safety section of this report.

» Supporting local community events through our sponsorship and donations program.

Senex supported both the Fleurieu Campdraft and the South Australian Variety Bash, delivering value-adding events for the South Australian communities.

Native Title and Cultural Heritage

During the 2018 financial year, cultural heritage work clearances were completed by representatives of the Yandruwandha Yawarrawarrka People and the Dieri People in the Cooper Basin. 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.

Supporting Indigenous participation

Senex is funding the employment of an Indigenous Participation Manager in partnership with the South Australian Government, Santos and Beach Energy.

The engagement of Matty Moore, a proud Nunga man, is an initiative of the Cooper Eromanga Basin Aboriginal Conference (CEBAC) that aims to increase employment of members of the Dieri People, the Yandruwandha Yawarrawarrka People and Wangkangurru Yarluyandi People in the oil and gas industry and on whose land we operate.

The CEBAC is an annual conference that brings together representatives from the oil and gas industry, the three Aboriginal peoples of the Cooper Eromanga Basin region and state government representatives. It is the flagship event of the CEBAC program and during the reporting period was held ‘on country’ at Lake Killalpaninna in the Cooper, which was attended by two Senex representatives.

Senex is also pleased to be sponsoring a Dieri People art competition to be held in conjunction with their annual general meeting in FY19. The focus of the competition is to create cultural awareness and to support Indigenous community participation.

SUPPORTING LOCAL BUSINESSES

Local motel meets the needs

Senex runs competitive procurement processes for most work packages and continues to prioritise proposals received from local businesses that are registered in pre-defined western Queensland post codes.

When one local motelier came to us with a proposal that met our specific needs for supporting a 24-hour rig operation crew we jumped at the chance to support another local business owner. Hosts, Charles and Amanda’s hospitality and service commitment has meant we’ve accommodated crews at their Overlander Motel in Roma on several occasions, booking out 15 rooms for several weeks at a time, directly benefiting local jobs and the economy.

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 Energy for 12 years, following the demerger from Boral. At Origin he chaired the Remuneration Committee and was a member of the Audit and Safety Committees. Trevor's executive career included 15 years at BHP, eight years with the then Orica subsidiary Incitec, and 15 years with Brambles – the last six of which as Managing Director of Australasia.

As board chair, Trevor 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

Virgin Australia Holdings Limited: Non-executive Director, Chairman of the Safety Committee, member of the Audit and Risk Management Committee and the Remuneration Committee

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.

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.

Current directorships

Australian Petroleum Production & Exploration Association (APPEA): Non-executive Director

RALPH 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 and Nomination Committee, and member of the Audit and Risk Committee

Current directorships

Genex Power Ltd: Chair, Independent Non-executive Director

AusNet Services Ltd: Non-executive Director

Stanwell Corporation: Chair, Independent Non-executive Director

MultiCom Resources Pty Ltd: Independent Non-executive Director

TIMOTHY 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 Non-executive 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

Current directorships/other interests

Morgans Holdings (Australia) Limited: Non-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

TREVOR BOURNE IAN DAVIES RALPH CRAVEN TIMOTHY CROMMELIN DEBRA GOODIN ANDY ZHMUROVSKY JOHN WARBURTON

DEBRA 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 Atlas Arteria Limited. Debbie is also a member of the Finance and Investment Committee for the Royal Womens Hospital in Melbourne. 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 ASX listed companies included roles in finance, operations, corporate strategy and mergers and acquisitions.

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

Current directorships/other interests

Ooh! Media Limited: Non-executive Director

APA Group: Non-executive Director

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

Atlas Arteria Limited: Non-executive Director

ANDY ZHMUROVSKY

Non-executive Director

BBus

Andy joined the Senex Board in January 2018. He has almost 20 years' investment banking and private equity experience focused on companies and assets in the energy sector. He has originated investment opportunities, structured financing packages to support growth and managed energy investments in American, European and Asian markets.

Since 2008, Andy has been based in Sydney and focused on the Australian market. He was appointed Managing Director of EIG Global Energy Partners' Australian business in 2015.

Andy is a member of the Senex Nomination Committee.

Current directorships/other interests

EIG Global Energy (Australia) Pty Ltd: Director

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 and new business 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 35 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 LASMO plc, Eni Pakistan Ltd and Roc Oil Company Ltd. During the reporting period John held the position of Chief of Geoscience & Exploration Excellence at Oil Search Ltd.

John was appointed as a Member of the People and Remuneration Committee and Nomination Committee on 5 May 2017 and as a director, he is entitled to, and does, attend and participate in meetings of the other board committees except where conflicted.

Current directorships/other interests

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).

CORPORATE GOVERNANCE AND RISK

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

Senex complies with all eight principles of the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition). Our approach to risk management is provided in this section, with the complete 2018 Corporate Governance Statement available on our website at www.senexenergy.com.au/about/corporate-governance/.

RISK MANAGEMENT

Risk management is integrated into everything we do, from setting and evaluating strategy to organising and planning our activities. The Senex Enterprise Risk Management (ERM) Framework enhances governance, reliability of decisions and decision making, brand and reputation, communication and the ability to exploit opportunities.

The Senex ERM Framework was developed in accordance with AS/NZS ISO 31000:2009, the Australian and international standard for risk management. Senex uses a common language around risk identification and management across field operations and office-based teams.

The Senex ERM Framework 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 Framework focuses on the key risks to achieving organisation goals, from operational and business activities through to strategy implementation.

During FY18, Senex continued to focus on improving risk management within the Senex 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.

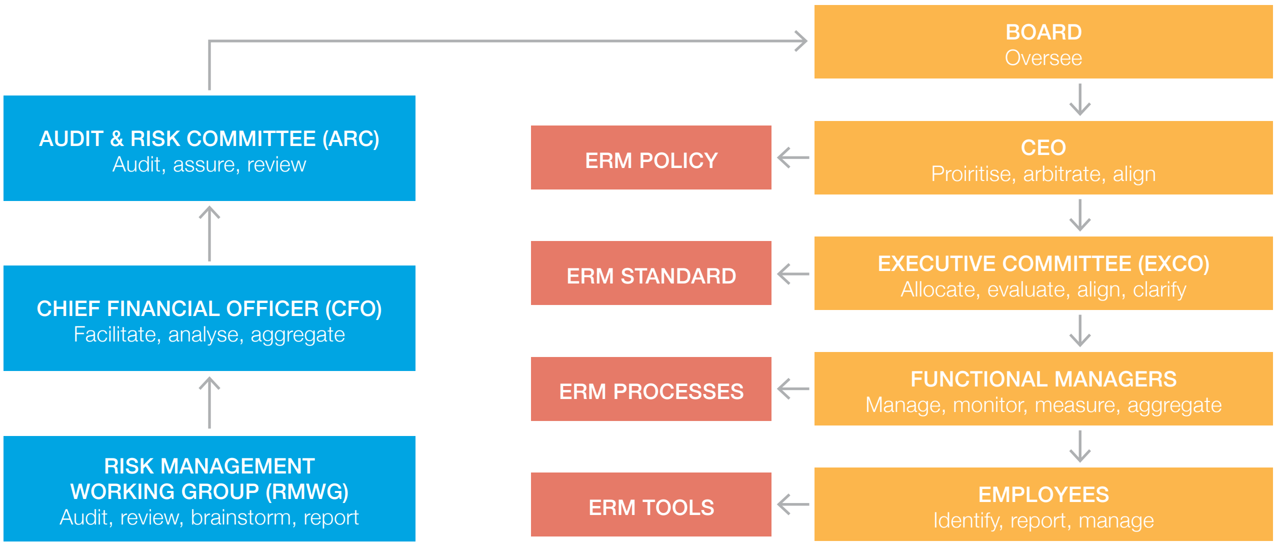
GOVERNANCE

The Senex ERM Framework defines oversight responsibilities for the Board to enable effective risk identification, assessment 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

Board	Retains the ultimate responsibility for risk management. The Board endorses the "Strategic Risk Appetite Statement". The Board is also responsible for ensuring that an adequate Risk Management Policy is in place, which encompasses both compliance and performance aspects as outlined in the Board Charter.
Audit and Risk Committee	Ensures that the internal risk management and control framework is effectively monitored, measured, guided and controlled.
Chief Executive Officer	Accountable for delivery of an effective system of risk management and ensures that the Senex ERM Framework is operating as intended.
Executive Committee	Oversees active use of the Senex ERM Framework and compliance with the risk appetite set by the Board.
Risk Management Working Group	Reviews the effectiveness of the Senex ERM Framework and the appropriateness of the control measures applied to reduce risks to acceptable levels.
Chief Financial Officer	Ensures the Senex ERM Framework is utilised to identify, assess and manage risks across the business. The CFO coordinates the audit process and communicates risk status, profile and new/emerging risks.
Functional Managers	Monitor the key business and operational/financial activities, progress towards objectives and identify developments which require intervention. Functional Managers ensure controls are implemented and report systematically and promptly to the Executive Committee on any emerging risks or failures of existing control measures.
Employees	Adhere to the Senex 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 2018

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.

COMMODITY PRICES			
The price obtained by Senex from oil and some gas production is subject to both USD oil price and AUD/USD exchange rate volatility.	**Cause**: Commodity prices are determined by global supply and demand and the state of the global economic environment.	**Impact**: Price and exchange rate volatility impacts Senex's revenue, cash flows and asset values. Sustained periods of low prices may impact the viability of growth projects and access to suitably priced long term sources of funds (refer Access to Funding risk).	**Mitigations**: We pursue an active commodity hedging strategy with oil price hedging in place through FY19. Opportunities for hedging are being monitored in consultation with financial institutions. In addition, we continue to focus on low cost production and demonstrating capacity to operate effectively in a low-price environment.
REGULATORY CHANGE			
Senex may suffer unspecified loss directly resulting from a change of Government or policy and/or related changes to legislation and regulations or administration thereof that ultimately impact Senex financially and operationally.	**Cause**: Governments are under increasing pressure from activist groups and the general public to regulate certain aspects of the oil and gas industry.	**Impact**: There may be impacts to our ability to provide sustainable returns for investors, through profit erosion and loss of company value. Increasingly we are seeing Governments at all levels contemplating retrospective regulatory changes which potentially impact the longer-term viability of existing projects. Other impacts include the potential for delays in approvals or changes to costs which may impact the economic viability of a project. Changes aimed at the oil and gas industry may also impact Senex's social license to operate.	**Mitigations**: 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 and regulator consultative committees (task force participation).
JOINT VENTURE PARTNERSHIPS			
Although Senex operates the majority of the tenements we hold, our growth strategy is dependent on technical and commercial alignment with joint venture partners.	**Cause**: Misalignment between parties and changes in global economic conditions can lead to scarcity of available investment capital and impacts approaches to prioritisation of development opportunities by joint venture partners.	**Impact**: Delayed approvals of development plans may impact Senex's growth strategy.	**Mitigations**: We work closely with joint venture partners to achieve mutually beneficial outcomes. A recent example is the western flank program alignment with Beach Energy, achieved through a termination and transfer of other commitments.

CORPORATE GOVERNANCE AND RISK CONT.

ACCESS TO INFRASTRUCTURE			
Although Senex operates the majority of the tenements we hold, our growth strategy is dependent on access to third party owned infrastructure.	**Cause**: Our operations are in remote locations and we often rely on third parties to process and transport our oil and gas.	**Impact**: Senex's sustainability and growth may be impacted by the failure to obtain appropriate supporting facilities. Our ability to deliver oil and gas to purchasers may be delayed or face increased costs.	**Mitigations**: We seek to work closely with suppliers of infrastructure to mitigate the risk of delays or failure. We continue to explore alternative routes to market to diversify risk where possible.
ACCESS TO FUNDING			
Senex's ability to fund operations and future growth.	**Cause**: Volatility or uncertainty in capital markets could restrict willingness of debt and equity investors to provide additional capital.	**Impact**: Senex's growth aspirations require the investment of significant capital to generate returns. Our ability to explore for and develop oil and gas reserves is dependent on our ability to generate and otherwise access capital to fund these activities.	**Mitigations**: We have internal prudent expenditure management and forecasting with a Board approved budget to maximise cash available from operations. We prioritise balance sheet strength to ensure the ability to access suitable funding, and in July 2018 agreed a A$150 million debt facility with ANZ to fund the development of our Surat Basin gas projects. We also actively seek partnering opportunities to assist in funding key activities on a project-by-project basis.
GEOGRAPHIC CONCENTRATION			
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.	**Cause**: Oil and gas operational activities are currently largely focused on Cooper Basin.	**Impact**: Any issues that curtail operations in the Cooper Basin could materially impact revenue flows.	**Mitigations**: The successful delivery of our flagship natural gas projects – Western Surat Gas Project and Project Atlas - will provide new revenue streams in the Surat Basin and will also help diversify our core business. We are also 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 any extended business interruption.
EXPLORATION AND DEVELOPMENT RISK			
Senex's future value depends on our ability to discover and develop new resources.	**Cause**: Exploration and drilling activities and outcomes are highly uncertain and dependent on capital funding and the acquisition and analysis of data, noting that changes in global economic conditions may impact economic assumptions and the attractiveness of the sector for investors.	**Impact**: Senex's future financial condition is directly related to the success of our exploration (and acquisition) efforts and our ability to generate prospects to meet future production requirements. Inability to attract suitably priced risk capital may limit our growth potential.	**Mitigations**: To ensure the highest possibility of success and therefore confidence of investors, we are analysing existing acreage for exploration drilling prospects by applying best-in-class technologies and processes. Our technical teams undertake extensive subsurface modelling and uncertainty analysis to determine the most likely production outcomes across our fields in both the Cooper and Surat Basins.

SAFETY AND HEALTH			
High levels of safety management are required to minimise the risk of harm to employees, contractors and communities near our operations, particularly in remote locations.	**Cause**: Oil and gas operational activities are inherently hazardous, such as drilling and driving in remote areas.	**Impact**: In addition to injury or damage to health or wellbeing of affected people, impacts may include reputational damage and fines.	**Controls & Mitigations**: Health and safety are the highest priority for Senex. We have developed detailed management plans that include auditing and verification processes as well as communication protocols for our operations. We also continue to fund a night-vision equipped helicopter in the Cooper Basin. We also continuously review our operations to ensure we operate at the highest standards of safety management. Senex additionally participates in the industry safety organisation 'Safer Together' to collaboratively promote safety leadership across the Queensland natural gas industry.
HYDROCARBON SPILLS AND LEAKS			
High levels of environmental management are required to minimise the risk of harm to habitat, employees, contractors and communities near our operations from a loss of containment of oil or gas.	**Cause**: Oil and gas operational activities involve the storage and transport of the produced oil and gas as well as waste materials.	**Impact**: In addition to environmental damage, impacts may include safety issues, reputational damage and fines.	**Mitigations**: Environmental management is a very high priority for Senex. We have developed detailed standard procedures to prevent, monitor and limit the impact of our operations on the environment. We carry third party environmental liability insurance in addition to well control insurance to support any required mitigations.
LOSS OF KEY DATA			
Compromise of, or disruption to, corporate information technology system, data and intellectual property in a time of escalating cyber-security threats.	**Cause**: Accidental or deliberate execution of a malicious script through email, compromised mobile devices, external hard-drives or file downloading. Unauthorised third party access to Senex systems and data.	**Impact**: Serious business disruption from cyber-security threats include data breach (lock-out of sensitive data, loss of data), loss of business continuity (down-time, rework), compromise or disruption of corporate IT physical assets, privacy violation and damage to reputation.	**Mitigations**: We currently have key controls in place such as firewalls, restricted points of entry, multiple data back-ups and security monitoring software.

DIRECTORS' REPORT

Your Directors submit this report for the year ended 30 June 2018 (FY18).

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 FY18.

DIRECTORS

The Directors who served at any time during or since the end of FY18 until the date of this report are identified on page 36 and in the table below:

KEY MANAGEMENT PERSONNEL (KMP)

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

The KMP of the consolidated Senex entity in FY18 were the following individuals who served for the periods indicated as Directors or as Executive KMP in FY18:

NAME	POSITION
Non-executive Directors	
Trevor Bourne	Chairman, Independent Non–Executive Director
Ralph Craven	Independent Non-executive Director
Timothy Crommelin	Non-executive Director
Debra Goodin	Independent Non-executive Director
John Warburton	Independent Non-executive Director
Andrey Zhmurovsky	Non-executive Director (commenced 1 January 2018)
Former Non-executive Directors	
Yanina Barila	Non-executive Director (resigned 21 December 2017)
Executive KMP – Executives	
Ian Davies	Managing Director and Chief Executive Officer (CEO)
Suzanne Hockey	Executive General Manager People and Health, Safety, Environment
Gary Mallett	Chief Financial Officer (commenced 8 May 2018)
David Pegg	General Counsel/Company Secretary (commenced as Executive 19 April 2018)
David Spring	Executive General Manager Exploration
Julie Whitcombe	Executive General Manager Queensland Assets
Former Executive KMP	
Darren Greer	Chief Operating Officer (ceased 22 December 2017)
Graham Yerbury	Chief Financial Officer (ceased 7 May 2018 but continued in employment until after 30 June 2018)

Unless otherwise indicated, each individual named above served as KMP for all of FY18. Details of the qualifications and experience of Directors and current Executive KMP are set out on page 12 and 36. Those details include details of any other listed company directorships held by the Directors during the last 3 years.

SENEX'S EXECUTIVE COMMITTEE

The Senex Executive Committee in FY18 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 Connolly retired as Company Secretary on 18 April 2018.

Mr David Pegg, Senex General Counsel, who was appointed as company secretary from 8 March 2013 for each Group company, in his role as General Counsel/Company Secretary commenced as an Executive on 19 April 2018. Details of Mr Pegg's qualifications and experience are set out on page 12.

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 FY18 was $6,100,000 (end of FY17: $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 and production in the Surat Basin.

The Group's sales revenue for FY18 was $70,301,000 (FY17: $43,649,000). The Group's statutory net loss (after the effect of non-cash impairments) for FY18 was $94,010,000 (FY17: $22,661,000 loss). The Group's underlying net profit for FY18 was $1,951,000 (FY17: $22,535,000 loss). The reconciliation of underlying net profit after tax to statutory net profit after tax is set out on page 14 of this report.

A detailed operating and financial review is provided on pages 14 to 25 of this report. Information on Senex's business strategy is provided on pages 10 to 11. Material business risks are discussed on pages 38 to 41 of the Corporate Governance overview.

TABLE 1: ORDINARY FULLY PAID SHARES ISSUED DURING FY18

	PARENT ENTITY			
	FY18		FY17	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,442,250,404	539,958	1,152,686,422	451,233
Issues of share during the period:				
– Placement	–	–	173,154,143	54,544
– Share purchase plan	–	–	114,735,303	36,142
– Exercise of unlisted options	1,000,000	255	160,000	41
– Vesting of Performance rights (nil consideration)	4,020,690	–	1,514,536	–
Transaction costs on shares issued (net of tax)	–	–	–	(2,002)
Balance at the end of the period	**1,447,271,094**	**540,213**	**1,442,250,404**	**539,958**

DIRECTORS' INTERESTS IN EQUITY SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

In FY18 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 as 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
Yanina Barilá**	–	–	–	–
Trevor Bourne	452,619	–	–	–
Ralph Craven	321,000	–	–	–
Timothy Crommelin	4,074,431	–	–	–
Ian Davies	6,394,842	–	3,183,521	8,467,449
Debra Goodin	180,000	–	–	–
John Warburton	174,133	–	–	–
Andrey Zhmurovsky*	–	–	–	–

* Mr Zhmurovsky is an executive of EIG Group which holds relevant interests in 176,622,620 Shares (12.2% of issued Shares).

** Ms Barilá (a director for part of FY18) is an executive of The Sentient Group which held relevant interests in 188,212,276 Shares (13.0% of issued Shares) during FY18 until it sold in December 2017.

In FY18 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 FY18 that is not detailed elsewhere in this report.

SIGNIFICANT EVENTS AFTER REPORTING DATE

On 31 July 2018, Senex announced that it had entered into a fully underwritten A$150 million debt facility to fund the development of its Surat Basin gas projects. The agreement is subject to final documentation and customary conditions precedent.

On 14 August 2018, Senex announced that it had been granted approval to develop the Western Surat Gas Project under the Commonwealth Government Environment Protection and Biodiversity Conservation Act (EPBC). Together with previously granted state environmental approvals and Petroleum Lease, Senex has now received all primary approvals to commence the development of the Western Surat Gas Project, initially focusing on the Glenora and Eos blocks.

On 15 August 2018, Senex announced that it had made a Birkhead oil discovery with the Breguet-1 oil exploration well, located in ex PEL 104 (Senex 60% and operator) in the western flank of the South Australia Cooper Basin.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In FY19, 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 17 to 24.

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 addressed in 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 was notified by any government agency in FY18.

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) as at the date of this report.

TABLE 3: RIGHTS TO SENEX UNISSUED SHARES:

TYPE OF SECURITY	NUMBER	EXERCISE PRICE	CONDITIONS	VESTING	EXPIRY
FY17 STI Rights	1,094,911	nil	performance & service	1 July 2018	7 September 2023
FY18 LTI Rights	6,353,456	nil	performance & service	September 2020	September 2024
FY18 Retention Rights	3,602,370	nil	service	31 December 2019	September 2024
TYPE OF SECURITY	**NUMBER**	**STARTING PRICE**	**CONDITIONS**	**VESTING**	**EXPIRY**
FY16 SARs – tranche 1	11,819,693	$0.146	performance & service	September 2018	September 2022
FY16 SARs – tranche 2	3,261,674	$0.146	performance & service	August 2018	September 2022
FY17 SARS – tranche 1	7,006,135	$0.248	performance & service	September 2019	September 2023
FY17 SARS – tranche 2	2,641,481	$0.248	performance & service	September 2019	September 2023

MOVEMENTS IN OPTIONS

From 1 July 2017 to the date of this report:

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

As at the date of this report, there are no Options over unissued Shares of Senex.

TABLE 4: DETAILS OF MOVEMENTS IN OPTIONS FROM 1 JULY 2017 TO THE DATE OF THIS REPORT:

DATE	EVENT	NUMBER OF OPTIONS	EXERCISE PRICE
19 July 2017	all FY11 LTI Options tranche 3 exercised	1,000,000	$0.255
19 July 2018	all FY11 LTI Options tranche 4 exercised	1,000,000	$0.255

Details of those Options are described in the Remuneration Report, page 62.

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.

MOVEMENTS IN PERFORMANCE RIGHTS

From 1 July 2017 to the date of this report there has been the following movements in Performance Rights:

- 9,955,826 were granted;
- 459,411 were exercised;
- 5,575,012 vested;
- 4,887,166 lapsed.

TABLE 5: DETAILS OF MOVEMENTS IN PERFORMANCE RIGHTS FROM 1 JULY 2017 TO THE DATE OF THIS REPORT:

DATE	EVENT	NUMBER OF RIGHTS
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)
6 September 2017	FY18 LTI Rights granted	3,116,105
6 September 2017	FY18 Retention Rights granted	3,127,370
12 December 2017	FY18 LTI Rights granted	3,183,521
22 January 2018	part of FY17 STI Rights lapsed	(199,913)
28 February 2018	FY18 additional LTI Rights granted	53,830
1 July 2018	all remaining FY17 STI Rights vested	1,554,322
4 July 2018	part of vested FY17 Rights exercised	(265,262)
12 July 2018	part of vested FY17 Rights exercised	(194,149)
14 August 2018	part of FY18 LTI Rights lapsed	(880,150)
14 August 2018	FY18 additional Retention Rights granted	475,000

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. No amount is payable on vesting of Performance Rights.

MOVEMENTS IN SARS

From 1 July 2017 to the date of this report:

- a total of 8,109,152 SARs lapsed;
- no SARs were granted;
- 3,261,674 SARs vested.

TABLE 6: DETAILS OF MOVEMENTS IN SARS FROM 1 JULY 2017 TO THE DATE OF THIS REPORT:

DATE	EVENT	NUMBER OF SARS
21 January 2018	part of FY17 SARs tranche 1 lapsed	(1,086,541)
21 January 2018	part of FY17 SARs tranche 2 lapsed	(409,652)
14 August 2018	part of FY16 SARs tranche 1 lapsed	(2,639,344)
14 August 2018	part of FY16 SARs tranche 2 lapsed	(1,988,335)
14 August 2018	part of FY17 SARs tranche 1 lapsed	(1,441,718)
14 August 2018	part of FY17 SARs tranche 2 lapsed	(543,562)
14 August 2018	part of FY16 SARs tranche 2 vested	3,261,674

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. No amount is payable on the vesting of SARs. Once a SAR vests, it continues as a SAR until excercised.

SHARES ISSUED ON EXERCISE OF OPTIONS OR PERFORMANCE RIGHTS

From 1 July 2017 to the date of this report Senex issued:

- 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;
- 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;
- 459,411 shares to the Senex Employee Share Trust to provide to the holders of part FY17 STI Rights on the exercise of their Rights on 4 and 12 July 2018;
- 1,000,000 shares to the Senex Employee Share Trust to provide to the holder of the FY11 LTI Options tranche 4 on the exercise of their Options on 19 July 2018.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In FY18, Senex incurred a premium of $69,294 (FY17 $63,817) to insure Directors and officers of the Group. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group. It is not possible to apportion the premium between amounts relating to insurance against legal costs and amounts relating to insurance against other liabilities.

DIRECTORS' MEETINGS (UNAUDITED)

TABLE 7: THE NUMBER OF MEETINGS OF SENEX'S BOARD OF DIRECTORS AND OF EACH BOARD COMMITTEE HELD IN FY18, AND THE NUMBER OF MEETINGS ATTENDED BY EACH DIRECTOR:

			MEETINGS OF COMMITTEES			
	BOARD MEETINGS		AUDIT AND RISK		PEOPLE AND REMUNERATION	
	A	B	A	B	A	B
Trevor Bourne	10	10	6*	6	4*	4
Ian Davies	9	10	6*	6	3*	4
Yanina Barilá	5	5	3*	3	1*	2
Ralph Craven	9	10	6	6	4	4
Timothy Crommelin	9	10	5	6	3*	4
Debra Goodin	9	9	6	6	4	4
John Warburton	10	10	5*	6	4	4
Andrey Zhmurovsky	5	5	3*	3	1*	2

A = Number of meetings attended

B = Number of meetings held during the time the Director held office (and was eligible to attend) 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, as disclosed in Note 9 to the financial statements. Table 8 details the services provided and amounts received or receivable for those non-audit services:

TABLE 8: SERVICES PROVIDED AND AMOUNTS RECEIVED OR RECEIVABLE BY ERNST & YOUNG (AUSTRALIA) FOR NON-AUDIT SERVICES

	CONSOLIDATED	
	2018 $	2017 $
Other assurance related services	112,100	121,320
Other non-audit services	27,011	42,645
Total	**139,111**	**163,965**

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 64.

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.

REMUNERATION REPORT (AUDITED)

Dear Shareholders,

As Chair of the People and Remuneration Committee (Committee) and on behalf of your Board, I am pleased to introduce the Senex Remuneration Report for the 2018 financial year (FY18).

This report sets out Senex's approach to remuneration for Executives and how that approach links to the company's strategy and performance. To this end, a key focus of the Committee for this year has been to ensure that the remuneration outcomes appropriately balance corporate and individual performance.

Senex's corporate strategy is set out on page 10 of this report. That strategy, along with Senex's purpose, mission and values, guides the Committee when setting and determining performance measures for remuneration. The intent of the remuneration framework is to drive focus on the short and long term objectives of the business, drive performance of the company and limit the potential for excessive outcomes while serving as a framework that attracts, retains and appropriately rewards talented Executives.

During FY18, Senex's oil business performed strongly and Senex's gas business made major steps forward delivering on the company's strategy to build a material east coast gas business, setting the foundations for growth in coming years. Senex protected the environment and engaged positively with the community. Unfortunately, the company recognised a disappointing decline in safety performance, with performance below the expectations set for the financial year. This safety performance demands a renewed focus on the processes, systems and safety culture of Senex and its contractors. All Executives understand that the Committee and the Board expect vigilance when it comes to the safety performance of the company in FY19.

This report provides details about how those results translate into remuneration outcomes for FY18, and the table overleaf provides a summary.

For FY19, no material changes to the remuneration structure are planned. In relation to the corporate performance measures for FY19:

- The safety measure will remain the same as it was for FY18. The company is committed to improving its safety performance and, in that context, there is no reason to consider relaxing its safety target;
- The environmental measure will also remain the same, consistent with Senex's commitment to the environment;
- Senex will target operating cash flow outcomes from Senex's Cooper Basin business to provide material support for the establishment and delivery of the company's east coast gas strategy; and
- Importantly, the gas business will target milestones for project delivery to build on the foundations set during FY18. These milestones will be aimed at ensuring everything within our power is done to bring the Western Surat Gas Project and Project Atlas into development and, in so doing, commence a period of strong production, cashflow and earnings growth from Senex's gas assets.

The Senex team have taken significant steps to build an east coast gas business and the remuneration outcomes for FY18 reflect those achievements. It is incumbent upon the company to continue this work and move into another exciting stage of growth. We will continue to review the remuneration framework to ensure that it supports this objective.

I invite you to consider the balance of this remuneration report and I welcome shareholder feedback and comments on the review outcomes, or any other aspect of this report.

Dr Ralph Craven

Independent Non-executive Director
People and Remuneration Committee Chair

The table below contains a summary of the changes to the elements of the remuneration structure and the key outcomes for the Managing Director, other Senior Executives and non-executive directors for the 2018 financial year:

	CHANGES	OUTCOME	EXPLANATION
Managing Director and Senior management			
Total Fixed Remuneration (TFR)	No changes were made to the structure of TFR.	No increase to TFR for Managing Director. Executive remuneration TFR subject to a market review.	The TFR for the Managing Director remains unchanged since FY14. Two new Executives were employed at the prevailing market remuneration for those positions.
Short Term Incentive (STI)	The STI structure for FY18 was similar to the FY17 structure except that the maximum uplift to TFR reduced (FY18: 60% FY17: 66%), the Managing Director's STI is payable in cash (FY17 was payable up to 50% in cash) and STI is assessed against Senex's corporate performance and individual performance is recognised as part of the overall Executive STI.	Managing Director awarded 49.5% (FY17: 28%) of his TFR. Awards for other Senior Executives averaged 45.0% (FY17: 22.3%) of TFR.	The Committee assessed Senex's corporate performance using the 'balanced scorecard' approach and gave a rating of 80% (FY17: 42.4%) for the corporate performance measures (see section 8 for further detail). The STI awarded reflects 82.5% of the maximum potential STI available to the Managing Director and on average 75% of the maximum potential STI available to other Executives.
Long Term Incentive (LTI)	The LTI structure for FY18 was similar to the FY17 structure except that maximum uplift to TFR increased for the Managing Director (FY18: 100% FY17: 50%) and delivery of the LTI, if awarded, is by performance rights (FY17 used a share appreciation right).	No LTI vested during the 2018 financial year. LTIs were granted to Senior Executives in the period.	The FY18 LTI scheme involves two tranches of performance rights subject to 3-year performance and service conditions. In FY18, the performance period for Tranche 2 FY16 LTI concluded resulting in a 76% assessment against the reserves replacement performance condition. The performance period for Tranche 1 FY16 LTI concludes after the release of FY18 full year results and will therefore be assessed against the TSR condition shortly after release of this report (anticipated to be in September 2018). See section 8 of this report for more details.
Non-executive Directors			
Non-executive directors	There was no change to the structure of non-executive director remuneration.	No increases to director fees. Modest increases to committee member fees.	At the 2017 AGM, shareholders increased the maximum number of directors to eight and the maximum aggregate directors fees to $1,200,000. This was to accommodate board representation by a substantial shareholder, EIG. Increases to the committee member fees reflect changes to match prevailing market remuneration at similar organisations and additional responsibilities (these are set out on page 59.

1. INTRODUCTION

Senex's remuneration practices are aligned with the company's strategy of promoting long term growth in shareholder returns whilst attracting and retaining Executives with the right capability to achieve results.

The Remuneration Report for the year ended 30 June 2018, is as set out in the below table of contents. The information in this remuneration report has been audited.

TABLE 1 – TABLE OF CONTENTS

2. DIRECTORS AND EXECUTIVES

The Key Management Personnel (KMP) of the Group (being those whose remuneration must be disclosed in this Report) include the Non-executive Directors and those Executives who have the authority and responsibility for planning, directing and controlling the activities of Senex directly or indirectly.

The Non-executive Directors and Executives who were KMP for all or part of FY18 are identified in table below.

TABLE 2 – KEY MANAGEMENT PERSONNEL

NAME	POSITION
Non-executive Directors	
Trevor Bourne	Chairman, Independent Non-executive Director
Ralph Craven	Independent Non-executive Director
Timothy Crommelin	Non-executive Director
Debra Goodin	Independent Non-executive Director
John Warburton	Independent Non-executive Director
Andrey Zhmurovsky	Non-executive Director (appointed 1 January 2018)
Former Non-executive Director	
Yanina Barila	Non-executive Director (resigned 21 December 2017)
Executive KMP	
Ian Davies	Managing Director and Chief Executive Officer (CEO)
Suzanne Hockey	Executive General Manager People and Health, Safety, Environment
Gary Mallett	Chief Financial Officer (appointed 8 May 2018)
David Pegg	General Counsel/Company Secretary (appointed 19 April 2018)
David Spring	Executive General Manager Exploration
Julie Whitcombe	Executive General Manager Queensland Assets
Former Executive KMP	
Darren Greer	Chief Operating Officer (resigned 22 December 2017)
Graham Yerbury	Chief Financial Officer (ceased as CFO on 7 May 2018 but continued in employment until after 30 June 2018)

3. GOVERNANCE

Figure 1 below sets out Senex's Remuneration Governance

See the 2018 Corporate Governance Statement for additional details of the Board's approach to remuneration.

The 2018 Corporate Governance Statement can be viewed and downloaded from the Senex website.

Remuneration approach and governance

Senex has established three guiding principles as the foundation of its approach to remuneration. The Board believes this approach will promote the key outcomes necessary to deliver long term growth in shareholder returns.

These guiding principles are:

» 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.

FIGURE 1: REMUNERATION GOVERNANCE

Board

The Board:

» Approves remuneration policy and framework, ensuring it complies with the guiding principles

» Approves Non-executive Director, CEO and Senior Executive Remuneration

» Assesses and approves the award of incentives for the CEO and Senior Executives giving due weight to performance whilst retaining discretion to determine the final outcome

» Approves the appointment of external remuneration consultants and advisors

People and Remuneration Committee

The People and Remuneration Committee is delegated responsibility by the Board to review and make recommendation on:

» Senex's remuneration policies and framework

» Remuneration of Non-executive Directors

» Remuneration of the CEO and Senior Executives

» Incentive arrangements of CEO and Senior Executives

» Alignment of the interests of employees with the interests of shareholders

» Company values and culture being embedded in the organisation

Composition: Ralph Craven (Chair), Debra Goodin and John Warburton

The People and Remuneration Committee Charter can be viewed and downloaded from the Senex website.

Management

» Provide information and support to the People and Remuneration Committee as required

Consultation with Shareholders and other stakeholders

Remuneration consultants and other external advisors

In performing their roles the Board and the Committee directly commission and receive information advice and recommendations from independent external advisors in relation to:

» Executive remuneration

» Non-executive Director remuneration

» Incentive measures

» Other matters relevant to remuneration decisions.

Any advice or recommendation provided by external advisors are used to assist the Board and People and Remuneration Committee and are not in substitution of the People and Remuneration Committee deliberations.

The Board has adopted protocols to ensure any advice or recommendations from external advisors are commissioned directly by the People and Remuneration Committee chair and are free from undue influence of management.

In FY18 Guerdon Consultants provided advice on the above matters totaling $45,379.

4. REMUNERATION FRAMEWORK

Senex's remuneration Framework for each Executive comprises three components:

- Total Fixed Remuneration
- Short Term Incentive
- Long Term Incentive

Remuneration Framework

The structure is intended to provide an appropriate mix of fixed and variable remuneration, and provide a alignment between Executive and shareholder interests.

The incentives are intended to drive performance against the company's short and longer term business objectives. The short-term incentives for FY18 differ from previous years and had a significant focus on project delivery which aligns with the key strategic aims of Senex to build an east coast gas position.

FIGURE 2: ALIGNING REMUNERATION AND PERFORMANCE METRICS WITH STRATEGIC OBJECTIVES

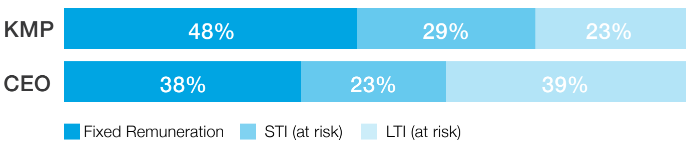
		PERFORMANCE METRICS FY18	ALIGNMENT WITH STRATEGIC OBJECTIVES
Total Fixed Remuneration (TFR) (not 'at risk') comprises base salary including superannuation.	FIXED REMUNERATION	» Experience, qualifications » Role and responsibility » Reference to remuneration paid by comparable companies and industry peer companies » Internal and external relativities » Talent retention	» To attract and retain talented and qualified Executives with the right capability to achieve results and deliver value for shareholders
Short Term Incentive (STI) ('at risk') awarded on the achievement of performance conditions over a 12 month period. The STI (if achieved) is payable up to 50% in cash following the approval of the financial statements with the balance provided by the vesting of contingent Performance Rights subject to a 12 month deferral and vesting condition (but for the CEO, the STI is payable in cash at the same time as payments to Executives.	SHORT TERM INCENTIVE	**Corporate metrics (75% of STI grant) comprising:** » Safety and Environment » Total Reportable Injury Frequency Rate » Serious Reportable Environmental Incidents **Financial Performance** » EBITDAX » NPAT (underlying) **Project Development** » Delivery of the key development steps for Senex's Surat Basin projects, including the Phase 2 appraisal program, key approvals and development decisions **Individual performance metrics** (25% of STI grant) **STI at risk:** » Maximum – 60% of TFR	» Safety and eliminating unintended environmental damage are paramount in all Senex's operations and key to maintaining the company's license to operate » Profitability and cash flow are critical to sustaining and growing the company and deliver direct financial benefits to shareholders » Progress in developing key projects (WSGP and Project Atlas acquired during the year) are the key levers to future de-risked cash-flow for Senex **See page 55 for further details of the STI performance metrics and outcomes for FY18.**
Long Term Incentive (LTI) ('at risk') awarded on the achievement of performance conditions over three year periods and comprises only an equity component.	LONG TERM INCENTIVE	FY18 LTI – Performance against the metrics is measured over a 3 year performance period » Relative Total Shareholder Return (TSR) – FY18 70% of LTI grant (FY17: 70% of LTI grant) » Other – FY18 30% of LTI grant (FY17: 30%) **FY18 LTI at risk** » CEO – Maximum 100% of TFR » Other Executives - Maximum 50% of TFR	» Relative TSR is a measure of the return generated for Senex's shareholders over the performance period relative to a peer group of companies being the S&P / ASX300 Energy Index » Strategic and Financial outcomes linked to project delivery and company transformation over 3 years to drive shareholder returns. For FY18, this involved the achievement of Production Run Rates over the longer term which were key to delivering value to shareholders from investment and growth **See page 57 for further details of the LTI performance metrics and outcomes for FY18.**

"At Risk" remuneration

The maximum potential remuneration reflects the amount (at offer date) of total remuneration the CEO and KMP's could potentially receive if the maximum STI and LTI are achieved.

The remuneration mix of the CEO and other Executives aligns with the interests of shareholders by having a greater portion of potential remuneration at risk (52% - 62%) thereby incentivising the achievement of both short and long term performance metrics.

MAXIMUM POTENTIAL REMUNERATION % BY COMPONENT FY18



See section 7 (STI) and section 8 (LTI) for further details of the approach the Board takes to awards in relation to the 'at risk' remuneration and the performance metrics or hurdles that have been set for KMP in order to secure their 'at risk' remuneration.

5. COMPANY PERFORMANCE FINANCIAL YEAR 2018

Performance snapshot

During FY18, Senex returned to growth with increased production, revenue and operating cashflow, while positioning the company to realise significant value from its enlarged portfolio of quality assets.

The Annual Report summarises Senex's performance across all areas, with detailed information to be found in the following sections:

» On our safety and environmental performance – refer to the sustainability report (see page 26)

» On our operating performance – refer to the operating review (see page 17)

» On our reserves position – refer to the reserves summary (see page 25)

» On our financial performance and position – refer to the financial review and financial statements (see page 65)

Figure 3 and 4 below show Senex's Total Shareholder Return compared with its peer group – represented by the ASX 300 Energy Index – and the performance of Brent crude over the same period. Senex's total shareholder return over three years was ahead of its peer group and the oil price, with the strong upward trend providing evidence of a well-executed strategy for growth and an improved operating environment. The 5 year comparative peformance demonstrates that historically Senex's share price was more highly levered to Brent crude than the average of our peers.

FIGURE 3 – SENEX'S TOTAL SHAREHOLDER RETURN OVER 3 YEARS

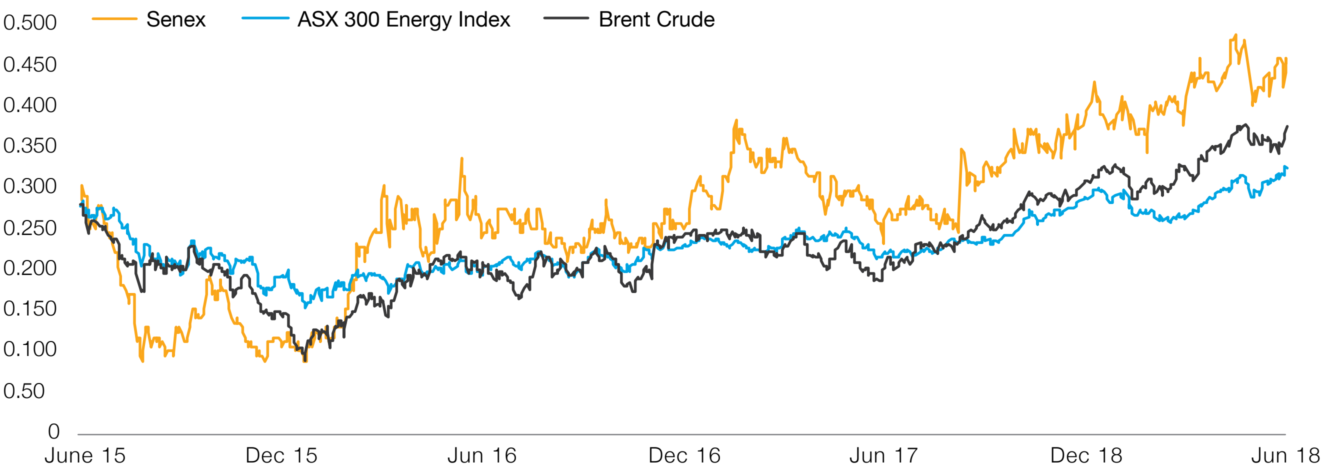
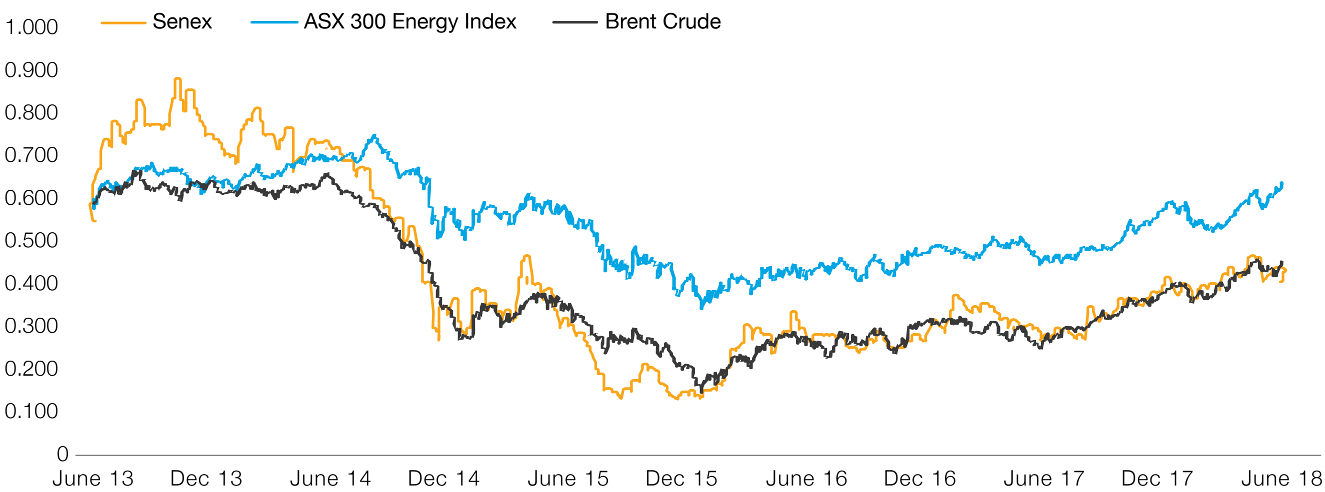


FIGURE 4 – SENEX'S TOTAL SHAREHOLDER RETURN OVER 5 YEARS



6. REALISED REMUNERATION

Table 3 identifies the Actual Remuneration received during 2018

Realised Remuneration reflects the "take home pay" of the Executive KMP for FY18 and includes:

» Total Fixed Remuneration for FY18;

» Any STI that was awarded as cash in respect of short term performance measures for FY18

» Any STI from prior years that was awarded as deferred equity and received in FY18; and

» Any LTI from prior years that was awarded as deferred equity and received in FY18.

This table below has been provided to ensure shareholders are able to clearly understand the remuneration that has been realised by the Executive KMP in FY18. It has not been prepared in accordance with the disclosure requirements of the Accounting Standards or Corporations Act. See table 9 for Executive KMP remuneration disclosures in accordance with the Accounting Standards and Corporations Act.

TABLE 3: REALISED REMUNERATION

NAME	YEAR	TOTAL FIXED REMUNERATION $	SHORT TERM INCENTIVE (CASH)[6] $	SHORT TERM INCENTIVE (DEFERRED)[7] $	LONG TERM INCENTIVE VESTED[8] $	OTHER[9] $	TOTAL $
Current Executive KMP – Senior Executives							
Ian Davies	**2018**	**850,000**	**210,375**	**394,289**	**30,000**	**21,364**	**1,506,028**
	2017	850,000	118,973	–	4,000	20,676	993,649
David Pegg [1]	**2018**	**76,389**	–	–	–	–	**76,389**
	2017	–	–	–	–	–	–
David Spring	**2018**	**470,000**	**102,225**	**145,346**	**–**	**9,764**	**727,335**
	2017	470,000	–	–	–	9,898	479,898
Gary Mallett [2]	**2018**	**76,309**	–	–	**–**	–	**76,309**
	2017	–	–	–	–	–	–
Julie Whitcombe [3]	**2018**	**286,667**	**64,997**	**111,895**	**–**	**9,764**	**473,323**
	2017	245,913	35,861	–	–	6,652	288,426
Suzanne Hockey	**2018**	**380,000**	**86,640**	**77,654**	**–**	**10,238**	**554,532**
	2017	380,000	53,188	–	–	9,898	443,086
Former Executive KMP – Senior Executives							
Darren Greer [4]	**2018**	**206,866**	–	–	**–**	**4,688**	**211,554**
	2017	356,543	–	–	–	6,738	363,281
Graham Yerbury [5]	**2018**	**400,181**	–	**213,380**	**–**	**9,764**	**623,325**
	2017	470,000	65,785	–	–	9,898	545,683
Total Executive KMP	**2018**	**2,746,412**	**464,237**	**942,564**	**30,000**	**65,582**	**4,248,795**
	2017	**2,772,456**	**273,807**	–	**4,000**	**63,760**	**3,114,023**

1 Mr Pegg became a KMP on 19 April 2018

2 Mr Mallett became a KMP on 8 May 2018

3 Mrs Whitcombe was on parental leave between 15 June 2017 until 1 October 2017 and remunerated on a 0.8 FTE basis for period 2 October 2017 to 1 March 2018 following which she was remunerated on 1 FTE basis to end of financial year

4 Mr Greer ceased as KMP on 22 December 2017

5 Mr Yerbury ceased as KMP on 7 May 2018 but continued in employment until after 30 June 2018

6 Short Term Incentive (Cash) comprises any STI that was awarded as cash in respect of short term performance measures for FY18 and will be received after the end of FY18

7 Short Term Incentive (Deferred) comprises the value of any STI from prior years that was awarded as deferred equity and actually received in FY18 valued at the share price on the date of vesting

8 Long Term Incentive Vested comprises Any LTI from prior years that was awarded as deferred equity and actually received in FY18 valued at the share price on the date of vesting as any shares issues in FY18 upon exercise of FY11 options granted to Mr Davies in a prior year at the difference between the share price on the date of exercise and the exercise price of the options

9 Other comprises carparking and motor vehicle related expenses.

7. SHORT TERM INCENTIVE (STI)

Based on the FY18 company performance the Board determined the corporate performance rating for FY18 to be 80% (FY17 42.4%). This resulted in the CEO KMP being entitled to 82.5% and the Executive KMP entitled to an average of 75% of the maximum STI available for FY18. The STI will be paid up to 50% in cash and the balance in deferred Performance Rights for Executives (cash for the Managing Director) vesting in 12 months.

Table 4 presents the corporate performance metrics, weightings and outcomes for FY18. STI grants to KMP are apportioned on the basis of 75% attributable to corporate performance and 25% attributable to the performance of individual KMP.

The actual outcomes for the CEO and Senior Executives are included in Table 5 overleaf.

The STI is 'at risk' remuneration subject to the achievement of pre-defined performance metrics included in the corporate performance scorecard for the year as well as the individual performance of each Executive KMP.

At the commencement of each performance year the Board determines the corporate performance scorecard including the metrics by which short term (12 months) corporate performance will be measured. For each performance metric of the STI, three performance levels are set:

- Threshold being the minimum level of performance deserving of reward. Achievement of the Threshold results in 25% of the STI being awarded;
- Target being a challenging but achievable level of performance. Achievement of the Target results in 50% of the STI being awarded; and
- Stretch being the upper limit of possible outcomes that were planned for and a very challenging goal that is unlikely to be achieved. Achievement of the stretch results in 100% of the STI being awarded.

At the end of the performance year the Board determines the corporate performance rating for the year on the basis of the level of achievement against those metrics, and awards the STI to the CEO and Senior Executives. Individual performance is also considered as part of the Board's determination to make an STI award and composition of cash and deferred equity.

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 4: SHORT TERM INCENTIVE PERFORMANCE METRICS FOR FY18

			PERFORMANCE OUTCOME FOR FY18		
FOCUS	**PERFORMANCE METRIC**	**WEIGHTING %**	**THRESHOLD**	**TARGET**	**STRETCH**
Safety and Environment	Safety – improvement in total recordable injury frequency rate (TRIFR)[1]	20	●		
	Environment – Serious Reportable environmental incidents				●
Surat gas projects	Delivery of the key development steps for Senex's Surat Basin projects, including the Phase 2 appraisal program, key approvals and development decisions	40			●
					●
					●
Financial performance	EBITDAX[2]	40			●
	NPAT (underlying)[3]		●		
	Total Company Scorecard	100% (being 75% of STI grant)	80 out of 100 (or 60 out of possible 75)		
Individual performance	Individual measures set for each Executive KMP	25% of STI grant	Assessed for each individual. See page 56 for details of CEO performance outcomes for FY18. On average, target hurdles met for each executive KMP.		

1 TRIFR is calculated under APPEA Incident Reporting Guidelines and is equal to recordable injuries per million man hours worked. Recordable injuries are fatalities, lost time injuries, restricted work injuries and medical treatment injuries

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

3 NPAT = net profit after tax

STI FY18 PERFORMANCE METRICS AND OUTCOMES

Safety and Environment

Safety: Senex's safety performance for FY18 was below the Threshold hurdle, with a final TRIFR of 8.8 representing an increase in injuries sustained in drilling and completions activities and operations. This outcome demands that we refocus our attention on actions that will improve contractor management and on our safety culture across our operations, with initiatives already underway.

Environment: Senex achieved excellent environmental performance in FY18, above the Target hurdle. We implemented a strong environmental management framework to support the progression of our Surat Basin gas projects and no serious reportable incidents were recorded across any of its operations during the financial year.

Whilst safety and environment has a combined weighting, falling below the threshold on either metric does not result in a combined below threshold outcome.

Surat Basin gas projects

Deliver the Phase 2 appraisal program on the Western Surat Gas Project: During FY18, Senex successfully drilled, connected and flowed 30 appraisal wells in the WSGP, achieving above the Target hurdle. The appraisal program allowed Senex to develop and demonstrate its capability as a low-cost gas producer ahead of moving into the development phase.

Sanction Surat Basin projects for development: the achievement of milestones across both the Western Surat Gas Project and Project Atlas (awarded in September 2017) readied both projects for investment decisions early in FY19 and was above the Target hurdle. On the Western Surat Gas Project, these included the performance of the Phase 2 wells and the sanctioning of long-lead items on a 16 terajoule per day compression facility. On Project Atlas, these included an agreement with Jemena to provide downstream infrastructure to deliver gas to the domestic market, and the booking of maiden reserves. In addition, in July 2018 Senex announced the delivery of a $150 million debt facility to fund the development of both projects.

Material approvals to enable Surat Basin projects development: the achievement of material environmental and regulatory approvals during FY18 on both the Western Surat Gas Project and Project Atlas was above the Target hurdle.

Financial performance

EBITDAX: the achievement in EBITDAX was above the Stretch hurdle, and reflected increased gross profit from higher sales volumes and realised oil prices, focus on cost management, and a one-off gain relating to the transaction with Beach Energy realising the remaining free-carry commitment from Origin Energy (in favour of Senex) into cash to be spent in the western flank.

NPAT: the achievement in NPAT was at the Threshold hurdle, given non-cash impairment relating to non-core Cooper Basin assets following the asset portfolio review to prioritise capital allocation to accelerate gas project development.

TABLE 5: SHORT TERM INCENTIVES AWARDED TO EXECUTIVE KMP FOR FY18

			% OF MAXIMUM
NAME	MAXIMUM	FY18 STI AWARDED $[6]	STI
Ian Davies	510,000	420,750	83%
Darren Greer[1]	258,000	–	–
Suzanne Hockey	228,000	173,280	76%
Gary Mallett[2]	–	–	–
David Pegg[3]	–	–	–
David Spring	282,000	204,450	73%
Julie Whitcombe[4]	194,435	150,687	77%
Graham Yerbury[5]	282,000	–	–

1 Mr Greer ceased as KMP on 22 December 2017

2 Mr Mallett became a KMP on 8 May 2018

3 Mr Pegg became a KMP on 19 April 2018

4 Mrs Whitcombe was on parental leave between 15 June 2017 until 1 October 2017 and remunerated on a 0.8 FTE basis for period 2 October 2017 to 1 March 2018 following which she was remunerated on 1 FTE basis to end of financial year

5 Mr Yerbury ceased as KMP on 7 May 2018 but continued in employment until 30 June 2018

6 The FY18 STI award will be paid 50% in cash and 50% in Peformance Rights for Executive KMP (other than the CEO) vesting in 12 months

Note – Percentages are rounded

8. LONG TERM INCENTIVE (LTI)

The Board offered an LTI opportunity to the CEO and participating Executives for FY18 (FY18 LTI) equivalent to 100% of the CEO's TFR and 50% of Executive KMP's TFR. The FY18 LTI comprises two tranches described in table 6 below.

The 2016 LTI performance condition for reserves replacement has been determined at 76% outcome given the increase in 2P reserves to 113 mmboe as announced on 31 July 2018. This will result in the vesting of 76% of that tranche of SARs. The other tranche of FY16 LTI relates to relative TSR, which will be tested in September 2018 and if satisfied will result in the vesting of SARs relating to the 2016 LTI.

No LTI's have vested for the previous 3 years as the respective performance metrics have not been achieved.

The LTI is 'at risk' remuneration subject to the achievement of pre-defined performance metrics over a three year period. At the commencement of each performance year, the Board assess and determine the performance hurdles for the LTI to be offered to the CEO and Executive KMPs.

The LTI offered to the Executive (including the CEO) for FY18 was similar in structure to the LTI offered to the Executive for FY17. The FY18 LTI offer comprised two tranches of performance rights subject to a three year performance condition and a three year service condition. The FY18 LTI offer to the CEO was approved by shareholders at the 2017 AGM.

Each performance right issued under the LTI to each KMP entitles the relevant KMP to receive one share in Senex upon vesting. The number of performance rights issued is calculated by dividing the respective KMP's LTI maximum potential remuneration by the volume weighted average share price over the 10 days prior to the grant date.

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

Details of the LTI grants are set out in Table 6. For further details of the vesting date and expiry date in respect of the LTI grants see page 45 of the Directors' Report.

TABLE 6: LTI GRANT DETAILS

GRANT YEAR	GRANT TYPE	FAIR VALUE AT GRANT DATE $	VESTING CONDITION PERFORMANCE METRIC*	PERFORMANCE PERIOD	STATUS
2016	LTI Tranche 1	0.08	Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (70%)	9 Sept 2015 – date that is 10th day of share trading after release of FY18 full year results	To be determined in September 2018
2016	LTI Tranche 2	0.08	2P reserves between 100-125 mmboe (30%)	1 July 2015 – 30 June 2018	2P reserves assessed at 113 mmboe (31 July), giving a 76% result against target – vested in August
2017	LTI Tranche 1	0.11	Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (70%)	1 July 2016 – 30 June 2019	In progress
2017	LTI Tranche 2	0.13	Production Run Rate of 2.5 – 3 mmboe by 30 June 2019 (30%)	1 July 2016 – 30 June 2019	In progress
2018	LTI Tranche 1	0.24	Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (70%)	1 July 2017 – 30 June 2020	In progress
2018	LTI Tranche 2	0.34	Strategic and Financial hurdles (30%) – see over page for further details.	1 July 2017 – 30 June 2020	In progress

* See over page for further details

Senex's Cooper Basin oil business

FY18 LTI PERFORMANCE METRICS AND OUTCOMES

2P Reserves – 2016 LTI hurdle

The vesting of Performance Rights subject to the Performance Condition is conditional on the company achieving stated levels of 2P reserves. For this tranche of 2016 LTI, by achieving 113 mmboe (as at 30 June 2018) against a target of 100 mmboe and a stretch target of 125 mmboe, this results in a 76% assessment.

Production run rate – 2017 LTI hurdle

The vesting of Performance Rights subject to the Production Run Rate Performance Condition is conditional on the company achieving an oil and gas production run rate in any period of 30 consecutive days in the 6 months ending 30 June 2019 that the Board believes is capable of sustainably delivering annual production of 2.5 – 3.0 mmboe with the expectation of a substantial contribution from gas.

TSR – 2016, 2017 and 2018 LTI hurdle

The vesting of Performance Rights for the Relative TSR Performance Condition is conditional on the company achieving 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.

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.

TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares. The TSR of Senex over the performance period will be compared to the TSR of all of the companies in the peer group which are still listed at the end of the performance period. The relevant share prices will be determined by reference to a VWAP over a period to smooth any short term 'peaks' or 'troughs'.

Strategic and Financial Goals – 2018 LTI hurdle

The agreed strategic goals relate to the company achieving the following:

» Building a material supply position in the Australian east coast gas market;

» Pursuing growth of Senex's asset portfolio that provides diversification and builds corporate capability; and

» Continuing cost and operational leadership in low cost oil operations.

The Board elected to use a non-market linked performance. condition for the FY18 LTI to reflect the shared commitment of board and management to execution of the agreed strategy to create significant value for shareholders.

Over the three year performance period, Senex must be well positioned, flexible, and capable to respond quickly to challenges and opportunities in the Australian energy industry, and must preserve, create and deliver shareholder value by capitalising on opportunities while anticipating and managing risk.

At the end of the performance period the board will determine, in its discretion, whether the company, under the guidance and management of the Executive KMP, has achieved the strategic goals described above, and will assess the value preserved, value created and value realized for shareholders from doing so.

In exercising its discretion the board will take into account factors such as:

» project delivery;

» capital efficiency;

» asset portfolio composition;

» operating cashflow generation and profit growth; and

» operating performance, personal safety performance and process safety performance.

It is acknowledged that these metrics involve a level of subjective assessment by the Board, but the Board considers this to be the best way to measure and assess the step-change in Senex's business over the longer term particularly in the context of the major projects underway and the dynamic nature of the Australian energy industry.

Water infrastructure in the Surat Basin

9. NON-EXECUTIVE DIRECTORS

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.

Changes from FY17

As outlined in FY17 and approved at the AGM, to align with industry practice and in line with the advice of the remuneration consultants, the Board approved an increase in committee member fees; however Director fees have not changed.

Changes for FY19

Board and Director Fees remain unchanged for FY19 other than for an increase to:

- Committee member fees from $10,000pa to $12,500pa; and
- Committee Chair fees from $20,000pa to $25,000pa.

Maximum aggregate amount of annual remuneration

The maximum aggregate annual remuneration of Non-executive Directors must not exceed $1,200,000, being the amount determined by Senex shareholders at the 2017 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.

In addition to the fees set out below, 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).

TABLE 7: ANNUAL FEES FOR NON-EXECUTIVE DIRECTORS*

FROM 1 JULY 2017 TO 31 DECEMBER 2017	CHAIR	MEMBER
Board	220,000	110,000
Audit and Risk Committee	12,000	5,000
People and Remuneration Committee	12,000	5,000

FROM 1 JANUARY 2018 TO 30 JUNE 2018	CHAIR	MEMBER
Board	220,000	110,000
Audit and Risk Committee	20,000	10,000
People and Remuneration Committee	20,000	10,000

* Membership of Nomination Committee is not paid and therefore is not applicable to this report

TABLE 8: NON-EXECUTIVE DIRECTOR REMUNERATION

		SHORT TERM EMPLOYMENT BENEFITS	POST EMPLOYMENT	
NAME	YEAR	DIRECTORS FEE	SUPERANNUATION	TOTAL REMUNERATION
Non-executive Directors				
Trevor Bourne	**2018**	**220,000**	**20,900**	**240,900**
	2017	220,000	20,900	240,900
Ralph Craven	**2018**	**133,500**	**12,683**	**146,183**
	2017	127,000	12,065	139,065
Timothy Crommelin	**2018**	**117,500**	**11,163**	**128,663**
	2017	115,000	10,925	125,925
Debra Goodin	**2018**	**133,500**	**12,683**	**146,183**
	2017	127,000	12,065	139,065
Bennedict McKeown[3]	**2018**	–	–	–
	2017	–	–	–
John Warburton	**2018**	**117,500**	**11,143**	**128,643**
	2017	110,780	10,524	121,304
Andrey Zhmurovsky[1]	**2018**	–	–	–
	2017	–	–	–
Yanina Barila[2]	**2018**	–	–	–
	2017	–	–	–
Total Non-executive Directors	**2018**	**722,000**	**68,572**	**790,592**
	2017	699,780	66,479	766,259

1 Mr Zhmurovsky appointed director on 1 January 2018. Senex has accrued $60,225 for payment to EIG for provision of director's services.

2 Ms Barila resigned as director on 21 December 2017. Senex paid $56,952 to Sentient Asset Management Australia Pty Ltd for the provision of director's services.

3 Mr McKeown resigned as director on 5 May 2017

Note – The benefit of the D&O insurance policy is not included in the above table and is disclosed separately in the Directors' Report.

10. DETAILED REMUNERATION DISCLOSURES

TABLE 9: EXECUTIVE REMUNERATION

		SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS[1]		PROPORTION OF COMPENSATION	
NAME	YEAR	SALARY $	BONUS $	NON MONETARY BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE $	RIGHTS $	TOTAL REMUNERATION $	PERFORMANCE RELATED %	IN EQUITY %
Current Executive KMP – Senior Executives										
Ian Davies	**2018**	**829,951**	**315,563**	**21,364**	**20,049**	**23,694**	**511,142**	**1,721,763**	**44%[7]**	**30%**
	2017	830,384	118,973	20,676	19,616	23,801	439,542	1,452,992	39%	30%
David Pegg[2]	**2018**	**72,411**	–	**1,953**	**3,978**	**1,155**	–	**79,497**	**0%[8]**	**0%**
	2017	–	–	–	–	–	–	–	0%	0%
David Spring	**2018**	**449,951**	**102,225**	**9,764**	**20,049**	–	**279,320**	**861,309**	**45%[9]**	**32%**
	2017	450,384	–	9,898	19,616	–	191,323	671,221	29%	29%
Gary Mallett[3]	**2018**	**71,297**	–	–	**5,012**	–	–	**76,309**	**0%[8]**	**0%**
	2017	–	–	–	–	–	–	–	0%	0%
Julie Whitcombe[4]	**2018**	**271,630**	**64,997**	**9,764**	**15,037**	**6,137**	**135,864**	**503,429**	**44%[9]**	**27%**
	2017	268,018	41,553	7,708	16,929	7,136	135,098	476,442	38%	28%
Suzanne Hockey	**2018**	**359,951**	**86,640**	**10,238**	**20,049**	–	**188,342**	**665,220**	**42%[9]**	**28%**
	2017	360,384	53,188	9,898	19,616	–	116,663	559,749	30%	21%
Former Executive KMP – Senior Executives										
Darren Greer[5]	**2018**	**196,842**	–	**4,688**	**10,024**	–	**(58,876)**	**152,678**	–[10]	–
	2017	338,878	–	6,738	17,665	–	58,876	422,157	14%	14%
Graham Yerbury[6]	**2018**	**383,110**	–	**9,764**	**17,071**	–	**(137,011)**	**272,934**	–[10]	–
	2017	450,384	65,785	9,898	19,616	–	225,132	770,815	38%	29%
Total Executive KMP	**2018**	**2,635,143**	**569,425**	**67,535**	**111,269**	**30,986**	**918,781**	**4,333,139**	**33%**	**23%**
	2017	**2,698,432**	**279,499**	**64,816**	**113,058**	**30,937**	**1,166,634**	**4,353,376**	**33%**	**27%**

1 Share based payments comprise equity settled share options and performance rights. These amounts were calculated in accordance with AASB2 – 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 total key management personnel compensation, it should be noted this amount was not received in cash.

2 Mr Pegg became a KMP on 19 April 2018

3 Mr Mallett became a KMP on 8 May 2018

4 Mrs Whitcombe was on parental leave between 15 June 2017 until 1 October 2017 and remunerated on a 0.8 FTE basis for period 2 October 2017 to 1 March 2018 following which she was remunerated on 1 FTE basis to end of financial year

5 Mr Greer ceased as KMP on 22 December 2017

6 Mr Yerbury ceased as KMP on 7 May 2018 but continued in employment until after 30 June 2018

7 For Mr Davies, 17.5% of bonus or grant for FY18 was forfeited when performance conditions were not satisfied

8 Mr Pegg and Mr Mallett did not participate in the FY18 peformance incentive scheme

9 For Mr Spring, Ms Whitcombe and Ms Hockey, on average 25% of bonus or grant for FY18 was forfeited when performance conditions were not satisfied

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

Note – The benefit of the D&O insurance policy is not included in the above table and is disclosed separately in the Directors' Report.

The employment agreement that the company has entered into with each member of Executive KMP has no fixed term of employment. Table 10 sets out the termination provisions applicable to the Executive KMP.

TABLE 10: CURRENT EXECUTIVE KMP SERVICE AGREEMENTS

NAME	DURATION OF SERVICE	NOTICE PERIOD & PAYMENT IN LIEU	
		BY EXECUTIVE	BY COMPANY
Ian Davies	Ongoing	6 months	6 months
Suzanne Hockey	Ongoing	4 months	4 months
Gary Mallett	Ongoing	4 months	4 months
David Pegg	Ongoing	4 months	4 months
David Spring	Ongoing	4 months	4 months
Julie Whitcombe	Ongoing	4 months	4 months

The terms of all Senex executive employment agreements include an obligation to comply with all Senex policies including the Securities Trading Policy and the terms and conditions of all incentive plans under which they may be granted STI or LTI performance related remuneration.

Clawback mechanism

In addition to the approach to 'at risk' remuneration, each offer of STI or LTI to Executive KMP (where one is offered) contains 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.

TABLE 11: KMP SHAREHOLDINGS AS AT 30 JUNE 2018

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	OPTIONS EXERCISED	NET OTHER CHANGES	BALANCE AT THE END OF THE YEAR
Non-executive Directors					
Trevor Bourne	402,619	–	–	50,000	**452,619**
Yanina Barila[2]	–	–	–	–	–
Ralph Craven	297,619	–	–	23,381	**321,000**
Timothy Crommelin	3,974,431	–	–	100,000	**4,074,431**
Debra Goodin	180,000	–	–	–	**180,000**
John Warburton	–	–	–	174,133	**174,133**
Andrey Zhmurovsky[1]	–	–	–	–	–
Executive KMP – Senior Executives					
Ian Davies	2,886,666	1,408,176	1,000,000	100,000	**5,394,842**
Darren Greer[3]	–	–	–	–	–
David Pegg[4]	157,739	–	–	–	**157,739**
David Spring	–	519,093	–	(300,000)	**219,093**
Gary Mallett[5]	–	–	–	–	–
Graham Yerbury[6]	219,619	762,072	–	–	**981,691**
Julie Whitcombe[7]	1,716,407	399,626	–	(200,000)	**1,916,033**
Suzanne Hockey	–	277,335	–	–	**277,335**

1 Mr Zhmurovsky appointed director on 1 January 2018

2 Ms Barila resigned as director on 21 December 2017

3 Mr Greer ceased as KMP on 22 December 2017

4 Mr Pegg became a KMP on 19 April 2018

5 Mr Mallett became a KMP on 8 May 2018

6 Mr Yerbury ceased as KMP on 7 May 2018 but continued in employment until after 30 June 2018

7 Mrs Whitcombe was on parental leave between 15 June 2017 until 1 October 2017 and remunerated on a 0.8 FTE basis for period 2 October 2017 to 1 March 2018 following which she was remunerated on 1 FTE basis to end of financial year

The company offers Performance Rights to Executive KMP as part of their incentive (eg. STI or LTI) remuneration and in previous years has offered share appreciation rights (SARs) and Options, 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.

TABLE 12: OPTION

NAME[1]	BALANCE AT THE START OF THE YEAR	GRANTED	VESTED/ EXERCISED	FAIR VALUE AS AT TIME OF EXERCISE[2]	FORFEITED	BALANCE AT THE END OF THE YEAR (30 JUNE)	BALANCE AT THE DATE OF THIS REPORT[3]
Ian Davies	2,000,000	–	1,000,000	$0.285	–	1,000,000	0

1. Other than Mr Davies, no other KMP holds Options
2. Value per share at time of exercise (19 July 2017)
3. The last FY11 LTI Options vested on 19 July 2013 expiring 19 July 2018, were exercised by Mr Davies on 19 July 2018.

A summary of the Performance Rights and SARs held by Executive KMP is set out below. Refer to page 45 of the Director's Report for further details of the vesting dates and expiry dates. There has been no change to the terms and conditions of the Performance Rights in FY18.

TABLE 13: PERFORMANCE RIGHTS

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	VESTED	FORFEITED	BALANCE AT THE END OF THE YEAR	VALUE OF RIGHTS GRANTED $	VALUE OF RIGHTS VESTED $	VALUE OF RIGHTS FORFEITED $	% VESTED	% FORFEITED
Executive KMP – Senior Executives										
Ian Davies	3,246,575	3,183,521	(1,408,176)	(1,358,670)	**3,663,250**	837,489	225,308	268,932	43%	42%
Darren Greer[1]	471,331	–	–	(471,331)	–	–	–	–	0%	100%
David Pegg[2]	–	–	–	–	–	–	–	–	–	–
David Spring	1,217,006	880,150	(519,093)	(432,651)	**1,145,412**	237,922	80,459	95,111	43%	36%
Gary Mallett[3]	–	–	–	–	–	–	–	–	–	–
Graham Yerbury[4]	1,387,475	880,150	(762,072)	(360,141)	**1,145,412**	237,922	129,552	90,035	55%	26%
Julie Whitcombe[5]	1,119,424	698,025	(399,626)	(525,649)	**892,174**	–	67,936	131,412	36%	47%
Suzanne Hockey	782,980	711,610	(277,335)	(291,178)	**926,077**	–	47,147	72,795	35%	37%
Total	**8,224,791**	**6,353,456**	**(3,366,302)**	**(3,439,620)**	**7,772,325**	**1,313,333**	**550,402**	**658,285**	**41%**	**42%**

1 Mr Greer ceased as KMP on 22 December 2017
2 Mr Pegg became a KMP on 19 April 2018
3 Mr Mallett became a KMP on 8 May 2018
4 Mr Yerbury ceased as KMP on 7 May 2018 but continued in employment until after 30 June 2018
5 Mrs Whitcombe was on parental leave between 15 June 2017 until 1 October 2017 and remunerated on a 0.8 FTE basis for period 2 October 2017 to 1 March 2018 following which she was remunerated on 1 FTE basis to end of financial year

TABLE 14: SHARE APPRECIATION RIGHTS

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	VESTED	FORFEITED	BALANCE AT THE END OF THE YEAR	VALUE OF RIGHTS GRANTED $	VALUE OF RIGHTS VESTED $	VALUE OF RIGHTS FOR-FEITED $	% VESTED	% FORFEITED
Executive KMP – Senior Executives										
Ian Davies	10,238,282	–	–	–	10,238,282	–	–	–	0%	0%
Darren Greer[1]	1,496,193	–	–	(1,496,193)	–	–	–	177,106	0%	100%
David Pegg[2]	–	–	–	–	–	–	–	–	0%	0%
David Spring	5,661,168	–	–	–	5,661,168	–	–	–	0%	0%
Gary Mallett[3]	–	–	–	–	–	–	–	–	0%	0%
Graham Yerbury[4]	5,582,957	–	–	–	5,582,957	–	–	–	0%	0%
Julie Whitcombe[5]	2,842,067	–	–	–	2,842,067	–	–	–	0%	0%
Suzanne Hockey	2,914,398	–	–	–	2,914,398	–	–	–	0%	0%
Total	**28,735,065**	–	–	**(1,496,193)**	**27,238,872**	–	–	**177,106**	**0%**	**5%**

1 Mr Greer ceased as KMP on 22 December 2017

2 Mr Pegg became a KMP on 19 April 2018

3 Mr Mallett became a KMP on 8 May 2018

4 Mr Yerbury ceased as KMP on 7 May 2018 but continued in employment until after 30 June 2018

5 Mrs Whitcombe was on parental leave between 15 June 2017 until 1 October 2017 and remunerated on a 0.8 FTE basis for period 2 October 2017 to 1 March 2018 following which she was remunerated on 1 FTE basis to end of financial year

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.

Signed in accordance with a resolution of the directors.

TREVOR BOURNE
Chairman

IAN DAVIES
Managing Director

20 August 2018

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 2018, 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

Ernst & Young

Anthony Jones
Partner
Sydney
20 August 2018

FINANCIAL STATEMENTS

Contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Continuing operations			
Revenue from sales	6 (a)	70,301	43,649
Cost of sales	7 (a)	(45,987)	(43,582)
Gross profit		**24,314**	**67**
Other revenue	6 (b)	2,640	2,992
Other income	6 (c)	17,732	54
Oil and gas exploration expenses		(3,180)	(8,688)
General and administrative expenses	7 (b)	(16,065)	(14,811)
Other expenses	7 (c)	(4,334)	(225)
Impairment	7 (e)	(113,255)	–
Finance expenses	7 (f)	(1,862)	(2,050)
Loss before tax		**(94,010)**	**(22,661)**
Income tax benefit/(expense)	8	–	–
Loss after tax		**(94,010)**	**(22,661)**
Net loss for the period attributable to owners of the parent entity		**(94,010)**	**(22,661)**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss (net of tax)			
Change in fair value of cash flow hedges (net of tax)		(1,142)	2,388
		(1,142)	2,388
Total comprehensive loss for the period attributable to owners of parent entity		**(95,152)**	**(20,273)**
Earnings per share attributable to the ordinary equity holders of the parent entity (cents per share):			
Basic earnings (cents per share)	10	(6.50)	(1.81)
Diluted earnings (cents per share)	10	(6.50)	(1.81)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTE	CONSOLIDATED AS AT 30 JUNE 2018 $'000	CONSOLIDATED AS AT 30 JUNE 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	66,541	134,760
Prepayments	12	3,909	2,326
Trade and other receivables	13	53,366	14,244
Inventory	14	10,755	11,577
Total current assets		**134,571**	**162,907**
Non-current assets			
Trade and other receivables	15	49	25
Property, plant and equipment	16	88,194	51,270
Intangibles	17	1,099	738
Exploration assets	18	71,104	203,831
Oil and gas properties	19	132,302	94,722
Total non-current assets		**292,748**	**350,586**
TOTAL ASSETS		**427,319**	**513,493**
LIABILITIES			
Current liabilities			
Trade and other payables	20	23,668	18,250
Other financial liabilities	21	1,278	170
Provisions	22	4,244	11,246
Total current liabilities		**29,190**	**29,666**
Non-current liabilities			
Other financial liabilities	21	1,035	1,222
Provisions	22	50,821	43,120
Total non-current liabilities		**51,856**	**44,342**
TOTAL LIABILITIES		**81,046**	**74,008**
NET ASSETS		**346,273**	**439,485**
EQUITY			
Contributed equity	23	540,213	539,958
Reserves	24	16,850	16,307
Retained earnings/(accumulated losses)	25	(210,790)	(116,780)
TOTAL EQUITY		**346,273**	**439,485**

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 2018

	NOTE	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Cash flows from operating activities			
Receipts from customers		61,641	47,016
Payments to suppliers and employees		(43,701)	(40,383)
Payments for exploration expenditure		(2,181)	(3,610)
Payments for rehabilitation of wells		(6,344)	(10,962)
Interest received		1,915	1,421
Interest paid to Halliburton		–	(47)
Payments for commodity hedges		(1,292)	(1,024)
Other receipts		990	426
Payment for cessation of contract		(5,775)	–
Other operating payments		–	(961)
Net cash flows from operating activities	26	**5,253**	**(8,124)**
Cash flows from investing activities			
Proceeds from Government grant		12,183	–
Payments for oil and gas properties		(14,176)	(4,047)
Purchase of property, plant and equipment & intangibles		(16,003)	(2,017)
Payments for exploration assets		(60,725)	(40,350)
Proceeds from sale of fixed assets		110	3
Proceeds from sale of exploration assets		1,320	–
Proceeds upon assuming increased interest in joint venture		2,471	–
Other		509	–
Net cash flows from investing activities		**(74,311)**	**(46,411)**
Cash flows from financing activities			
Proceeds from share issues		255	90,727
Payment to Halliburton under tight oil agreement		(221)	(642)
Payments for debt facility commitment fee		(155)	(738)
Payments for transaction costs for issue of shares		–	(2,002)
Net cash flows from financing activities		**(121)**	**87,345**
Net (decrease)/increase in cash and cash equivalents		(69,179)	32,810
Net foreign exchange differences		960	(500)
Cash and cash equivalents at the beginning of the period		134,760	102,450
Cash and cash equivalents at the end of the period	11	**66,541**	**134,760**

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

CONSOLIDATED STATEMENT IN CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

The following table presents the Consolidated Statement of Changes in Equity for the year ended 30 June 2018:

	CONTRIBUTED EQUITY $'000	ACCUMULATED LOSSES $'000	SHARE BASED PAYMENTS RESERVE $'000	HEDGING RESERVE $'000	TOTAL $'000
Balance at 1 July 2017	**539,958**	**(116,780)**	**16,307**	**–**	**439,485**
Loss for the year	–	**(94,010)**	–	–	(94,010)
Other comprehensive loss	–	–	–	(1,142)	(1,142)
Total comprehensive loss	**–**	**(94,010)**	**–**	**(1,142)**	**(95,152)**
Transactions with owners, recorded directly in equity:					
Shares issued	255	–	–	–	255
Share based payments expense	–	–	1,685	–	1,685
Balance at 30 June 2018	**540,213**	**(210,790)**	**17,992**	**(1,142)**	**346,273**

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

	CONTRIBUTED EQUITY $'000	ACCUMULATED LOSSES $'000	SHARE BASED PAYMENTS RESERVE $'000	HEDGING RESERVE $'000	OTHER RESERVES $'000	TOTAL $'000
Balance at 1 July 2016	**451,233**	**(93,936)**	**14,919**	**(2,388)**	**(183)**	**369,645**
Loss for the year	–	(22,661)	–	–	–	(22,661)
Other comprehensive income	–	–	–	2,388	–	2,388
Total comprehensive loss	**–**	**(22,661)**	**–**	**2,388**	**–**	**(20,273)**
Transactions with owners, recorded directly in equity:						
Shares issued	90,727	–	–	–	–	90,727
Transaction costs on share issue (net of tax)	(2,002)	–	–	–	–	(2,002)
Share based payments expense	–	–	1,388	–	–	1,388
Transfer between reserves	–	(183)	–	–	183	–
Balance at 30 June 2017	**539,958**	**(116,780)**	**16,307**	**–**	**–**	**439,485**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 2018 were authorised for issue on 20 August 2018 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 report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. Senex Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report is presented in Australian dollars ($) and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

(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 have been early adopted by the Group for the first time for the financial year beginning 1 July 2017 are:

» AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

» AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual improvements 2014-2016 Cycle and other Amendments; and

» Interpretation 22 Foreign Currency Transactions and Advance Consideration.

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 2018 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 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE (SUMMARISED)	SUMMARY	APPLICATION DATE FOR SENEX
AASB 15	Revenue from Contracts with Customers	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will supersede all current revenue recognition requirements under Australian Accounting Standards. The standard becomes mandatory for the Group for the 30 June 2019 financial year and the Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group progressed a more detailed analysis of the impacts of AASB15 during the year ended 30 June 2018 for all material customer contracts. From this assessment the Group has identified a number of judgements to be made for application, key ones including: a. Identifying the promised goods and services within the contract and determine which of those goods and services are separate performance obligations (“PO”). The PO selection will impact the manner in which the revenue is measured and recorded. b. Determining when the customer obtains control of the delivered goods and what the influence of the customer acceptance clauses have. This will affect the timing of revenue recognition as a portion may be deferred to the extent adjustments are significant. c. Assessing the effect of the variable prices (i.e. based on the quality of the oil). To this extent, initial revenue recognition may be limited to the expected value of the transaction at the point of recognition. d. Identifying contracts which contain payments to the customer (i.e. for use of the pipelines, marketing etc) and determination as to whether or not these constitute separate arrangements or form part of the original sales contract. Based on the procedures performed to date the Group does not expect there to be any material changes to net assets upon adoption. The key change currently expected by the Group is the subsequent measurement of provisionally priced sales may be presented as other income rather than revenue under AASB 15.	Year ending 30 June 2019
AASB 16	Leases	AASB 16 provides a single lessees accounting model whereby all leases are recorded on the statement of financial position. 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. The Group 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. 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. In 2018, the Group will continue to assess the potential effect of AASB 16 on its consolidated financial statements.	Year ending 30 June 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE (SUMMARISED)	SUMMARY	APPLICATION DATE FOR SENEX
AASB 9	Financial Instruments (December 2014)	AASB 9 Financial Instruments, published in December 2014, which replaces AASB 9 Financial Instruments (December 2009), AASB 9 Financial Instruments (December 2010), existing guidance in AASB 139 Financial Instruments: Recognition and Measurement and Interpretation 9 Reassessment of Embedded Derivatives. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedging accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning 1 July 2018, with early adoption permitted. The Group early adopted the hedge accounting requirements of AASB 9 for the financial year ended 30 June 2015. Accordingly, the classification, measurement and impairment requirements of the latest version of AASB 9 are yet to be adopted. Application of the standard is expected to result in changes in the presentation and disclosure of information relating to financial instruments. From the assessment performed to date, it is known that: » items previously classified as trade and other receivables will be classified as financial assets at amortised cost or financial assets at fair value through profit and loss; and » based on historical and expected losses of trade receivables, the expected loss impairment model of AASB 9 will have an immaterial impact on the Group.	Year ending 30 June 2019

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2018.

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. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(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 makers 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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; and

» 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unless future costs are linked to a non-fixed term (i.e. CPI). 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.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 three and seventeen 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. For gas sales, this is at the point of the custody meter transfer on the relevant pipeline.

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 the third party has used the flowline.

(y) Oil and gas exploration expenditure

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. Exploration expenditure and exploration assets acquired 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. When proved reserves of oil and/or natural gas are determined, key government approvals are obtained and development is approved by management, the relevant exploration expenditure is transferred to oil & gas properties, and associated physical assets are transferred to property, plant and equipment.

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.

(z) 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 tax receivable and liability and the deferred tax asset on tax losses for the income tax consolidated group. The Group has applied the separate taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

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

(aa) 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.

(ab) 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.

(ac) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is offset against the underlying asset being constructed.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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 2018		AS AT 30 JUNE 2017	
	AMORTISED COST $'000	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $'000	AMORTISED COST $'000	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $'000
Financial Assets				
Cash and cash equivalents	66,541	–	134,760	–
Trade and other receivables	53,415	–	14,269	–
	119,956	–	**149,029**	–
Financial Liabilities				
Trade and other payables	23,668	–	18,250	–
Other financial liabilities**	1,171	–	1,392	–
Cash flow hedges – crude oil price contracts*	–	1,142	–	–
	24,839	**1,142**	**19,642**	–

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 2018 or 30 June 2017.

**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 2018. 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.

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

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.

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 majority of 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 for balances denominated in US dollars (USD) from its continuing operations, which are disclosed in Australian dollars (AUD):

	CONSOLIDATED	
	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	1,303	16,356
Trade and other receivables	26,759	11,023
Net exposure	**28,062**	**27,379**

The following table details the Group's sensitivity to a 10% 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)	
	2018 $'000	2017 $'000
Judgements of reasonably possible movements		
Effect on loss before tax		
AUD / USD +10%	(2,806)	(2,738)
AUD / USD –10%	2,806	2,738

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 US dollar denominated put options covering a total of 304,000 barrels of oil production for the period 1 July 2017 to 31 December 2017, 308,200 barrels of oil production for the period 1 January 2018 to 30 June 2018 and 473,400 barrels of oil for the period 1 July 2018 to 30 June 2019. The quantity of put options in each month is designed to cover the highly probable forecast sales in each month. The put options provide downside protection below prices ranging from USD 50 to USD 60 per barrel. 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 2018.

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

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

	CHANGE IN YEAR-END PRICE	EFFECT ON PROFIT BEFORE TAX $'000	EFFECT ON EQUITY $'000
2018			
Oil	+10%	2,692	2,692
	-10%	(2,692)	(2,692)
2017			
Oil	+10%	1,102	1,102
	-10%	(1,102)	(1,102)

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	
	2018 $'000	2017 $'000
Financial liabilities		
Trade and other payables – 6 months or less	23,668	18,250
Other financial liability – Halliburton tight oil agreement:		
– 6 months or less	74	96
– greater than 6 months less than 1 year	62	74
– 1 to 5 years	1,035	1,222
– greater than 5 years	–	–
	24,839	**19,642**

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

The Group has a $20 million unsecured facility for general corporate purposes through until 30 September 2018.

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 2018 totalling $14,649,000 (2017: $4,114,000). The establishment fee of A$760,000 has been amortised over the initial term of the facility.

Funding available to the Group from undrawn facilities at 30 June 2018 is $5,351,000 (2017: $15,886,000). On 31 July 2018, Senex announced that it had entered into a fully underwritten A$150 million debt facility to fund the development of its Surat Basin gas projects. The agreement is subject to final documentation and customary conditions precedent.

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.

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

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's treasury policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Trade receivables

Customer credit risk is managed is subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and relate to the Groups' three major customers for which there is no history of credit risk or overdue payments. An impairment analysis is performed at each reporting date on an individual basis for the major customers.

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 assesses impairment at the cash generating unit level ("CGU"). When indicators of impairment exist, impairment testing is performed and the Group measures the recoverable amount of these assets using a fair value less costs of disposal ("FVLCD") methodology, under the level 3 fair value hierarchy. In determining the FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used, measuring the present value of future cash flows from the CGUs. 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

In measuring the recoverable amount, future cash flows are sensitive to changes in the following key assumptions;

» Forecast commodity prices and exchange rates;

» Production volumes, reserves and timing;

» Recoverable reserves;

» Cost assumptions; and

» Discount rate.

In accordance with the Group's accounting policy, the group's CGUs were tested for indicators of impairment as at 30 June 2018. The Group's impairment testing of its Surat Basin gas CGU using this methodology occurred for the first time in the year ended 30 June 2018 upon the assets being recorded as oil and gas properties. The Group determined that no indicators of impairment were present at 30 June 2018 and no impairment was recorded (2017: $nil).

The Group considers the above assumptions in its indicators assessment and formed its view based on Brent oil price assumptions using a weighted average of broker consensus data, forward prices and historic prices, producing short term pricing between US$63 – US$65/bbl (2017: US$58-US$63/bbl) and a long term average of US$68/bbl real (2017: US$70/bbl), and an AUD/USD long term exchange rate of $0.75 (2017: AUD/USD: $0.72). There were no factors to determine a change in the discount rate of 10.5% (2017: 10.5%).

Exploration assets

At 31 December 2017, the group performed a review of indicators of impairment for exploration assets. These reviews gave rise to an impairment charge of $79.9 million against non-core Cooper Basin exploration assets. A further review of indicators of impairment for exploration assets was performed at 30 June 2018 which gave rise to an additional impairment charge of $33.4 million against the non-core Cooper Basin exploration assets, bringing the total impairment charge for the year ended 30 June 2018 to $113.3 million (30 June 2017: $nil). The impairments were recorded after the Group reviewed the exploration assets for impairment triggers and determined the recoverable amounts on an area of interest basis.

The value to which the exploration assets were written down reflects the Group's view as to what is economically recoverable based on consideration of internal and external factors, including third party offers.

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

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 western Queensland.

Major customers

Revenue is predominantly derived from the sale of crude oil to two major customers – IOR Petroleum (approximately 11% of 2018 oil sales, 16% of 2017 oil sales) and the South Australian Cooper Basin Joint Venture (SACBJV) (approximately 89% of 2018 oil sales, 84% of 2017 oil sales), a consortium of buyers consisting of Santos Limited and its subsidiaries; Delhi Petroleum Pty Ltd (Beach Energy) and Lattice Energy Limited (Beach Energy).

In December 2017 Senex commenced selling raw gas produced from the Western Surat Gas Project (WSGP) on an as available basis to Santos GLNG. In July 2018, Senex commenced selling gas from the Vanessa field to Pelican Point Power Limited. All customers are located within Australia.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: OPERATING SEGMENTS (CONTINUED)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2018 and 30 June 2017:

	CONSOLIDATED					
	SURAT BASIN		COOPER/ EROMANGA BASINS		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue						
Oil sales[1]	–	–	68,999	43,649	68,999	43,649
Gas sales	1,302	–	–	–	1,302	–
Flowline revenue	–	–	1,153	1,107	1,153	1,107
Total segment revenue	**1,302**	–	**70,152**	**44,756**	**71,454**	**44,756**
Corporate item:						
Interest income	–		–		1,487	1,885
Total revenue per statement of comprehensive income					**72,941**	**46,641**

	CONSOLIDATED					
	SURAT BASIN		COOPER/ EROMANGA BASINS		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Results						
Segment profit/(loss)	**992**	**(84)**	**(79,019)**	**(8,694)**	**(78,027)**	**(8,778)**
Reconciliation of segment net profit/(loss) before tax to net profit/(loss) from continuing operations before tax						
Corporate items:						
Interest income					1,487	1,885
Other income					9	54
Other expenses					(1,055)	(83)
Finance expense					(359)	(928)
General and administrative expenses					(16,065)	(14,811)
Net loss before tax per the statement of comprehensive income					**(94,010)**	**(22,661)**

1 Inclusive of hedge gains and premiums

2 In FY18, segment profit/(loss) includes the net gain on termination of unconventional gas joint venture of $16,890,000 and impairment of exploration assets of $113,255,000.

NOTE 5: OPERATING SEGMENTS (CONTINUED)

Segment assets and segment liabilities at 30 June 2018 and 30 June 2017 are as follows:

	CONSOLIDATED					
	SURAT BASIN		COOPER/ EROMANGA BASINS		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Segment assets						
Segment operating assets	**112,477**	**60,778**	**258,984**	**334,056**	**371,461**	**394,834**
Corporate assets[1]					55,858	118,659
Total assets per the statement of financial position					**427,319**	**513,493**
Segment liabilities	**10,311**	**20,125**	**56,987**	**44,087**	**67,298**	**64,212**
Corporate liabilities[2]					13,748	9,796
Total liabilities per the statement of financial position					**81,046**	**74,008**
Additions and acquisitions of non current assets (other than financial assets and deferred tax assets):						
Property, plant and equipment and intangibles	901	37	3,521	1,896	4,422	1,933
Exploration assets	41,053	31,812	17,521	14,900	58,574	46,712
Oil and gas properties	14,538	–	4,611	2,309	19,149	2,309
	56,492	**31,849**	**25,653**	**19,105**	**82,145**	**50,954**
Corporate additions[3]					4,456	930
Total Additions					**86,601**	51,884

1 The corporate assets include cash and cash equivalents of $43,792,000 (2017: $111,072,000), accrued interest of $239,000 (2017; $667,000), prepayments of $2,683,000 (2017: $831,000), receivables of $572,000 (2017: $382,000) and property, plant, equipment and intangibles of $8,572,000 (2017: $5,707,000).

2 The corporate liabilities include trade and other payables of $9,899,000 (2017: $4,477,000) and provisions of $3,849,000 (2017: $5,319,000).

3 The corporate additions include assets under construction $2,905,000 (2017: nil), hardware equipment $692,000 (2017: $577,000) and computer software intangibles $859,000 (2017: $353,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: REVENUE

	CONSOLIDATED	
	2018 $'000	2017 $'000
(a) Revenue from sales		
Oil sales[1]	68,999	43,649
Gas sales	1,302	–
	70,301	**43,649**
(b) Other revenue		
Interest income	1,487	1,885
Flowline revenue	1,153	1,107
	2,640	**2,992**
(c) Other income		
Net gain on sale of exploration assets	404	–
Net gain on termination of unconventional gas joint venture	16,890	–
Net gain on sale of fixed assets	9	2
Joint venture recharge income	429	–
Other	–	52
	17,732	**54**

1 Inclusive of hedge settlements and premiums – 2018: $1,357,000 premium net of settlements (2017: $3,273,000 hedge settlement net of premium). The ineffective portion of hedge is disclosed in note 7(c) Other expenses.

NOTE 7: EXPENSES

	NOTE	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
(a) Cost of sales			
Operating costs		(27,312)	(25,092)
Amortisation of oil and gas properties		(10,942)	(13,369)
Depreciation of facilities		(7,733)	(5,121)
		(45,987)	**(43,582)**
(b) General and administrative expenses			
Employee expenses		(11,102)	(6,757)
Restructuring expenses		–	(126)
Depreciation, amortisation and write-offs		(1,972)	(2,655)
Other general and administrative expenses		(3,951)	(4,773)
		(17,025)	**(14,311)**
Foreign exchange gain/(loss)		960	(500)
		(16,065)	**(14,811)**
(c) Other expenses			
Cessation of contract expense		(2,745)	–
Onerous lease		(1,055)	–
Flowline operating costs		(593)	(714)
Rig standby costs[1]		125	819
Joint operations recharge expenses		–	(247)
Other		(66)	(83)
		(4,334)	**(225)**
(d) Depreciation, amortisation and write-offs			
Included in cost of sales:			
Amortisation of oil and gas properties	19	(10,942)	(13,369)
Depreciation of facilities	16	(7,733)	(5,121)
		(18,675)	**(18,490)**
Not included in cost of sales:			
Depreciation expense	16	(1,482)	(1,709)
Amortisation of intangibles	17	(493)	(969)
Write (off)/back of inventory		3	23
		(1,972)	**(2,655)**

1 Reversal of previously recognised provision related to rig standby costs

NOTE 7: EXPENSES (CONTINUED)

		CONSOLIDATED	
	NOTE	2018 $'000	2017 $'000
(e) Impairment			
Exploration assets	18	(113,255)	–
		(113,255)	–
(f) Finance expenses			
Rehabilitation accretion	22	(1,502)	(1,122)
Debt facility fees		(360)	(881)
Other financial liability interest		–	(47)
		(1,862)	**(2,050)**
(g) Employee costs[2]			
Wages, salaries and bonuses		(32,821)	(30,545)
Restructuring expenses		–	(126)
Share based payments	29	(1,685)	(1,388)
Employee admin expenses		(4,258)	(4,427)
		(38,764)	**(36,486)**
(h) Rental expense relating to operating leases			
Included in general and administrative expenses:			
Operating lease expenses		(1,390)	(1,378)
		(1,390)	**(1,378)**

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

NOTE 8: INCOME TAX

Income tax expense

	CONSOLIDATED	
	2018 $'000	2017 $'000
The major component of income tax expense is:		
Deferred income tax		
Relating to origination and reversal of temporary differences	30,660	10,175
Net tax asset not/(previously) brought to account	(30,660)	(10,175)
Income tax benefit/(expense) reported in the Statement of Comprehensive Income	–	–

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	
	2018 $'000	2017 $'000
Accounting loss before income tax	**(94,010)**	**(22,661)**
At the Group's statutory income tax rate of 30% (2017: 30%)	28,203	6,798
Share-based payments	–	(42)
Research and development benefit	31	157
Rehabilitation costs	2,337	3,295
Exploration costs deductible	593	–
Assessable grant	(464)	–
Other	(40)	(33)
Recognition/(Derecognition) of deferred tax on losses	(30,660)	(10,175)
Income tax benefit/(expense) reported in the Statement of Comprehensive Income	–	–

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax assets/(liabilities)				
Receivables	34	291	(257)	(6)
Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties	(20,980)	(47,510)	26,530	(5,592)
Trade and other payables	730	1,397	(667)	590
Provisions	5,097	3,069	2,028	(12,728)
Other	1,733	1,759	(26)	1,201
Income tax losses and offsets	75,113	72,455	2,659	27,711
	61,727	31,461	30,267	11,176
Income tax losses and offsets not recognised as realisation is not probable	(61,727)	(31,461)	(30,267)	(11,176)
Net deferred income tax asset/(liability) recognised	–	–	–	–

Tax transparency

The Group currently only operates and has subsidiaries in Australia. During the financial year, the Group paid $4,616,000 of state taxes, fringe benefits tax and royalties in Australia (2017: $3,636,000).

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 2018. At 30 June 2018, the Group had $250,378,000 (2017: $241,516,000) 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 2018) of $75,113,000 (2017: $72,455,000) 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	
	2018 $'000	2017 $'000
Tax losses		
Unused tax losses and research and development incentive credits	250,378	241,516
Potential tax benefit at 30% (2017: 30%)	**75,113**	**72,455**

NOTE 8: INCOME TAX (CONTINUED)

Unrecognised temporary differences – Petroleum Resource Rent Tax (PRRT)

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 2018. As a result, no deferred tax asset has been recognised in the financial statements for PRRT purposes for the period ended 30 June 2018.

The total of unrecognised temporary differences in respect of PRRT for existing projects is $1,722,333,000 (2017: $714,169,000). If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of $482,253,000 (2017: $199,967,000) may have been recognised in the financial statements at 30 June 2018. 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 $688,933,000 (2017: $285,668,000).

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 2018. The total amount of unrecognised temporary differences in relation to PRRT for exploration permits is $260,764,000 (2017: $1,032,755,000).

NOTE 9: AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2018 $	2017 $
Amounts received or due and receivable by Ernst & Young (Australia) for the following:		
Audit or review of the financial report of the Group	330,300	258,700
Other assurance related services	112,100	121,320
Other non-audit services	27,011	42,645
	469,411	**422,665**

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	
	2018 $'000	2017 $'000
For basic and diluted earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the parent entity	**(94,010)**	**(22,661)**

Weighted average number of shares

	CONSOLIDATED	
	2018 NUMBER	2017 NUMBER
Weighted average number of ordinary shares for basic earnings per share	1,446,995,988	1,252,319,487
Effect of dilution – share options	325,025	241,379
Effect of dilution – performance rights	3,322,549	2,437,519
Effect of dilution – share appreciation rights	2,952,448	2,188,786
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,453,596,010**	**1,257,187,171**

Earnings per share

	CONSOLIDATED	
	2018 CENTS	2017 CENTS
Earnings per share attributable to the ordinary equity holders of the parent entity		
Basic earnings per share	(6.50)	(1.81)
Diluted earnings per share	(6.50)	(1.81)

As the Group is in a net loss position, diluted net loss per share excludes the effects of potential ordinary shares consisting of share options, performance rights, and share appreciation rights. The total number of potential ordinary shares excluded from consideration in the calculation of diluted earnings per share for the period is 6,600,022 shares (2017: 4,867,684 shares).

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	
	2018 $'000	2017 $'000
Cash at bank and in hand	63,493	114,550
Cash advanced to joint operations	3,048	20,210
	66,541	**134,760**

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

The cash at bank and in hand includes $40,000,000 (2017 $77,500,000) held in term deposits with maturity dates up to 87 days (2017 70 days).

NOTE 12: CURRENT ASSETS – PREPAYMENTS

	CONSOLIDATED	
	2018 $'000	2017 $'000
Prepayment of pipeline charges	924	1,252
Prepayments – debt facility establishment fee	2,164	527
Prepayments – other	821	547
	3,909	**2,326**

NOTE 13: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2018 $'000	2017 $'000
Trade receivables from oil and gas sales	27,253	11,308
Deferred consideration owing by Beach Energy	20,400	–
Sundry receivables non-interest bearing and unsecured	3,092	1,531
Attributable share of receivables for joint operations	2,621	1,405
	53,366	**14,244**

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.

The consideration receivable for the termination of the Senex-Beach joint venture unconventional gas project agreement has been transferred as a free-carry commitment whereby the Group's share of cash calls will be paid by Beach Energy for a program of work in the Senex-operated Coper basin western flank areas in which both parties are joint venture participants.

NOTE 14: CURRENT ASSETS – INVENTORY

	CONSOLIDATED	
	2018 $'000	2017 $'000
Inventory		
Warehouse inventory	10,281	11,151
Oil inventory	474	426
	10,755	**11,577**

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

	CONSOLIDATED	
	2018 $'000	2017 $'000
Sundry receivables	49	25
	49	**25**

NOTE 16: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

		CONSOLIDATED		
	NOTE	PROPERTY, PLANT & EQUIPMENT $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
At 30 June 2017				
Cost		75,765	3,226	78,991
Accumulated depreciation		(27,721)	–	(27,721)
Net book amount		**48,044**	**3,226**	**51,270**
Movements for the year ended 30 June 2018				
Opening net book amount		48,044	3,226	51,270
Additions		3,031	5,847	8,878
Disposals		(86)	–	(86)
Transfers from exploration		–	29,840	29,840
Transfers from oil & gas properties		–	8,366	8,366
Transfers to intangibles		(859)	–	(859)
Transfers from assets under construction		39,607	(39,607)	–
Depreciation charge for the year		(9,215)	–	(9,215)
Closing net book amount		**80,522**	**7,672**	**88,194**
At 30 June 2018				
Cost		116,356	7,672	124,028
Accumulated depreciation		(35,834)	–	(35,834)
Net book amount		**80,522**	**7,672**	**88,194**

NOTE 16: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	NOTE	CONSOLIDATED		
		PROPERTY, PLANT & EQUIPMENT $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
At 30 June 2016				
Cost		73,413	3,163	76,576
Accumulated depreciation		(20,891)	–	(20,891)
Net book amount		**52,522**	**3,163**	**55,685**
Movements for the year ended 30 June 2017				
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		(6,830)	–	(6,830)
Closing net book amount		**48,044**	**3,226**	**51,270**
At 30 June 2017				
Cost		75,765	3,226	78,991
Accumulated depreciation		(27,721)	–	(27,721)
Net book amount		**48,044**	**3,226**	**51,270**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17: NON-CURRENT ASSETS – INTANGIBLES

	CONSOLIDATED	
	2018 $'000	2017 $'000
At the beginning of the year		
Cost	6,010	5,563
Accumulated amortisation	(5,272)	(4,303)
Net book amount	**738**	**1,260**
Movements for the year ended 30 June		
Opening net book amount	738	1,260
Transfers from property, plant & equipment	859	447
Disposals	(5)	–
Amortisation charge for the year	(493)	(969)
Closing net book amount	**1,099**	**738**
At 30 June		
Cost	6,653	6,010
Accumulated amortisation	(5,554)	(5,272)
Net book amount	**1,099**	**738**

NOTE 18: NON-CURRENT ASSETS – EXPLORATION ASSETS

	CONSOLIDATED	
	2018 $'000	2017 $'000
Exploration assets		
Balance at the beginning of the year, net of impairment	203,831	162,734
Additions	56,103	46,712
Disposals	(4,816)	–
Transfer to property, plant & equipment	(29,840)	–
Transfers to development assets	(37,739)	(1,491)
Impairment	(113,255)	–
Exploration write-off	(3,180)	(4,124)
Balance at the end of the year, net of accumulated amortisation and impairment	**71,104**	**203,831**

NOTE 19: NON-CURRENT ASSETS – OIL AND GAS PROPERTIES

	NOTE	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Oil and gas properties			
Balance at the beginning of the year, net of accumulated amortisation and impairment		94,722	104,291
Additions		19,149	2,309
Transfers from exploration		37,739	1,491
Transfers to property, plant & equipment		(8,366)	–
Amortisation charge for the year		(10,942)	(13,369)
Balance at the end of the year, net of accumulated amortisation and impairment		**132,302**	**94,722**
Balance at the beginning of the year			
Cost		232,366	228,566
Accumulated amortisation		(100,169)	(86,800)
Accumulated impairment, net of reversals		(37,475)	(37,475)
Net carrying amount		**94,722**	**104,291**
Balance at the end of the year			
Cost		280,888	232,366
Accumulated amortisation		(111,111)	(100,169)
Accumulated impairment, net of reversals		(37,475)	(37,475)
Net carrying amount		**132,302**	**94,722**

NOTE 20: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Other creditors and accruals – unsecured	12,089	11,924
Unexpended government grant	4,073	–
Payables to joint operations creditors	7,506	6,326
	23,668	**18,250**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 21: OTHER FINANCIAL LIABILITIES

	CONSOLIDATED	
	2018 $'000	2017 $'000
Current		
Cash flow hedges – crude oil price contracts	1,142	–
Halliburton tight oil agreement*	136	170
	1,278	170
Non – current		
Halliburton tight oil agreement*	1,035	1,222
	2,313	**1,392**

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

Cash flow hedges

Crude oil financial instruments measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast oil sales in US and Australian dollars. These forecast transactions are highly probable and comprise a portion of the Group's forecast expected production from existing well stock for the period 1 July 2018 to 30 June 2019.

The Group has entered into a series of US dollar denominated put options covering a total of 473,400 barrels of oil production for the period 1 July 2018 to 30 June 2019. The quantity of put options each month is designed to cover a portion of the highly probable forecast sales in each month. The put options provide upside participation in Brent oil prices over US$50 per barrel for 102,400 barrels, US$55 per barrel for 163,500 barrels, US$57.50 for 116,300 barrels and US$60 per barrel for 91,200 barrels of sales over the 1 July 2018 to 30 June 2019 period.

NOTE 22: PROVISIONS

	CONSOLIDATED	
	2018 $'000	2017 $'000
Current		
Annual and long service leave	1,492	1,221
Rehabilitation	1,280	6,598
Onerous contracts	1,083	156
Other provisions	389	3,271
	4,244	11,246
Non-current		
Rehabilitation	49,936	42,450
Long service leave	885	633
Onerous contracts	–	37
	50,821	43,120
	55,065	**54,366**

NOTE 22: PROVISIONS (CONTINUED)

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	
	2018 $'000	2017 $'000
Rehabilitation		
Balance at the beginning of the year	49,048	65,608
Additional provision recognised during the year	2,862	1,401
Acquisitions during the year	2,555	–
Changes in cost estimate and discount rate adjustment	1,720	(6,781)
Completion of P&A works – WSGP[1]	(6,471)	(12,302)
Unwinding	1,502	1,122
Balance at the end of the year	**51,216**	**49,048**

	CONSOLIDATED	
	2018 $'000	2017 $'000
Onerous contracts		
Balance at the beginning of the year	193	1,323
Provision recognised/(released) during the year	929	(819)
Payments made during the year	(39)	(311)
Balance at the end of the year	**1,083**	**193**

	CONSOLIDATED	
	2018 $'000	2017 $'000
Other provisions		
Balance at the beginning of the year	3,271	3,700
Additional provision recognised during the year	–	–
Provision applied on cessation of contract	(2,767)	(429)
Others	(115)	–
Balance at the end of the year	**389**	**3,271**

1. In the year ended 30 June 2018, the Group largely completed the 47 well WSGP plug and abandonment program with costs charged against the Rehabilitation provision. The movements in Other provisions reflects that the Group made a payment to a supplier for the cessation of a contract. A provision covering part of the eventual payment had been provided for in the year ended 30 June 2015.

Other provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: CONTRIBUTED EQUITY

	PARENT ENTITY	
	2018 $'000	2017 $'000
1,447,271,094 ordinary fully paid shares (30 June 2017: 1,442,250,404)	540,213	539,958
Total issued capital	**540,213**	**539,958**

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			
	2018		2017	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,442,250,404	539,958	1,152,686,422	451,233
Issues 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	1,000,000	255	160,000	41
Employee shares	–	–	1,514,536	–
Performance rights (nil consideration)	4,020,690	–	–	–
Transaction costs on shares issued (net of tax)	–	–	–	(2,002)
Balance at the end of the period	**1,447,271,094**	**540,213**	**1,442,250,404**	**539,958**

During the year ended 30 June 2018:

1,000,000 ordinary fully paid shares were issued for a price of 25.5 cents each for the exercise of unlisted options during the year held by the Managing Director.

4,020,690 ordinary fully paid shares were issued during the year to senior executives in relation to FY16 Short Term Incentive rights that vested during the year.

NOTE 24: RESERVES

	NOTE	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Share-based payments reserve			
Balance at the beginning of the year		16,307	14,919
Share based payment expenses		1,685	1,388
Balance at the end of the year		**17,992**	**16,307**
Hedging reserve			
Balance at the beginning of the year		–	(2,388)
Reclassification to profit or loss[1]		–	2,388
Net gain/(loss) recognised on re-measurement		(1,142)	–
Balance at the end of the year		**(1,142)**	–
Other reserve			
Balance at the beginning of the year		–	(183)
Transfer to accumulated losses		–	183
Balance at the end of the year		–	–
Total reserves		**16,850**	**16,307**

1 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 25: ACCUMULATED LOSSES

	CONSOLIDATED	
	2018 $'000	2017 $'000
Balance at the beginning of the year	(116,780)	(93,936)
Net loss attributable to ordinary equity holders of the parent entity	(94,010)	(22,661)
Transfers from other reserve	–	(183)
Balance at the end of the year	**(210,790)**	**(116,780)**

NOTE 26: CONSOLIDATED STATEMENT OF CASH FLOWS RECONCILIATION

		CONSOLIDATED	
	NOTE	2018 $'000	2017 $'000
Reconciliation of the net profit/(loss) after tax to net cash flows used in operations			
Net profit/(loss)		**(94,010)**	**(22,661)**
Adjustments:			
Amortisation and depreciation		20,650	21,168
Impairment expenses		113,255	–
(Gain)/loss on foreign exchange translation		(960)	500
(Gain)/loss on termination of unconventional joint venture		(16,890)	–
(Gain)/loss on sale of exploration assets		(404)	–
(Gain)/loss on sale of fixed assets		(9)	(2)
Rehabilitation liability accretion		1,502	1,122
Share based payments		1,685	1,388
Write off of exploration assets		2,787	4,124
Write off/(back) of inventory		(3)	(23)
Increase/(decrease) in hedges reserve		–	2,388
Debt facility expense		359	881
Changes in assets and liabilities:			
(Increase)/decrease in prepayments		(1,788)	(284)
(Increase)/decrease in trade and other receivables		(17,293)	(4,069)
(Increase)/decrease in inventory		763	173
(Increase)/decrease in other financial assets		–	742
(Increase)/decrease in make good asset		80	35
Increase/(decrease) in trade and other payables		4,526	(1,403)
Increase/(decrease) in provisions		(8,997)	(12,203)
Net cash flows from operating activities		**5,253**	**(8,124)**

NOTE 27: COMMITMENTS

Leasing and financing commitments

The Group has lease agreements for office premises in Brisbane and Adelaide, with the remaining terms of the leases ranging between one to seven years.

The Group has entered into a gas processing and transportation agreement (GP&TA) for gas produced at the Group's Atlas development with a 25 year term. The estimated present value of the capital component of the GP&TA tariffs is included in the payments below.

Future leasing and financing payments as at 30 June 2018 are as follows:

	CONSOLIDATED	
	2018 $'000	2017 $'000
Corporate		
Minimum lease payments		
– not later than one year	3,020	1,537
– later than one year and not later than five years	16,783	1,547
– later than five years	**135,947**	–
	155,750	**3,084**

Capital commitments

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

	CONSOLIDATED	
	2018 $'000	2017 $'000
Capital Commitments		
– not later than one year	**10,123**	6,735
	10,123	**6,735**

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.

During the year, Senex and Beach Energy Limited entered into an agreement to transfer their free carry of Senex's expenditure under an unconventional gas expenditure agreement to western flank oil assets, in which both parties have an interest. Under that agreement, a further free carry amount of $5,400,000 (Senex share) for an additional program of work, contingent upon success in the initial program of work, will accrue to Senex.

There were no other unrecorded contingent assets or liabilities in place for the Group at 30 June 2018.

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 2018 (2017: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.03 years (2017: 0.55 years).

The following table presents movements in options for the year ended 30 June 2018 and 30 June 2017:

	2018 NUMBER	2018 WAEP (c)	2017 NUMBER	2017 WAEP (c)
Outstanding as at 1 July	2,000,000	25.5	3,466,000	28.3
Granted	–	–	–	–
Exercised	(1,000,000)	25.5	(160,000)	25.5
Forfeited*	–	–	(1,306,000)	25.5
Expired	–	–	–	–
Outstanding at 30 June	**1,000,000**	**25.5**	**2,000,000**	**25.5**
Exercisable at 30 June	1,000,000	25.5	2,000,000	25.5

* The weighted average exercise price (WAEP) 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 2018 (FY18 STI rights) subject to a performance condition requiring the Board's determination of the corporate performance rating for FY18 on the basis of safety, environment, earnings, WSGP phase 2 wells on line, FID on WSGP compression, approvals in place for future WSGP development and individual performance targets and a vesting condition requiring the executive to be a Senex employee on 1 July 2019. 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 FY18, the Board awarded FY18 STI bonuses averaging 78.2% of maximum STI to the CEO and those executives, with 21.8% % of the FY18 STI Rights held by the CEO and those executives lapsing on 14 August 2018, the date of the Board's determination. The remaining 78.2% will vest if those executives are Senex employees on the vesting date, 1 July 2019.

For each FY18 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 FY18 STI rights is seven years after grant date. A vested FY18 STI right is exercisable at any time up until expiry date.

Long term incentive performance rights were granted to the CEO and Senior Executives during the year ended 30 June 2018 (FY18 LTI rights) in two tranches, each subject to a performance condition over a three-year period, and subject to a vesting condition requiring the executive to be a Senex employee at the end of the three year period. The expiry date of FY18 LTI rights is seven years after grant date. Any FY18 LTI rights that vest will be exercisable at any time up until expiry date.

NOTE 29: SHARE-BASED PAYMENTS (CONTINUED)

Performance rights representing 70% of FY18 LTI (Tranche 1 LTI) 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.

Performance rights representing 30% of FY18 LTI (Tranche 2 LTI) are subject to an LTI Performance Condition) that identified strategic and financial goals linked to material project delivery and company transformation over the three year performance period.

Those performance rights were valued using a monte carlo pricing model that takes into account grant date, share price at grant date, volatility of underlying share, dividend yield, expected term and the risk-free interest rate for the term of the right.

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

Set out below are summaries of short term and long term performance rights granted, exercised and lapsed during the year ended 30 June 2018 and 30 June 2017:

	2018 NUMBER	2017 NUMBER
Outstanding as at 1 July	9,582,029	8,794,303
Granted	9,480,826	4,135,927
Exercised	(4,020,690)	–
Lapsed	(3,807,104)	(3,348,201)
Outstanding at 30 June	**11,235,061**	**9,582,029**

The weighted average fair value of performance rights granted during the year was 27 cents (2017:25 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 vesting 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 2020 capable of sustainably delivering annual production of 2.5 – 3.0 mmboe 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.

NOTE 29: SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of SARs granted, exercised and lapsed during the year ended 30 June 2018 and 30 June 2017:

	2018 NUMBER	2017 NUMBER
Opening balance at 1 July	32,838,135	19,709,046
Granted	–	13,129,089
Exercised	–	–
Lapsed	(1,496,193)	–
Closing balance at 30 June	**31,341,942**	**32,838,135**

The weighted average fair value of SARs granted during the year was nil cents (2017: 12 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	
	2018 $	2017 $
Equity-settled share-based payments		
– Performance rights	915,971	681,172
– Share appreciation rights	769,347	706,334
	1,685,318	**1,387,506**

NOTE 30: KEY MANAGEMENT PERSONNEL

Compensation of key management personnel

	CONSOLIDATED	
	2018 $	2017 $
Short-term	3,994,103	3,806,341
Post employment	210,827	179,537
Termination benefits	–	–
Share-based payment	918,781	1,166,634
	5,123,711	**5,152,512**

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

Other transactions and balances with key management personnel

During FY18, the Group made payments of $11,596 (FY17: $1,125,765) to Morgans Financial Limited, a company associated with Mr Tim Crommelin (a non-executive director), for provision of data services. None of the services 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 2018 $'000	PARENT ENTITY 2017 $'000
Total current assets	291,508	296,805
Total non-current assets	106,023	114,300
TOTAL ASSETS	**397,531**	**411,105**
Total current liabilities	14,822	8,724
Total non-current liabilities	4,975	3,362
TOTAL LIABILITIES	**19,797**	**12,086**
NET ASSETS	**377,734**	**399,019**
EQUITY		
Contributed equity	540,467	539,958
Share based payments reserve	17,738	16,307
Other reserve	(1,142)	–
Accumulated losses	(179,329)	(157,246)
TOTAL EQUITY	**377,734**	**399,019**
Net profit/(loss) of the parent entity	(22,083)	(16,683)
Other comprehensive income of the parent entity	(1,142)	2,388
Total comprehensive income/(loss) of the parent entity	**(23,225)**	**(14,295)**

(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

Aside from those disclosed in note 28, there are no unrecorded contingent assets or liabilities in place for the parent entity at 30 June 2018 (2017: nil).

(d) Contractual commitments for capital acquisitions

The parent entity had contractual commitments for capital acquisitions at 30 June 2018 of $59,000. (2017: $nil).

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).

PERMITS	CONSOLIDATED WORKING INTEREST 2018 PERCENTAGE %	CONSOLIDATED WORKING INTEREST 2017 PERCENTAGE %
Cooper/Eromanga Basins		
ATP 736P*	55.0%	80.0%
ATP 737P*	55.0%	80.0%
ATP 738P*	55.0%	80.0%
ATP 2025P (Barcoo Junction Prospect Area)[1]	60.0%	12.0%
ATP 2026P (Barcoo)[1]	60.0%	35.0%
ATP 794P (Springfield)[2]	0.0%	24.0%
ATP 794P (Regleigh)[2]	0.0%	24.0%
PEL 87*	60.0%	60.0%
PEL 90* (Kiwi)	75.0%	75.0%
PEL 93*[3]	0.0%	70.0%
PEL 94	15.0%	15.0%
PEL 182*[4]	0.0%	57.0%
PEL 424*	60.0%	60.0%
PEL 637*[5]	0.0%	60.0%
PEL 638* (Deeps)[6]	0.0%	53.8%
PEL 638* (Shallows)[6]	0.0%	80.0%

1 ATP794P (Barcoo) and ATP 794P (Barcoo Junction Prospect Area) were replaced by ATP 2026 (Barcoo) and ATP 2025 (Barcoo Junction Prospect Area) respectively during the year

2 ATP 794P (Springfield) and ATP 794P (Regleigh) expired during the year

3 PEL 93 was replaced during the year by PRLs 231-233 and PRL 237

4 PEL 182 was replaced by PRLs 238-244

5 PEL 637 was replaced by PRLs 210-220

6 PEL 638 (Deeps) and PEL 638 (Shallows) were replaced by PRLs 221-230 during the year.

PERMITS	CONSOLIDATED WORKING INTEREST 2018 PERCENTAGE %	CONSOLIDATED WORKING INTEREST 2017 PERCENTAGE %
Surat Basin		
ATP 1190 (Weribone)	20.7%	20.7%
ATP 593P* (Don Juan CSG)[7]	100.0%	45.0%
ATP 593P* (Deep)[7]	0.0%	24.0%
ATP 771P* (Don Juan CSG)	100.0%	45.0%

7 ATP 593 split for Don Juan CSG and Deeps no longer exists since Arrow have transferred all of their interest to Senex.

NOTE 32: INTEREST IN JOINT OPERATIONS (CONTINUED)

Retention

PERMITS	CONSOLIDATED WORKING INTEREST 2018 PERCENTAGE %	CONSOLIDATED WORKING INTEREST 2017 PERCENTAGE %
Cooper/Eromanga Basins		
PRL 15*	60.0%	60.0%
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*	55.0%	55.0%
PRL 210-220*[5]	60.0%	0.0%
PRL 221-230* (Deeps)[6]	53.8%	0.0%
PRL 221-230* (Shallows)[6]	80.0%	0.0%
PRL 231-233[3]	70.0%	0.0%
PRL 237[3]	70.0%	0.0%
PRL 238-244[4]	57.0%	0.0%

3 PEL 93 was replaced during the year by PRLs 231-233 and PRL 237

4 PEL 182 was replaced by PRLs 238-244

5 PEL 637 was replaced by PRLs 210-220

6 PEL 638 (Deeps) and PEL 638 (Shallows) were replaced by PRLs 221-230 during the year.

Production

PERMITS	CONSOLIDATED WORKING INTEREST 2018 PERCENTAGE %	CONSOLIDATED WORKING INTEREST 2017 PERCENTAGE %
Cooper/Eromanga Basins		
PPL 206 (Derrilyn)[8]	35.0%	35.0%
PPL 207 (Worrior)*	70.0%	70.0%
PPL 208 (Derrilyn)	35.0%	35.0%
PPL 211 (Reg Sprigg West)	25.0%	25.0%
PPL 215 (Toparoa)	35.0%	35.0%
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%

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

NOTE 32: INTEREST IN JOINT OPERATIONS (CONTINUED)

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

	NOTE	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Current Assets			
Cash and cash equivalents	11	3,048	20,210
Trade and other receivables	13	2,621	1,405
Non-current Assets			
Property, plant and equipment		27,992	20,424
Exploration assets		44,094	75,283
Oil and gas properties		68,700	76,367
TOTAL ASSETS		**146,455**	**193,689**
Current Liabilities			
Trade and other payables	20	7,506	6,326
Non-current Liabilities			
Provision for rehabilitation		18,981	17,821
TOTAL LIABILITIES		**26,487**	**24,147**
NET ASSETS		**119,968**	**169,542**

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

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Revenue		
Oil sales	64,376	40,049
Gas sales	–	–
	64,376	**40,049**
Expenses		
Cost of sales	(33,393)	(29,066)
Oil and gas exploration expenses	(3,114)	(8,684)
	(36,507)	**(37,750)**

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:

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST % 2018	EQUITY INTEREST % 2017
Parent entity			
Senex Energy Limited	Australia		
Directly controlled by Senex Energy Limited			
Azeeza Pty Ltd	Australia	100	100
Victoria Oil Pty Ltd	Australia	100	100
Senex Weribone Pty Ltd	Australia	100	100
Permian Oil Pty Ltd	Australia	100	100
Victoria Oil Exploration (1977) Pty Ltd	Australia	100	100
Stuart Petroleum Pty Ltd	Australia	100	100
Senex Assets Pty Ltd	Australia	100	100
Senex Energy Employee Share Trust	Australia	100	100
Senex QLD Exploration Pty Ltd	Australia	100	–
Senex Pipeline & Processing Pty Ltd	Australia	100	–
Directly controlled by Stuart Petroleum Pty Ltd			
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	100	100
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	100	100

The principal activities of Senex Energy Limited and its controlled entities were oil and gas exploration and production in the Cooper, Eromanga and Surat Basins.

NOTE 34: DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Relief Instrument), Victoria Oil Exploration (1977) Pty Ltd (wholly owned subsidiary) is a party to a deed of cross guarantee with Senex Energy Limited (holding company) and was 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 2018.

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 Class Order:

» Senex Energy Limited
» Azeeza Pty Ltd
» Victoria Oil Pty Ltd
» Senex Weribone Pty Ltd
» Permian Oil Pty Ltd
» Victoria Oil Exploration (1977) Pty Ltd
» Stuart Petroleum Pty Ltd
» Stuart Petroleum Cooper Basin Oil Pty Ltd
» Stuart Petroleum Cooper Basin Gas Pty Ltd
» Senex Assets Pty Ltd
» Senex Pipeline & Processing Pty Ltd
» Senex QLD Exploration 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'.

NOTE 34: DEED OF CROSS GUARANTEE (CONTINUED)

(a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated accumulated losses

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

	2018 $'000	2017 $'000
Revenue from sales	70,301	43,649
Cost of sales	(45,987)	(43,582)
Gross profit	**24,314**	**67**
Other revenue	2,640	2,992
Other income	17,732	54
Oil and gas exploration expenses	(3,180)	(8,688)
General and administrative expenses	(16,065)	(14,811)
Other expenses	(4,334)	(225)
Impairment	(113,255)	–
Finance expenses	(1,862)	(2,050)
Loss before tax	**(94,010)**	**(22,661)**
Income tax benefit/(expense)	–	–
Loss after tax	**(94,010)**	**(22,661)**
Net loss for the period attributable to owners of the parent entity	**(94,010)**	**(22,661)**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss (net of tax)		
Change in fair value of cash flow hedges (net of tax)	(1,142)	2,388
	(1,142)	**2,388**
Total comprehensive loss for the period attributable to owners of parent entity	**(95,152)**	**(20,273)**

	2018 $'000	2017 $'000
Accumulated losses at the beginning of the year	(116,780)	(93,936)
Loss after tax	(94,010)	(22,661)
Transfer from other reserves	–	(183)
Accumulated losses at the end of the year	**(210,790)**	**(116,780)**

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 2018 $'000	AS AT 30 JUNE 2017 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	66,541	134,760
Prepayments	3,909	2,326
Trade and other receivables	53,366	14,244
Inventory	10,755	11,577
Total Current Assets	**134,571**	**162,907**
Non-current Assets		
Trade and other receivables	49	25
Property, plant and equipment	88,194	51,270
Intangibles	1,099	738
Exploration assets	71,104	203,831
Oil and gas properties	132,302	94,722
Total Non-current Assets	**292,748**	**350,586**
TOTAL ASSETS	**427,319**	**513,493**
LIABILITIES		
Current Liabilities		
Trade and other payables	23,668	18,250
Other financial liabilities	1,278	170
Provisions	4,244	11,246
Total Current Liabilities	**29,190**	**29,666**
Non-current Liabilities		
Other financial liabilities	1,035	1,222
Provisions	50,821	43,120
Total Non-current Liabilities	**51,856**	**44,342**
TOTAL LIABILITIES	**81,046**	**74,008**
NET ASSETS	**346,273**	**439,485**
EQUITY		
Contributed equity	540,213	539,958
Reserves	16,850	16,307
Accumulated losses	(210,790)	(116,780)
TOTAL EQUITY	**346,273**	**439,485**

NOTE 35: EVENTS AFTER THE REPORTING DATE

On 31 July 2018, Senex announced that it had entered into a fully underwritten A$150 million debt facility to fund the development of its Surat Basin gas projects. The agreement is subject to final documentation and customary conditions precedent.

On 14 August 2018, Senex announced that it had been granted approval to develop the Western Surat Gas Project under the Commonwealth Government Environment Protection and Biodiversity Conservation Act (EPBC). Together with previously granted State environmental approvals and Petroleum Lease, Senex has now received all primary approvals to commence the development of the Western Surat Gas Project, initially focusing on the Glenora and Eos blocks.

On 15 August 2018, Senex announced that it had made a Birkhead oil discovery with the Breguet-1 oil exploration well, located in ex PEL 104 (Senex 60% an Operator) in the western flank of the South Australia Cooper Basin.

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 2018 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 2018.

On behalf of the Board

Trevor Bourne
Chairman

Ian Davies
Managing Director

Brisbane, Queensland
20 August 2018

INDEPENDENT AUDIT REPORT

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Independent Auditor's Report to the Members 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 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director' 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 2018 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.

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

Why significant	How our audit addressed the key audit matter
At 30 June 2018 the Group had oil and gas producing assets of $132 million. Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired, or whether the reversal of a previously recognised impairment charge may be required. If any such indication exists, the Group is required to estimate the recoverable amount of the asset. The Group has performed an impairment indicator assessment, concluding no indicators of impairment or reversal exist. The Group operates in an industry with exposure to fluctuations in commodity prices, foreign exchange values and geological estimation of reserves, impacting the Group's revenues and operating cash flows. Impairment assessments involve forecasts in these areas, all of which are highly judgmental and ultimately impact on carrying value of producing oil and gas properties. Accordingly, this was considered a key audit matter. Disclosure regarding this matter can be found in Note 4 to the financial report.	Our audit procedures included the following: • Assessed the Groups' consideration of potential impairment drivers including, foreign exchange and forward commodity price assumptions with reference to contractual arrangements, market prices (where available), market expectations and historical performance. • Considered the recoverability of proved and probable oil & gas reserves by agreeing the Group's reserves estimates to third party subsurface engineer reports and current year production. We also assessed the qualifications, competence and objectivity of the third party experts used by the Group. • Discussed with operational management the performance of the underlying assets and any indication of underperformance, obsolescence, significant future capital requirements or physical damage to assets. • Considered the relationship between asset carrying values and the Group's market capitalisation. • Considered the carrying value of producing assets against recent comparable market transactions and the market value of comparable companies. • Assessed the related financial report disclosures for compliance with Australian Accounting Standards.

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2. Impairment assessment of capitalised exploration and evaluation expenditure (non-producing assets)

Why significant	How our audit addressed the key audit matter
During the period ended 30 June 2018, the Group recorded an impairment charge of $113 million in respect of capitalised exploration and evaluation assets, leaving the Group with remaining capitalised exploration and evaluation expenditure of $71 million at 30 June 2018. 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. The impairment testing process in respect of these assets is complex and judgmental and commences with an assessment of whether any indicators of impairment are present. The Group performed a strategic review of exploration and evaluation assets during the period and identified a number of non-core exploration assets which will no longer be explored. As a result the Group identified indicators of impairment and recorded an impairment charge of $113 million against various Cooper Basin related areas of interest. Disclosure regarding this matter can be found in Note 4 to the financial report.	Our audit procedures included the following: • Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies. • Considered the Group's intention to carry out significant exploration and evaluation activities in relevant exploration areas, or plans to transfer the assets to oil & gas properties. This included the review of budgets, strategic plans and drilling plans in addition to enquiries with executive and operational management. • Assessed the Group's ability to finance any planned future exploration and evaluation activity. • Analysed the market valuation of the exploration and evaluation assets with reference to the Group's market capitalisation and market reports. • Considered the carrying value of exploration assets against recent comparable market transactions and the market value of comparable companies.

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3. Accrued oil revenue

Why significant	How our audit addressed the key audit matter
As at 30 June 2018 the group has $26 million of accrued oil revenue, which represents a significant portion (37%) of total annual oil revenue. In accordance with contractual terms within the Crude Oil Sale and Purchase Agreement ('COSPA'), risk and title of oil produced in the Cooper-Basin is transferred to the South Australian Cooper Basin Joint Venture ("SACBJV"), when the oil reaches the Moomba processing facility. Revenue is calculated using forecast oil prices when title has passed, with actual invoices raised when the oil has shipped from Port Bonython. Given the complexity in calculating volume of oil supplied and judgement in the application of the estimated transaction price, minor variations can lead to significant changes in the calculated revenue recorded. Disclosure regarding this matter can be found in Note 2 to the financial report.	Our audit procedures included the following: • Assessed the point of revenue recognition with reference to the executed contracts between the parties. • Obtained directly from the SACBJV an independent confirmation of the barrels of oil received at the Moomba processing facility, but not yet shipped via Port Bonython. • For all accrued revenue barrels sold, assessed the estimated sales price applied by the Group to forward commodity price assumptions together with estimates of quality premiums and exchange rates for the period in which settlement is likely to occur with reference to contractual arrangements and Brent oil price futures. • Selected shipments which occurred close to the period end and assessed whether revenue was recorded in the correct period.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

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 on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors 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.

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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 the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 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 Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 48 to 63 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Senex Energy Limited for the year ended 30 June 2018, 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

Ernst & Young

Anthony Jones
Partner
Sydney
20 August 2018

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 2018:

	NUMBER OF HOLDERS			
SIZE OF HOLDING	LISTED FULLY PAID SHARES	UNLISTED OPTIONS	UNLISTED PERFORMANCE RIGHTS	UNLISTED SHARE APPRECIATION RIGHTS
1-1,000	1,135	–	–	–
1,001-5,000	3,815	–	–	–
5,001-10,000	2,147	–	–	–
10,001-100,000	5,752	–	28	–
100,001+	1,321	–	13	4
Total	**14,170**	–	**41**	**4**

(b) The number of holders holding less than a marketable parcel of fully paid shares as at 1 August 2018 was 1,179.

(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 2018:

NO.	NAME	NUMBER	%
1	Citicorp Nominees Pty Limited	264,317,297	18.26
2	JP Morgan Nominees Australia Limited	186,138,315	12.86
3	HSBC Custody Nominees (Australia) Limited	174,451,097	12.05
4	National Nominees Limited	50,240,311	3.47
5	HSBC Custody Nominees (Australia) Limited	22,366,043	1.55
6	Elphinstone Holdings Pty Ltd	21,777,928	1.50
7	HSBC Custody Nominees (Australia) Limited – GSCO ECA	19,066,692	1.32
8	Bow Energy Limited	12,738,621	0.88
9	BNP Paribas Noms Pty Ltd	10,413,028	0.72
10	UBS Nominees Pty Ltd	8,550,000	0.59
11	UBS Nominees Pty Ltd	8,412,796	0.58
12	BNP Paribas Nominees Pty Ltd	7,002,769	0.48
13	Mr Robert Bryan	7,000,000	0.48
14	Bond Street Custodians Ltd	6,810,199	0.47
15	CS Third Nominees Pty Limited	6,716,583	0.46
16	HSBC Custody Nominees (Australia) Limited	5,816,807	0.40
17	Mr Timothy Bryce Kleemann	4,324,070	0.30
18	Mr Michael Ryalls & Mrs Dulcie Ellen Ryalls	4,173,870	0.29
19	Pacific Development Corporation Pty Ltd	4,000,000	0.28
20	Mr Kevin Patrick Robins	3,847,619	0.27

ADDITIONAL INFORMATION CONT.

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 have a relevant interest, as disclosed in their notice:

NAMES OF SUBSTANTIAL HOLDERS	DATE OF NOTICE	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES
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			
Paradice Investment Management Pty Ltd	19 Dec 2017	94,324,253	6.52%

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.

FIVE YEAR HISTORY

AT 30 JUNE	FY18	FY17	FY16	FY15	FY14
Financial performance ($'000)					
Sales revenue	**70,301**	43,650	69,287	115,910	170,862
Total revenue	**72,941**	46,696	113,067	121,512	179,673
Income tax benefit/(expense)	**–**	–	–	(10,681)	(10,681)
Profit/(loss) after tax	**(94,010)**	(22,661)	(33,196)	(80,646)	37,895
Financial position ($'000)					
Total assets	**427,319**	513,493	454,105	484,174	562,620
Total equity	**346,273**	439,485	369,645	401,916	482,524
Production and Reserves					
Production – oil and gas (mmboe)	**0.84**	0.75	1.01	1.39	1.38
2P Reserves – oil (mmboe)	**8.3**	9.3	10.4	11.3	13.3
2P Reserves – gas (mmboe)	**104.8**	74.7	73.0	83.3	26.6
Capital expenditure ($'000)					
Total capital expenditure	**80,100**	62,300	27,800	82,200	151,400
Share information					
Issued shares	**1,447,271,094**	1,442,250,404	1,152,686,422	1,149,657,377	1,146,343,917
Weighted average shares	**1,446,995,988**	1,252,319,487	1,152,686,422	1,149,307,488	1,143,837,116
Share price	**0.44**	0.28	0.26	0.28	0.70
Ratios					
Basic earnings/(loss) per share (cents)	**(6.50)**	(1.82)	(2.88)	(6.11)	3.31
Earnings/(loss) per share (cents) diluted	**(6.50)**	(1.82)	(2.88)	(7.02)	3.28
General ($'000)					
Market capitalisation	**629,563**	396,619	293,935	321,904	796,709
Current Liabilities	**29,190**	29,666	35,490	29,831	37,188
Profit/(loss) from continuing operations before tax	**(94,010)**	(22,661)	(33,196)	(91,327)	48,575
Interest income	**1,487**	1,885	1,510	634	1,678
Depreciation and amortisation	**20,647**	21,145	23,605	24,744	27,424
Impairment	**113,255**	–	69,673	96,963	–
Exploration expenses	**3,180**	8,688	2,268	18,430	16,759

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

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

Brent Crude A sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide

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

EIG means the EIG related entities listed on page 122 of this report

ex PEL104 means former PEL104 that was replaced by PRLs 142-150

ex PEL111 means former PEL111 that was replaced by PRLs 136-141

FID means Final Investment Decision

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

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

LPG Liquefied petroleum gas

LTI Right means a long term incentive Performance Right

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

mmboe 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

OGIP Original gas in place

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

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

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

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 replacement 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

Retention Right means a Performance Right with a service condition only

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

STI Right means a short term incentive Performance Right

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

TJ Terajoule

TRIFR Total recordable injury frequency rate

TSR Total shareholder return

VWAP Volume weighted average price

WSGP means Western Surat Gas Project

CORPORATE DIRECTORY

SENEX ENERGY LIMITED

Australian Business Number
50 008 942 827

DIRECTORS

Trevor Bourne (Chairman)

Ian Davies (Managing Director and Chief Executive Officer)

Ralph Craven (Non-executive Director)

Timothy Crommelin (Non-executive Director)

Debra Goodin (Non-executive Director)

John Warburton (Non-executive Director)

Andy Zhmurovsky (Non-executive Director)
(appointed 1 January 2018)

COMPANY SECRETARY

David Pegg

PRINCIPAL PLACE OF BUSINESS

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Facsimile +61 7 3335 9999

Website www.senexenergy.com.au

Senex is moving in late 2018

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

SECURITIES EXCHANGE

Australian Securities Exchange (ASX)
Code: SXY

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Senex

Senex Energy Limited

Senex Energy Limited

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