Senex

Senex Energy Limited

# TRANSFORMATION IN MOTION

# 2019 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 2019. 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 2018 are to the year ended 30 June 2018. References to 2019, the financial year or FY are to the year ended 30 June 2019 unless stated otherwise. References to 2020 are to the year ended 30 June 2020 unless stated otherwise. All dollar figures are expressed in Australian currency unless stated otherwise.

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, only shareholders who have requested a printed copy will receive one.

**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 2019 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 purpose and mission while maintaining our values and commitment to sustainability.

**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 2018 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, David Spring BSc (Geology). Mr Spring is a member of the Society of Petroleum Engineers and is a full-time employee as Executive General Manager Exploration at Senex. 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:** Monday 18 November 2019, Brisbane



# Contents

# Senex is a growing Australian oil and natural gas explorer and producer.

We are focused on creating sustainable value for all stakeholders through low-cost, efficient and safe operations in the Surat and Cooper basins.

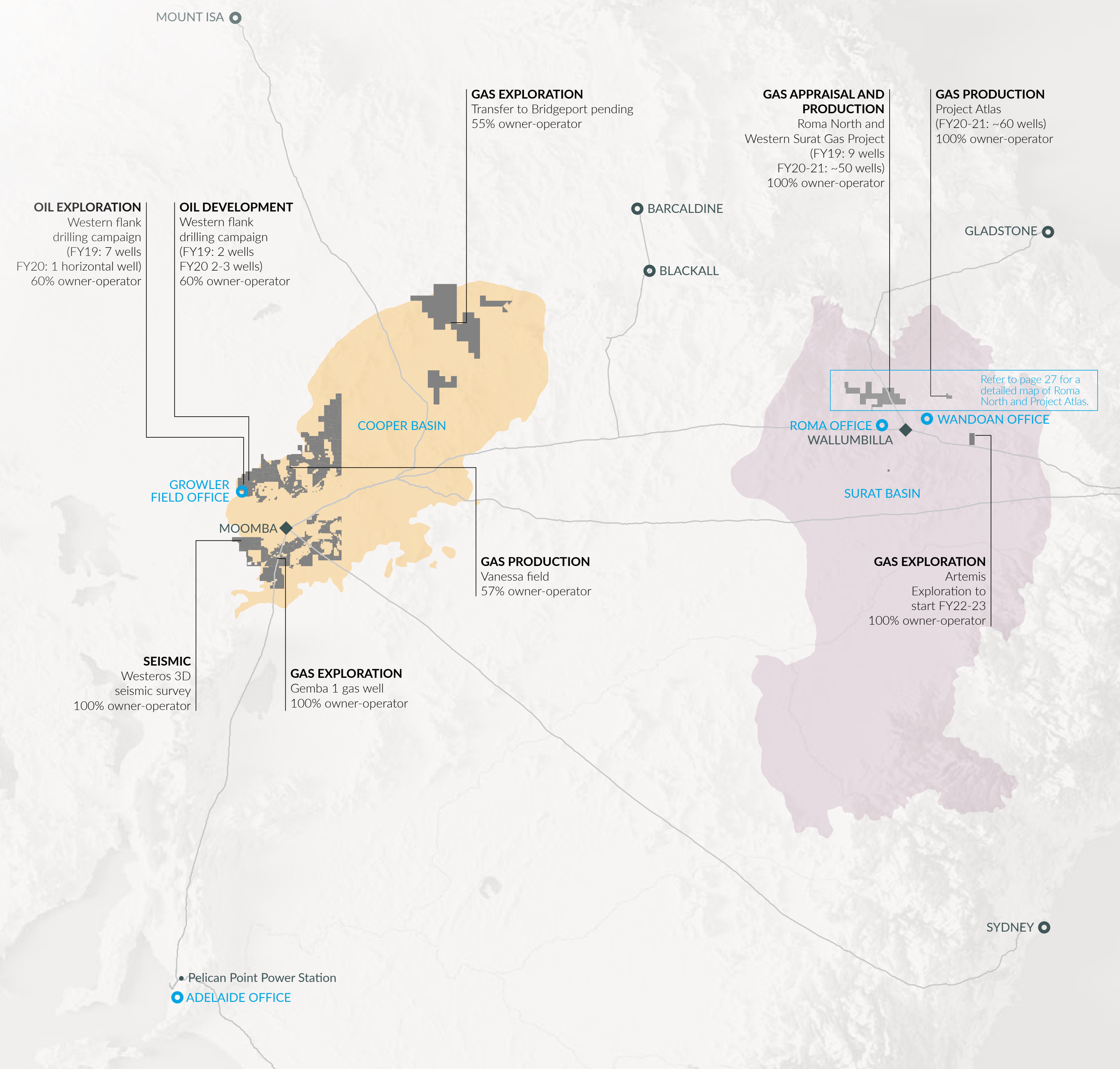
Senex is helping to meet the energy challenge on the east coast of Australia through natural gas development projects which include Project Atlas, Australia's first dedicated domestic gas acreage.

# Where we operate

SENEX IS EXPLORING FOR, DEVELOPING AND PRODUCING OIL AND NATURAL GAS IN AUSTRALIA'S LEADING ONSHORE ENERGY REGIONS: THE SURAT AND COOPER BASINS.

Every day our committed and experienced workforce use their specialist skills in our regional and remote field operations and our offices in Roma, Wandoan, Brisbane and Adelaide.

Across our significant acreage, we partner with third-party energy infrastructure providers to process and transport our oil and natural gas to market.




- Supply hub
- Senex office
- Town/city
- Power station
- Major pipeline
- Senex acreage




# Purpose, mission and values

## OUR PURPOSE, MISSION AND VALUES EXPLAIN WHAT WE STAND FOR.

They have helped to create a strong culture founded on integrity and respect.

This guides our work every day, ensuring we treat people well, operate safely, minimise impacts on the environment and create value for our shareholders.

### Our purpose

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

### Our mission

- 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

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

# Strategy

SENEX MADE CONSIDERABLE PROGRESS IN LINE WITH OUR STRATEGY IN 2019 AS WE FOCUSED ON DEVELOPING AND GROWING OUR POSITIONS IN AUSTRALIA'S LEADING ONSHORE OIL AND GAS BASINS.

In **natural gas**, we continued to build a material business that will drive a step change in production, cashflow and earnings. We achieved a string of project milestones in the Surat Basin, significantly reducing risk in our development projects and keeping us on track to meet our "first gas" commitments.

In **oil**, Senex created value through disciplined exploration, appraisal and development of our western flank assets in the Cooper Basin.

We constantly and prudently review opportunities for **growth and diversity** that match Senex's capabilities and priorities.

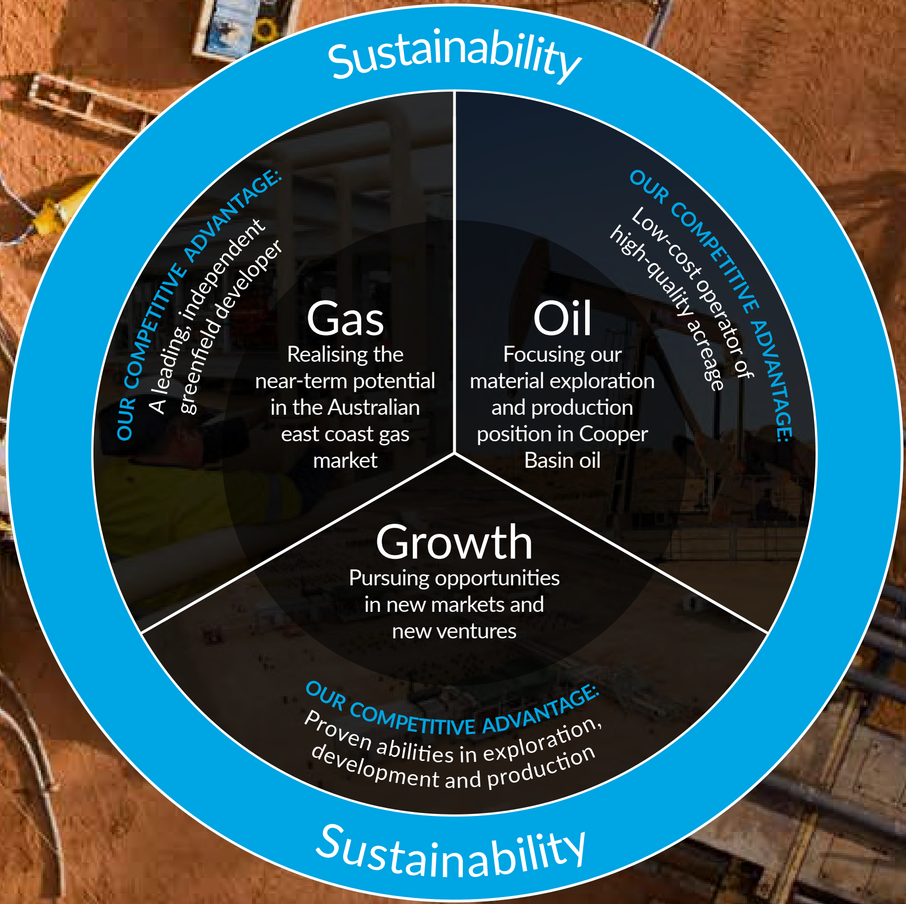
While the focus for 2019 and 2020 is the timely and successful execution of the Roma North and Project Atlas gas developments, we are reviewing our strategy to ensure it remains fit for the future, is aligned with our capabilities and will shape our activities.

In 2020, our focus will remain on safe and smart execution of our priorities and disciplined capital allocation towards the development of our Surat Basin gas projects and Cooper Basin assets.

We will also increase our efforts on safety, people and the environment as we seek to improve lives and support the energy needs of Australia and the world.

You can read about our momentous year in the 2019 highlights and year at a glance on pages 6 to 9.

# Seizing opportunities for growth




A summary of our strategic priorities, our competitive advantage in each of these areas, and the role sustainability plays in bringing all elements together.

# Performance highlights

| | Total Recordable Injury Frequency Rate *(per million hours worked)* | Production *(mmboe)* | Sales revenue *($m)* | Net 1P reserves *(mmboe)* |
|---|---|---|---|---|
| 2019 | 9.36 | 1.20 | 94.1 | 19.3 |
| 2018 | 8.8 | 0.84 | 70.3 | 20.2 |
| 2017 | 4.0 | 0.75 | 43.6 | 16.7 |
| 2016 | 1.8 | 1.01 | 69.3 | 12.1 |
| 2015 | 6.2 | 1.39 | 115.9 | 4.3 |

SENEX CONTINUED ITS GROWTH TRAJECTORY IN 2019, DELIVERING INCREASED PRODUCTION, REVENUE AND OPERATING CASHFLOW. THE STRENGTH OF THESE RESULTS PROVIDES A ROBUST BASE FOR THE CREATION OF FURTHER VALUE IN 2020.

Regrettably, six recordable injuries occurred in the financial year: three in the Cooper Basin and three in the Surat Basin. This equated to a TRIFR of 9.36 when converted to a base of one million exposure hours. We have increased our focus on contractor management to reverse the trend and will continue to strive for zero injuries.

Production increased 43 per cent, with increasing volumes from Roma North, new oil production from successful horizontal development wells in the Cooper Basin and base oil portfolio production remaining in line with expectations.

Sales revenue increased 34 per cent due to higher production volumes and a higher realised oil price of A$101 per barrel (2018: A$95 per barrel).

Senex's 1P reserves position is the same as for 30 June 2018, except for the impact of production and minor technical revisions.

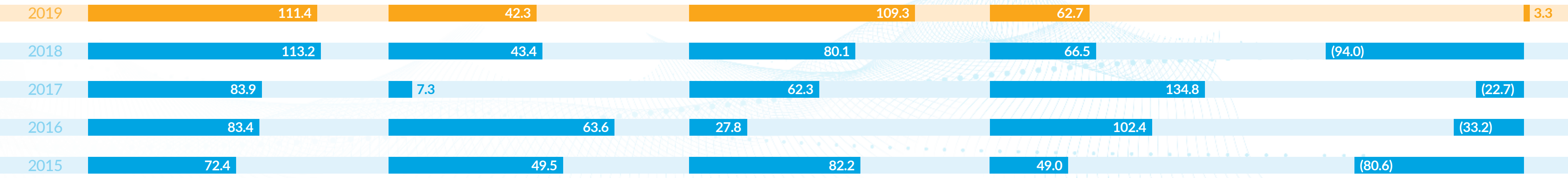
**Net 2P reserves**
*(mmboe)*

**EBITDAX**
*($m)*

**Capital expenditure**
*($m)*

**Cash position**
*($m)*

**Statutory net profit after tax**
*($m)*




Senex's 2P reserves position is the same as for 30 June 2018, except for the impact of production and minor technical revisions.

Our EBITDAX decreased 3 per cent from 2018 as a result of a net decrease in gains recorded from a transaction with Beach Energy of $11.5 million (see more on page 16). This was offset by increased EBITDAX from higher sales volumes and realised oil prices, and a continued focus on cost management in the Cooper Basin.

Significant capital spending was incurred at Roma North and Project Atlas during 2019 as Senex started a ~110-well drilling campaign. Further drilling and exploration activity was undertaken in the Cooper Basin which was largely under the free-carry work program agreed with Beach Energy.

Senex had $62.7 million of cash at the end of 2019. This cash position was driven by robust operating cashflow and debt funding to develop our Surat Basin assets.

Statutory NPAT[1] returned to profit in 2019 as a result of strong earnings and continued production growth. The previous year 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 development of natural gas projects in Queensland.

1 *(Profit/(loss) after tax reported in the consolidated statement of comprehensive income) See page 90.*

# Year of consistent delivery

SENEX PASSED MILESTONE AFTER MILESTONE IN 2019 - HERE'S OUR YEAR AT A GLANCE

2018

**3 July**

Vanessa field brought online in the Cooper Basin

**14 August**

Federal environmental regulatory approval received for Western Surat Gas Project

**15 August**

Birkhead oil discovery made on the Cooper Basin western flank

**11 September**

Gas sales agreement terms with GLNG amended to progress initial development area of Western Surat Gas Project (Roma North)

**29 October**

New oil discovery brought online at Breguet 1

**29 October**

$150 million debt facility approved for Project Atlas and Roma North

**29 October**

Final investment decisions taken for Project Atlas and Roma North

**12 November**

Roma North gas processing facility and pipeline construction began

**8 December**

New oil discovery brought online at Snatcher North 1

**17 December**

Initial flow test of Gemba 1 gas exploration well in the Cooper Basin successfully completed

**2019**

**11 January**
Started the 600sq km Westeros 3D seismic survey

**21 January**
Federal environmental requirements satisfied for Project Atlas

**31 January**
Brought online Growler 16 and 17 horizontal development wells

**14 February**
Petroleum Facility Licence approved for Project Atlas

**20 March**
Civil works for Surat Basin drilling campaign started

**27 March**
Environmental Authority approval received for Project Atlas

**16 April**
Surat Basin drilling contract awarded to Easternwell

**17 April**
Project Atlas gas sales agreement signed with CSR (up to 3.25 PJ)

**1 May**
Project Atlas gas sales agreement signed with Orora (up to 9.9 PJ)

**27 May**
Commissioning of Roma North gas processing facility started

**28 May**
153sq km block of Surat Basin domestic gas acreage awarded (known as Artemis)

**5 June**
~110-well integrated drilling campaign began

**11 June**
Project Atlas gas sales agreement signed with O-I (up to 10.5 PJ)

**17 June**
Senex and Jemena agreed $50 million infrastructure deal for the Roma North natural gas processing facility and pipeline

Watch the story

*Senex set ambitious project development goals for 2019 and we met them all.*

# Message from the Chairman and the Managing Director and Chief Executive

TRANSFORMATION AND GROWTH WERE THE STANDOUT FEATURES OF SENEX IN 2019. THE COMPANY ACHIEVED IMPROVED FINANCIAL RESULTS, INCREASED PRODUCTION AND HAS BUILT GREAT MOMENTUM TOWARDS ESTABLISHING SENEX AS AN IMPORTANT EAST COAST NATURAL GAS PRODUCER.

## Dynamic environment

The environment in which we operate has never been more dynamic than it is today. Increasing and diverse geopolitical tensions have resulted in volatile commodity prices and stock markets, with the price of Brent oil fluctuating between about US$50 and US$80 a barrel.

Closer to home, volatility has also impacted on liquefied natural gas (LNG) netback prices – an influence on domestic prices in the east coast gas market – though this has reduced in the past few months.

The central theme in the public policy debate continued to be the availability, affordability and sustainability of energy. Indecision about the integration of Australia's energy and climate policies, as well as threatened and enacted regulatory changes, have created uncertainty for our industry. The manufacturing sector continued to call for lower gas prices and other mechanisms to bolster supply. However, we saw further evidence from across industry that the market is working, with more than a dozen domestic gas sales contracts announced in the financial year. This represents significant new volumes contracted in the domestic gas market.

What will not change is that producers need regulatory stability to invest in unlocking new resources that will ensure reliability and affordability of energy supply.

## Solid position

Senex remains in a solid position to withstand volatility in global markets and the uncertainty in the local market as we pursue our strategy of building an east coast natural gas business.

We are well funded, focused on our strategy and resolutely pursuing our goals.

Senex set ambitious project development goals for 2019 and we met them all. You can see a summary of our consistent achievement on pages 8 and 9 of this report.

The company is now firmly in execution mode as we advance our foundation Surat Basin developments, Project Atlas and Roma North. In the 2020 financial year we will largely complete our drilling campaign across both projects, bring new wells online and ramp up production towards our initial target of 18 petajoules a year.

We are well on the way towards a step-change in production, earnings and cash flow.

While Senex made great gains in 2019, safety is our highest priority and it is important to comment upfront about the decline in our safety performance.

Regretfully, we had six recordable injuries, mainly associated with our third-party construction and operations contractors. Two of the incidents resulted in lost-time injuries and, while this is two fewer than the previous year, we continue to increase our attention on safety, sharpening our focus on contractor management, personal risk assessment and behavioural safety.

We believe that all incidents are preventable and that everyone who works with us must finish work without injury. There are no excuses.

In operations, Senex achieved continued growth in production – up 43 per cent – as well as revenue and operating cashflow.

Our cash-generating Cooper Basin operations continued to deliver, helping to fund operating and capital expenditure across the business. You can read more about our strong operating results in pages 18-31 of this report.

Supporting these achievements, we maintained our focus on disciplined capital allocation, securing a number of extremely competitive funding sources and hedging our oil price and foreign exchange to deliver Senex's growth projects and preserve cashflow.

Significantly, we reached financial close on our $150 million senior secured debt facility from ANZ, demonstrating confidence in our strategy and ability to deliver.

The sale of our downstream infrastructure at Roma North to the energy infrastructure operator Jemena has provided a further source of efficient, low-cost capital. This is consistent with our strategy of recycling our capital high-quality upstream oil and gas opportunities.

## Domestic market

Senex started a highly successful gas marketing campaign in 2019 to bring natural gas from Project Atlas into the domestic market.

We secured foundation domestic gas sales agreements with three high-quality local customers, with total volume under contract of more than 23 petajoules.

The contracts support local manufacturing, jobs and investment and deliver gas security to Australian commercial and industrial customers. More agreements are to follow for Project Atlas.

In 2019 we also extended our commitment to long-term development of natural resources in Queensland with our successful application for a second block dedicated to domestic gas supply. This exploration block, called Artemis, has large estimated volumes of gas in place in the Walloon and Permian coals. Our next challenge is to determine how to recover these volumes commercially.

We continue to welcome the Queensland Government's policy of encouraging investment in the State's resource sector to bring new supplies of gas to market and we encourage other state governments to do the same.

It is disappointing for all parties in the gas value chain that restrictions on natural gas development remain in place in some other states. New South Wales, for instance, continues to import 96 per cent of the gas its people need from outside its borders.

## Sustainability

Climate change is widely recognised as one of the major global challenges of this century. It is a significant social, environmental and business issue. Senex recognises and accepts the science of climate change and fully supports the objectives of limiting global temperature rises.

With the approval of the Project Atlas and Roma North gas developments, and our growing focus on natural gas, Senex is increasingly positioned to be part of a low-carbon future.

Senex has always sought to minimise our emissions footprint and considers climate change risk as part of our strategic decision making.

Despite the sharp rise in our activity in 2019, our performance in minimising impacts on the environment more generally continues to be outstanding. This result is supported by our strong environmental management framework.

We also focused on sharing economic benefits in the regions in which we operate by using local suppliers of goods and services wherever possible and supporting community activities.

Senex spent about $9 million directly with 49 businesses in local areas and created a total of more than 250 construction jobs.

And we continue to support activities that keep rural and regional communities vibrant. We believe it is critically important to contribute to communities that we will be part of for decades to come.

## Looking ahead

Achievements in the 2019 financial year were pivotal for Senex.

In the 2020 financial year we will start to reap the rewards of the execution of our strategy as our partner Jemena completes construction of the Project Atlas processing facility and pipeline and we continue our drilling campaign. Safe achievement of this work will set us up for the exciting prospect of a sharp rise in production in natural gas in the 2021 financial year.

To fund our growth, exploration and development in our high-quality, low-cost oil business in the western flank of the Cooper Basin will continue to be an important cash generator. We will continue to focus our attention on core assets with a strict capital allocation framework centred on disciplined investment and production growth both in the near and longer-term.

Sincere thanks also to our wide range of partners: landholders and the communities we work with; contractors; suppliers; customers and commercial partners; joint venturers; government stakeholders at all levels; and our shareholders, for your continued support.

We would like to thank and make special mention of Senex's employees, who have demonstrated once again their tremendous abilities, commitment and can-do spirit in what was a very demanding year.

Together, we have set the transformation of Senex in motion.

**TREVOR BOURNE**
Chairman

**IAN DAVIES**
Managing Director

# 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 and Exploration Association (APPEA) Board of Directors.

Before 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.

## SUZANNE HOCKEY

**Executive General Manager People and Performance**

*PgD Strategic Mgmt (Distinction), ADip AppSc*

Suzanne's area of responsibility includes human resources, talent management and organisational development.

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 1,600 staff and contractors. Prior to Oil Search, Suzanne held roles at Nautilus Minerals, Barrick Gold Corporation, CEC Group Limited and Placer Dome Gold.

## 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 also responsible for the health, safety and environment management functions at Senex.

David is an experienced senior executive in the energy and resources sector with a background in law, corporate governance, commercial transactions and business development.

Prior to joining Senex in 2013, David was General Counsel and Company Secretary at Ergon Energy Limited and Queensland Energy Resources Limited and prior to that, David was with a national law firm for ten years.

## GARY MALLETT

**Chief Financial Officer**

*BBus, CA*

Gary is responsible for corporate finance, business planning, governance and IT 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, before it was acquired by Rio Tinto.

## PETER MILLS

**Chief Operating Officer**

*BEng (Electronics)*

As Chief Operating Officer, Peter has accountability for field operations in the Cooper and Surat basins, subsurface developments, field development planning, exploration, production engineering, drilling and completions, and joint venture relationships.

Peter joined Senex as Executive General Manager Operations and Growth in July 2018 and was appointed Chief Operating Officer on 13 February 2019. Peter brings over 37 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 and InterOil.

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

## DAVID SPRING

**Executive General Manager Exploration**

*BSc (Hons) Geophysics*

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

David joined Senex in May 2015, with over 30 years' experience in oil and gas exploration and development. 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)*

Joining Senex in 2010, Julie held several senior roles, including Chief Financial Officer, Executive General Manager Strategic Planning, and most recently EGM Queensland Assets.

In her most recent role, Julie was responsible for delivering value from Senex's portfolio of assets in Queensland, which include Project Atlas and the Western Surat Gas Project.

Prior to joining Senex, Julie spent seven years with pwc in its Transactions team in Brisbane and in Aberdeen, Scotland. During her time with pwc, Julie worked across a wide range of high-profile transactions in the oil, gas and coal industries for clients including QGC, Santos and Rio Tinto. Prior to joining pwc, she worked as a management consultant for AT Kearney.

*Note: Julie Whitcombe resigned from her position of Executive General Manager Queensland Assets at Senex on 13 February 2019 after more than eight years with Senex. Julie's employment with Senex ceased on 30 June 2019.*

# Financial review

## Results for the financial year

| | | 2019 | 2018 | Change $ | Change % |
|---|---|---|---|---|---|
| Sales revenue | $ million | **94.1** | 70.3 | 23.8 | 34 |
| EBITDAX | $ million | **42.3** | 43.4 | (1.1) | (3) |
| Underlying EBITDAX | $ million | **39.0** | 26.1 | 12.9 | 49 |
| Exploration expense | $ million | **(11.3)** | (3.2) | (8.1) | (253) |
| Non-cash exploration asset impairment | $ million | **-** | (113.3) | 113.3 | n/a |
| Reported NPAT | $ million | **3.3** | (94.0) | 97.3 | 104 |
| Underlying NPAT | $ million | **7.2** | 2.0 | 5.2 | 260 |
| Oil operating cost excluding royalties | $ per barrel | **29.3** | 28.6 | 0.7 | 2 |
| Operating cashflow | $ million | **44.5** | 5.3 | 39.2 | 740 |
| Capital expenditure | $ million | **109.3** | 80.1 | 29.2 | 36 |
| Cash balance | $ million | **62.7** | 66.5 | (3.8) | (6) |
| Net cash balance | $ million | **12.7** | 66.5 | (53.8) | (81) |
| Effective income tax rate | % | **0%** | 0% | - | - |
| Earnings per share | cps | **0.2** | (6.5) | 6.7 | 104 |

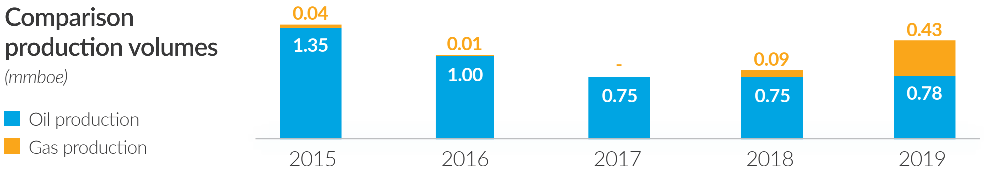
## Production volumes

| | | 2019 | 2018 | Change in volume | Change % |
|---|---|---|---|---|---|
| Oil | mmbbl | **0.78** | 0.75 | 0.03 | 4 |
| Gas and gas liquids | mmboe | **0.43** | 0.09 | 0.34 | 378 |
| Total | mmboe | **1.20** | 0.84 | 0.36 | 43 |

*Numbers may not add precisely due to rounding*

### Comparison production volumes

*(mmboe)*




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

| $ million | 2019 | 2018 |
|---|---|---|
| Statutory net profit/(loss) after tax | **3.3** | (94.0) |
| Add/(less): | | |
| Gain on sale of exploration assets | **-** | (0.4) |
| Net impact of the Beach Energy transaction | **1.8** | (16.9) |
| Non-cash exploration asset impairment | **-** | 113.3 |
| Restructuring expense | **2.1** | - |
| Tax (benefit)/expense | **-** | - |
| Underlying net profit/(loss) after tax | **7.2** | 2.0 |

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

| $ million | 2019 | 2018 |
|---|---|---|
| Statutory net profit/(loss) after tax | **3.3** | (94.0) |
| Add/(less): | | |
| Net interest | **0.9** | 0.4 |
| Tax | **-** | - |
| Amortisation and depreciation | **26.8** | 20.6 |
| Non-cash exploration asset impairment | **-** | 113.3 |
| Oil and gas exploration expense | **11.3** | 3.2 |
| EBITDAX | **42.3** | 43.4 |
| Add/(less): | | |
| Impact of the Beach Energy transaction | **(5.4)** | (16.9) |
| Restructuring expense | **2.1** | - |
| Gain on sale of exploration assets | **-** | (0.4) |
| Underlying EBITDAX | **39.0** | 26.1 |

*Numbers may not add precisely due to rounding*

*We maintained our focus on disciplined capital allocation, securing a number of extremely competitive funding sources and hedging our oil price and foreign exchange to deliver our growth projects and preserve cashflow*

## Key movements

### Sales revenue

Senex's full-year sales revenue of $94.1 million (2018: $70.3 million) was 34 per cent higher than the year before, with higher production and realised oil prices partly offset by a greater portion of gas in the sales mix:

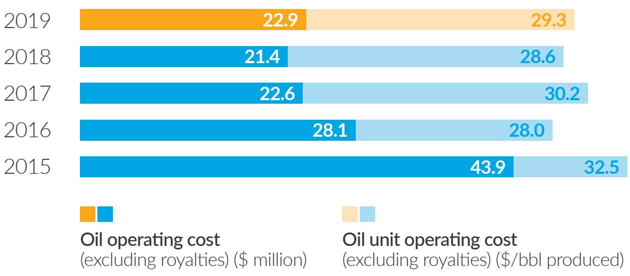
- Realised oil prices increased to $101 per barrel (A$) sold (2018: $95 per barrel), from stronger underlying Brent crude pricing.
- Oil production volumes were maintained at 0.78 million barrels (mmbbl) (2018: 0.75 mmbbl), with new production from successful exploration and horizontal development drilling activities.
- Realised gas prices were $44 per barrel equivalent sold (2018: $20 per barrel equivalent).
- Gas production volumes were 0.43 million barrels of oil equivalent (mmboe) (2018: 0.09 mmboe) from the Roma North field in Queensland and the Vanessa field in the Cooper Basin.

### Operating costs

Senex has continued its excellent track record as a low-cost oil producer. Our continued focus on cost control enabled us to contain the year-on-year rise in operating costs (excluding royalties) to 7 per cent (2019: $22.9 million versus 2018: $21.4 million) despite inflationary pressure and a 3 per cent increase in production.

Oil unit operating cost per barrel was $29.30 (2018: $28.60 per barrel), an increase of 2 per cent from 2018, due to inflationary pressure on fixed costs across the fields, partially offset by increased production from new, lower-cost discoveries.

Operating costs, excluding royalties, for our gas business were $11.1 million, with a cost per barrel equivalent of $26.50.




### Realised oil price
*(per barrel sold)*

**$101**

▲ $6 on 2018

### Oil production
*(mmbbl)*

**0.78**

▲ 0.03 on 2018

### Realised gas price
*(per barrel equivalent)*

**$44**

▲ $24 on 2018

### Gas production
*(mmboe)*

**0.43**

▲ 0.34 on 2018

### Exploration expense

The company's exploration expense of $11.3 million (2018: $3.2 million) primarily reflected the write-off of non-commercial wells in the Cooper Basin that were drilled as part of the Beach Energy free-carry agreement.

### Net impact of the Beach Energy transaction

In April 2018 Senex entered into an agreement with Beach Energy to terminate the Senex-Beach Energy joint venture unconventional gas project. Consideration of up to $43 million was 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 in the year ended 30 June 2018. The net expense of $1.8 million recognised in the year ended 30 June 2019 relates to:

- A gain of $5.4 million from additional agreed free-carry activity due to drilling results during the period (recognised in EBITDAX).
- An expense of $5.7 million as a result of unsuccessful free-carried wells. This has been removed from underlying net profit/(loss) to consistently present the gains and losses from the Beach Energy transaction period on period.
- To facilitate the Beach Energy transaction, Senex entered into an agreement with Planet Gas Limited in September 2018 to acquire and relinquish additional interests in the Cooper Basin where Planet Gas and Senex were in a joint venture. Senex has expensed the remaining capitalised value of the associated assets of $1.5 million to the profit and loss.

### Earnings (EBITDAX)

The EBITDAX result reflected increased gross profit from higher realised oil prices and the continued ramp-up of gas sales volumes both in the Cooper and Surat basins. It has been further aided by a continued focus on cost control in the Cooper Basin, and a gain of $5.4 million (2018: $16.9 million) from the transaction with Beach Energy.

### Non-cash exploration asset impairment

Senex has not booked an impairment charge in 2019. In 2018, a non-cash exploration asset impairment of $113.3 million was incurred 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 2019 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 15 to the financial statements on page 118.

*Senex has continued its excellent track record as a low-cost oil producer with a continued focus on cost control, asset management and exploration focused on high-yield areas*

## Financing our growth

In July 2019, Senex secured funding to deliver its east coast gas development projects, which will drive a step-change in production, cashflow and earnings.

In October, Senex achieved financial close of a $150 million senior secured debt facility that is fully underwritten by Australia and New Zealand Banking Group (ANZ). At 30 June 2019, $50 million had been drawn down to fund the ongoing development of Roma North. A further $75 million is available to fund Senex through the remaining significant investment to develop Project Atlas and Roma North, and will be mostly spent on new wells, gas and water gathering systems and associated infrastructure.

In June 2019, Senex agreed to sell the Roma North natural gas processing facility and pipeline to major energy infrastructure operator Jemena for $50 million. This followed our agreement with Jemena in June 2018 to build, own and operate the Project Atlas natural gas processing facility and pipeline.

The sale of our downstream infrastructure has provided a further source of efficient capital to continue progressing our Surat Basin developments and other growth projects.

Jemena will take ownership of the Roma North facility and pipeline on the achievement of agreed performance tests, expected in September 2019 (completion). Jemena will then process and transport natural gas from Senex's Western Surat developments to market under a long-term gas tolling arrangement.

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

### Corporate and development debt facility snapshot

- Completed in October 2018
- Fully underwritten by ANZ
- $125 million senior secured Reserve Based Lending (RBL) limit and $25 million working capital limit
- Seven-year RBL tenor; three-year working capital tenor
- Repayment over the remaining term post completion of Project Atlas and Roma North; no penalty for early repayment or refinancing
- Competitive margins: interest cost below 6 per cent a year, stepping down on completion of development projects

# Operating review

Senex achieved strong operational results in 2019, with robust oil production and consistent delivery on our strategy to build a material gas business in the east coast market

*Pictured: Construction of the Project Atlas processing facility and pipeline, near Wandoan in south-west Queensland, was well under way in July 2019*

## 2019 highlights

**Surat Basin drilling program:**
Our ~110-well integrated drilling campaign started, with four production wells drilled by the end of the financial year

**Project Atlas environmental approvals:**
All primary state and federal approvals secured, allowing full project development

**Domestic gas contracts:**
Foundation domestic sales agreements were secured for Project Atlas gas

**Cooper Basin gas discovery:**
Potential for first production from Gemba 1 by end of calendar 2019

**Cooper Basin drilling performance:**
Seven exploration wells and two development wells, including two horizontal wells, were delivered

**Cooper Basin oil production:**
Volumes rose 4 per cent to 777,000 barrels

OPERATING REVIEW

# Delivering growth

SENEX ACHIEVED STRONG OPERATIONAL RESULTS IN 2019 AS WE CONTINUED TO DELIVER ON OUR STRATEGY TO BUILD A MATERIAL GAS BUSINESS IN THE EAST COAST MARKET.

Milestones achieved in the Surat Basin significantly decreased risk in our natural gas development projects, opening the way for our integrated drilling campaign to start across Roma North and Project Atlas. These development projects will deliver a significant increase in production, earnings and cashflow for Senex by the end of the 2021 financial year.

Oil-producing wells continued to deliver strong production in the Cooper Basin, generating operating cashflow to help fund our capital-intensive, high-growth projects in the Surat Basin. We are in the final stage of planning to bring the Gemba 1 gas exploration well online, with potential for first production by the end of the 2019 calendar year.

## Production summary

In 2019 Senex delivered total production of 1.20 mmboe, compared with 0.84 mmboe the year before. This included more than 0.3 mmboe from the Roma North development.

In the Cooper Basin, Senex continued to benefit from the success of the Growler horizontal development wells and Snatcher North, with base oil portfolio production in line with expectations.

## Reserves summary

In the Surat Basin there was no material change in reserves after taking production into account. Movement in Cooper Basin 1P and 2P reserves after production was minor, with small revisions made across several fields based on individual performance and field development plan updates.

**Production volume**
*(mmboe)*
1.20
▲ **43% increase** on 2018

**Oil operating cost**
*(per barrel, excluding royalties)*
$29

**1P reserves**
*(mmboe)*
19.3

**2P reserves**
*(mmboe)*
111.4

## 2019 drilling summary

| Basin | Type | Well | Tenement | Senex % | Result |
|---|---|---|---|---|---|
| Surat Basin | Gas production well | Roma North Phase 3 Campaign (4 wells of campaign) | PL1022 | 100 | Wells to be placed on production in 2020 |
| | Exploration gas well | Indy East 1 | ATP771 | 100 | Plugged and abandoned |
| | Exploration gas well | Indy West 1 | ATP771 | 100 | Plugged and abandoned |
| | Exploration gas well | Orallo South 3 | ATP771 | 100 | Plugged and abandoned |
| | Exploration gas well | Canarvon 5 | ATP771 | 100 | Plugged and abandoned |
| | Exploration gas well | Dione 10 | PL1024* | 100 | Suspended |
| Cooper Basin | Oil exploration well | Breguet 1 | PRL 136 | 60 | Producing |
| | Oil exploration well | Snatcher North 1 | PRL 145 | 60 | Producing |
| | Oil exploration well | Growler Northeast 1 | PPL 242 | 60 | Plugged and abandoned |
| | Oil exploration well | Huey 1 | PRL 145 | 60 | Plugged and abandoned |
| | Oil exploration well | Avenger 1 | PRL 146 | 60 | Plugged and abandoned |
| | Oil exploration well | Flanker 1 | PRL 149 | 60 | Plugged and abandoned |
| | Oil exploration well | Voodoo 1 | PRL 146 | 60 | Plugged and abandoned |
| | Oil production well | Growler 16 | PPL 242 | 60 | Producing |
| | Oil production well | Growler 17 | PPL 242 | 60 | Producing |

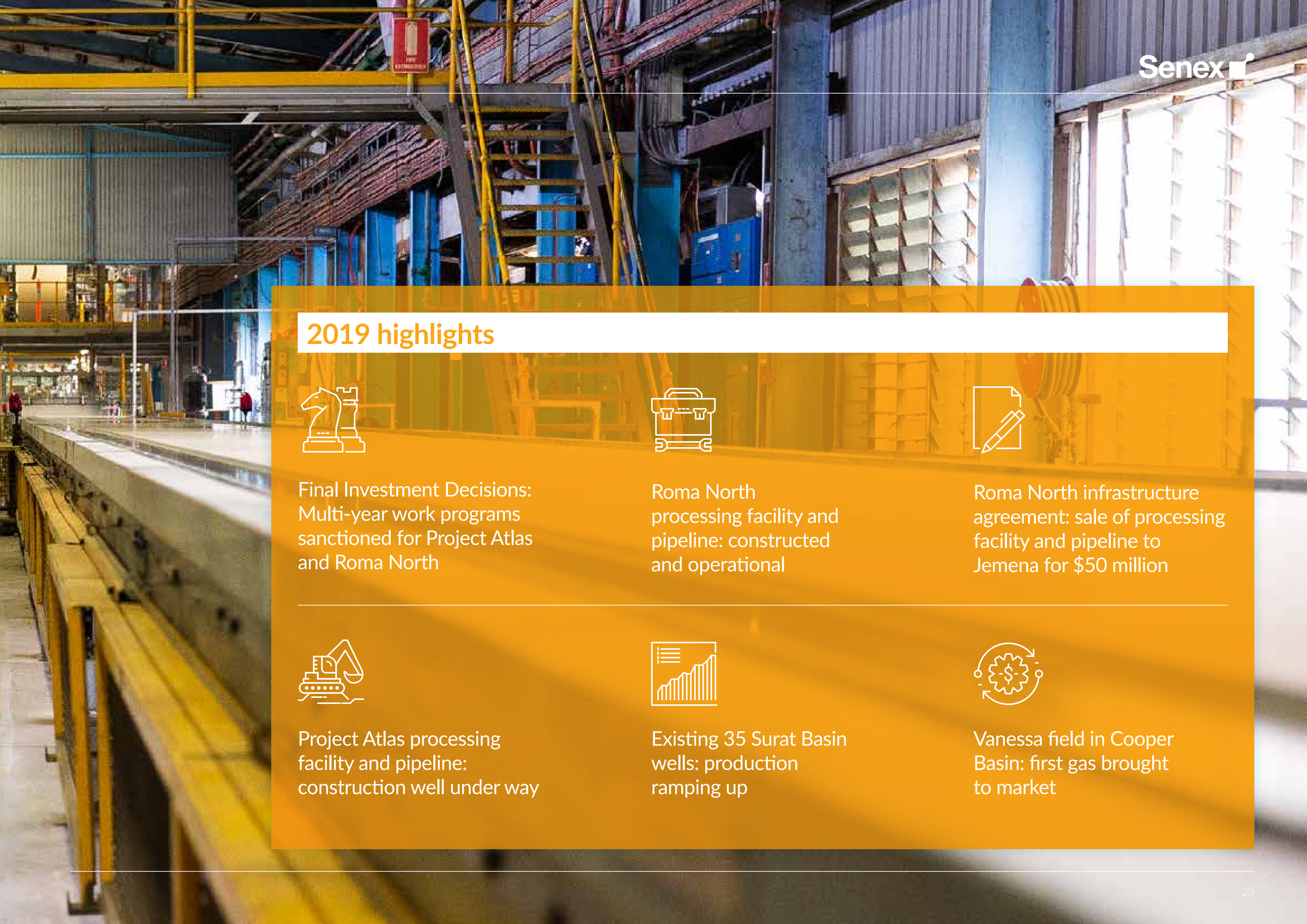
** Formerly ATP 795*

# Natural gas

We passed all milestones for full-field development of our Surat Basin natural gas developments, with first gas from Project Atlas expected late in the 2019 calendar year

Watch the story

*Pictured: Senex agreed its first sales agreement for gas from Project Atlas with CSR. Pictured are, from left, Tim Robb and Andrea Pidcock of CSR, Queensland Resources Minister Anthony Lynham and Ian Davies at CSR's plasterboard manufacturing facility in Brisbane*



## 2019 highlights

Final Investment Decisions: Multi-year work programs sanctioned for Project Atlas and Roma North

Roma North processing facility and pipeline: constructed and operational

Roma North infrastructure agreement: sale of processing facility and pipeline to Jemena for $50 million

Project Atlas processing facility and pipeline: construction well under way

Existing 35 Surat Basin wells: production ramping up

Vanessa field in Cooper Basin: first gas brought to market

# East coast market supply

## Project Atlas

We passed all milestones for full-field development of our Surat Basin natural gas developments, with first gas from Project Atlas expected in the 2019 calendar year. Financial close of Senex's $150 million debt facility in October 2018 allowed Final Investment Decisions to be taken for Project Atlas and Roma North, sanctioning multi-year work programs for development of long-life natural gas assets. These projects will establish Senex as an important supplier of gas to the east coast market and a highly cash-generative oil and gas operator.

### Project Atlas snapshot:

| |
|---|
| 58sq km acreage (100 per cent Senex) |
| 144 petajoules (PJ) of 2P reserves booked |
| Initial ~60 wells, with over 100 wells in total over the project life |
| ~12PJ/year (32*TJ/day) firm gas processing capacity |
| 60km gas pipeline to allow access to Wallumbilla Gas Hub |
| Energy infrastructure operator Jemena is building and will own and operate the gas processing facility and pipeline |
| All regulatory approvals received for field development |
| First gas from new facility late in calendar 2019 |

* *Designed site capacity of ~18PJ/year (48TJ/day)*

*2019 was a transformational year. The company achieved many milestones across its east coast gas development projects in the Surat Basin, creating the foundation for a step-change in production and cash flow over the near-term, with significant potential for longer-term growth.*

### Commercialising our gas

Senex announced its first foundation domestic gas sales agreements, bringing the total volume under contract to date to more than 23PJ. This figure includes potential contract volume expansions and term extensions.

The contracts support local manufacturing, jobs and investment and deliver gas security to commercial and industrial customers. These are the first of a series of agreements expected for gas supply from Project Atlas. Gas will be supplied at the Wallumbilla Gas Hub at a fixed price in line with current market levels indexed annually.

### Domestic gas supply contracts secured in 2019

#### CSR Limited

- Key player in Queensland manufacturing industry
- Includes gas to supply three south-east Queensland manufacturing plants
- Supporting production of essential materials for the construction industry
- Initial three-year agreement to supply 0.65PJ a year (1.95PJ in total) from 1 January 2020
- Option to extend by up to a further two years, taking total to 3.25PJ

#### Orora Limited

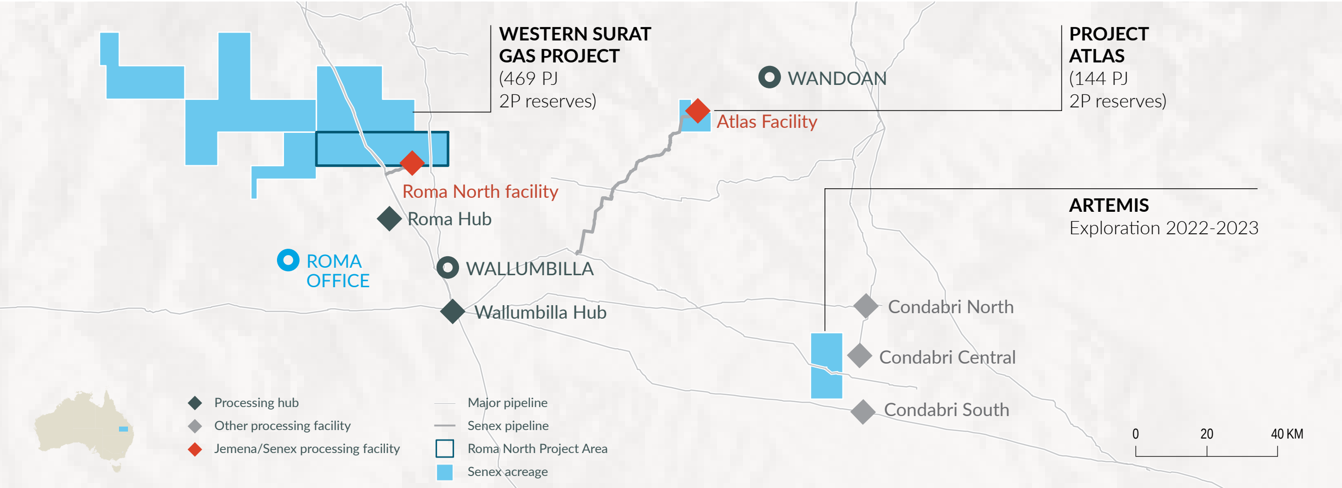
- Leading manufacturer of cardboard, glass and aluminium packaging supplies
- Australian operations include three Queensland manufacturing plants
- 3,000 employees across Australia
- Initial two-year agreement to supply 1.1PJ from 1 January 2020 and 2.2PJ from 1 January 2021 (3.3PJ in total)
- Agreed a mechanism that could extend the terms of the agreement by six years from 1 January 2022 for up to 6.6PJ
- Total potential contract volume 9.9PJ

#### O-I Australia

- Leading glass packaging manufacturer
- Supplies glass containers to some of Australia's biggest breweries and beverage suppliers
- 1,050 employees across four plants
- Initial five-year agreement to supply 1PJ per year (5PJ in total) from 1 January 2021
- Option to increase total contract volume up to an additional 1.1PJ of gas a year over a five-year term (up to 5.5PJ in total) starting no earlier than 1 January 2022

Watch the story

*Senex's initial gas marketing focus is to partner long-term with domestic commercial and industrial customers, such as glass packaging manufacturer O-I Australia*




## On the hunt for natural gas

In May 2019, Senex was awarded preferred tender status for a second block in the Surat Basin as part of the Queensland Government's domestic gas acreage tender process. The exploration block has been named Artemis by Senex employees, a reference to the ancient Greek goddess of hunting.

The block has large estimated volumes of gas in the Walloon and Permian coals and Senex will seek to apply innovative, cost-effective technologies to confirm the commerciality of these resources. Our efforts to unlock these lower-permeability coals, for which the industry has yet to develop a solution, are part of our commitment to long-term development of natural resources in Queensland.

### Artemis snapshot:

| |
|---|
| 153sq km block PLR2018-1-1 (100 per cent Senex) |
| 11km south of Miles, next to APLNG's Condabri development |
| Subject to exploration tenure grant for initial six-year term |
| Four-year committed work program includes geological studies and three wells drilled in financial years 2022 and 2023 |
| Minimal capital expenditure required in first two years |

### UQ partnership to unlock gas

The Surat Basin contains enormous volumes of natural gas. In parts of the basin, low permeability in the coals means it is challenging to produce the gas economically. To address this challenge, Senex has partnered with The University of Queensland's (UQ) internationally recognised Centre for Coal Seam Gas (CCSG). Senex and UQ have signed a non-binding letter of intent to work together to unlock the Artemis block's potential. Work on the multi-year project will involve a scholarship for doctorate or post-doctorate-level research and involve the following:

- Harness local and global best practice in permeability enhancement
- Define appropriate technology trials
- Share advances in knowledge for the benefit of Queensland's industry and the domestic gas market

The partnership further demonstrates our commitment to improve efficiency for our operations and advance best practice across the industry.

*Pictured, from left: UQ Centre for Coal Seam Gas (CCSG) Research Fellow Reydick Balucan, Senex's Anna Koscianski and Professor Andrew Garnett, Director of CCSG*

# East coast market supply

## Roma North

In the 2019 financial year Senex sanctioned Roma North as an initial development area in the Western Surat Gas Project (WSGP). This followed the separation of one gas sales agreement with GLNG, signed in 2015, into two. One agreement covers the Glenora, Eos, Mimas and Tethys blocks (Roma North); and the other covers the remainder of WSGP.

This, along with receipt of final WSGP regulatory approvals, enabled a Final Investment Decision creating an initial 16TJ/day natural gas development at Roma North. The focus of this initial development is on the Glenora and Eos blocks, with further expansion into the neighbouring Mimas and Tethys blocks. Development of the rest of WSGP is subject to a future Final Investment Decision.

In June 2019, Senex announced the sale of its Roma North processing facility and pipeline to major energy infrastructure operator Jemena for $50 million. This agreement will accelerate efficient recovery of Senex's material upstream gas reserves in the western Surat Basin due to its low-cost expansion options and competitive long-term tariff arrangements.

Under the agreement, Jemena will take ownership of the facility and pipeline on completion (expected September 2019) and process and transport natural gas to market under a long-term gas tolling arrangement. Sale proceeds will support the continued development of Senex's Surat Basin natural gas developments and other growth projects.

Pictured: *Roma North processing facility and the 5km pipeline that connects it to GLNG have been built and are operational*

**Roma North snapshot:**

| |
|---|
| 370sq km acreage (100 per cent Senex) |
| 5km pipeline to existing GLNG infrastructure |
| ~50-well initial drilling phase |
| Initial ~6PJ/year (16TJ/day) gas processing facility |
| Low-cost expansion option to ~9PJ/year (24TJ/day) |
| Further expansion capacity up to site capacity ~18PJ/year (48TJ/day) |
| Energy infrastructure operator Jemena to own and operate the gas processing facility and pipeline |
| Production from existing 35 wells ramping up |
| 20-year gas sales agreement with GLNG for up to 50TJ/day |
| Processing facility and pipeline constructed and operational |

Directly west of the Roma North development is our Don Juan acreage. This material gas resource is uncontracted and provides an additional opportunity to supply the east coast market.

Four exploration and appraisal wells were drilled in this acreage which have provided further understanding of net coal, permeability, gas content and gas saturation distributions. Conceptual field development plans have been updated and a production pilot is likely in 2021.

Senex is continuing to explore infrastructure options and potential delivery points to the east coast gas market.

Watch the story

## Cooper Basin gas

Natural gas activity in the Cooper Basin during 2019 focused on developing opportunities to support the large increase in production planned for the next two years in the Surat Basin.

We brought our first Cooper Basin gas to market from the Vanessa field and undertook appraisal of the Gemba gas discovery.

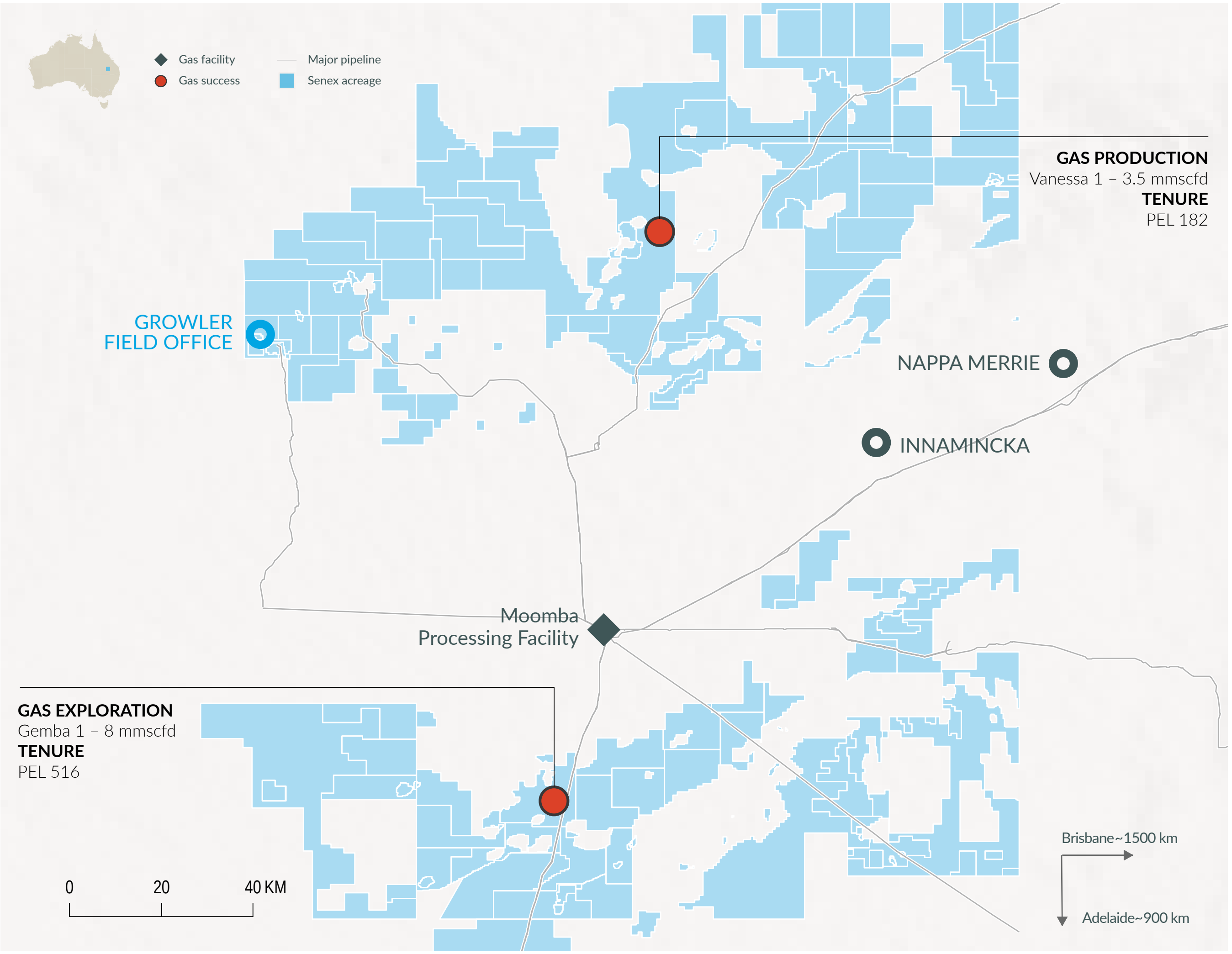
### Vanessa gas field online

The Vanessa gas field (Senex 57 per cent and operator, Beach Energy Ltd 43 per cent) was brought online in the first half of 2019 at an initial rate of 3.5 million standard cubic feet a day (mmscfd), with gas being sold to South Australia's Pelican Point Power Station under a gas sales agreement.

Senex also extended the existing agreement for processing of raw gas and sale of associated liquids to the South Australian Cooper Basin joint venture which involves Santos, as operator, and Beach. An amendment was made to the agreement which provides Senex with improved liquids pricing.

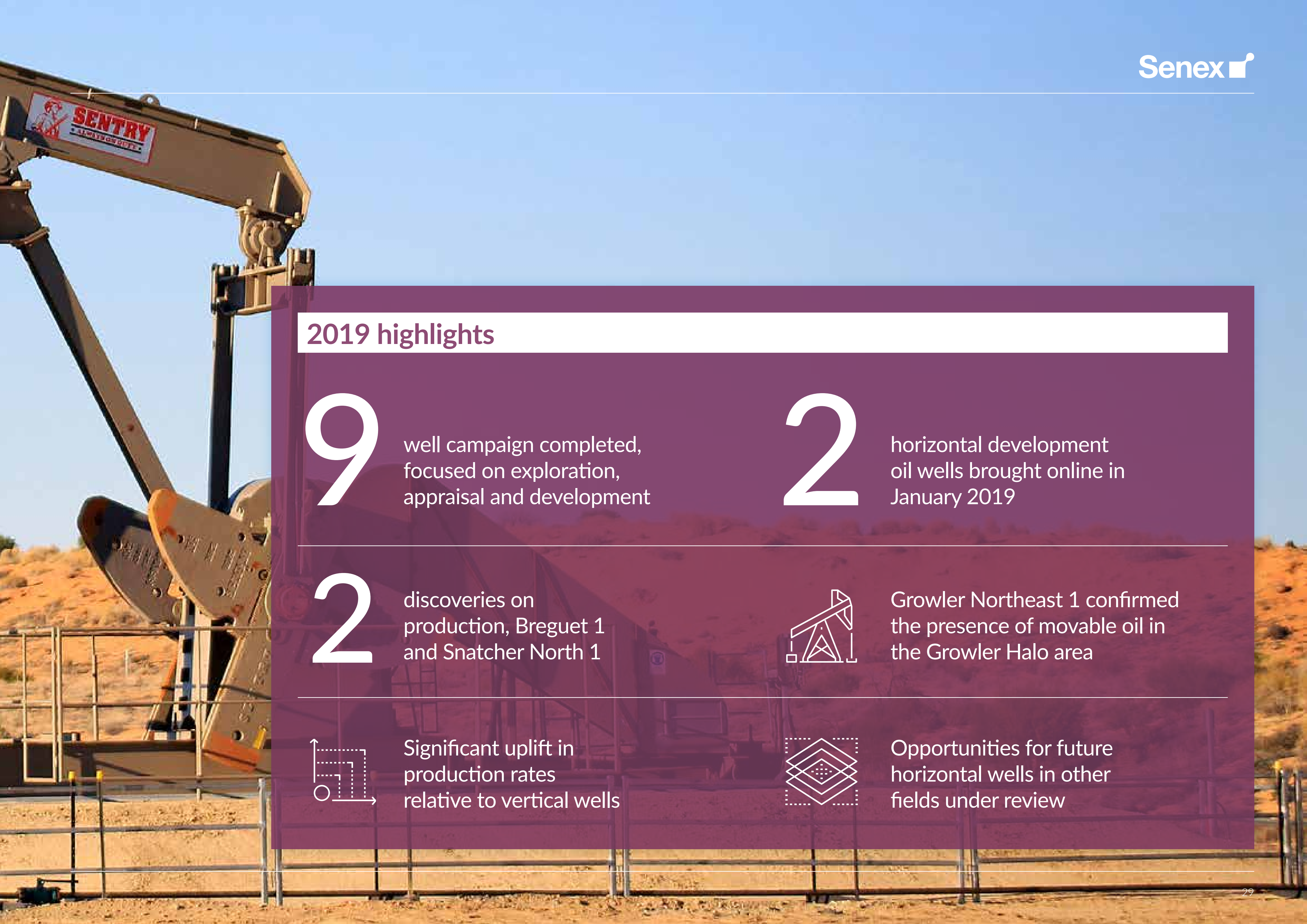
### Gemba gas discovery

Following the Gemba 1 discovery in late 2018, Senex successfully completed a seven-stage hydraulic fracturing program followed by a seven-day flow-test at a rate of about 8 mmscfd. Further testing of the well is being undertaken with the intent to produce first gas by the end of the 2019 calendar year.



# Oil

Oil-producing wells continued to deliver strong production in the Cooper Basin, generating operating cashflow to help fund capital investment across the business




## 2019 highlights

**9** well campaign completed, focused on exploration, appraisal and development

**2** horizontal development oil wells brought online in January 2019

**2** discoveries on production, Breguet 1 and Snatcher North 1

Growler Northeast 1 confirmed the presence of movable oil in the Growler Halo area

Significant uplift in production rates relative to vertical wells

Opportunities for future horizontal wells in other fields under review

## Western flank drilling program

On the western flank, Senex completed a nine-well drilling campaign comprising seven exploration and appraisal wells and two horizontal development wells. This was done using the free-carry funds transferred following the termination of the Senex-Beach joint venture unconventional gas project.

The Breguet 1 exploration well was drilled 1.5km to the west of the producing Spitfire field and encountered 5.7m of net pay within the target Birkhead formation. This new field was brought onto production in October 2018 and further near-field exploration opportunities are being assessed.

The Growler Northeast 1 well was successful in appraising a large stratigraphic extension of the Growler field, recovering oil to surface and achieving all pre-drill aims. After confirming moveable hydrocarbons in the area, a horizontal appraisal well (Growler Northeast 2) is planned for the second quarter of 2020 and will assess commerciality. This project targets a significant oil-in-place volume across the western flank through the application of horizontal well technology.

The Snatcher North 1 well results exceeded pre-drill expectations and resulted in a ~2km northward extension of the Snatcher field, which was immediately placed on production. This well has high-graded further exploration, appraisal and development opportunities for progression.

**Growler 16 produced at an initial rate of 1,300 barrels of oil per day**

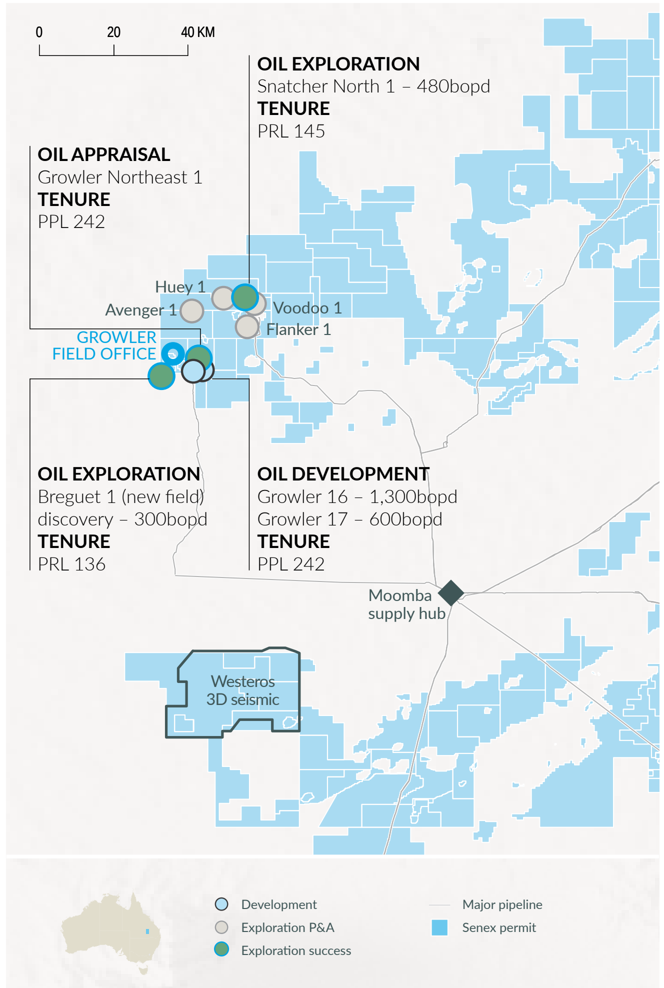
In 2020 Senex plans to drill the Snatcher North 2 appraisal well and Snatcher 12 and Snatcher North 3 water injection wells in the Snatcher/Snatcher North field, progressing the waterflood project which is expected to increase oil recovery from the field.

The remainder of the exploration wells (Huey 1, Avenger 1, Flanker 1 and Voodoo 1) failed to discover commercial hydrocarbons and were subsequently plugged and abandoned. Results of the drilling campaign have been incorporated into the regional subsurface geological model of the western flank which has resulted in high-grading of future opportunities.

In addition, two horizontal development wells, Growler 16 and 17 (ex-PEL 104: Senex 60 per cent and operator), were drilled in December 2018 and January 2019 respectively. Growler 16 intersected 450m of net oil pay in the Birkhead Formation reservoir and was brought online in January at an initial oil rate of 1,300bopd. Growler 17 intersected 524m of net oil pay in the Birkhead formation reservoir and was brought online in January at an initial oil rate of 600bopd.

## Westeros seismic survey results

During the year Senex conducted the ~600sq km Westeros 3D seismic survey, targeting a southern extension of the western flank. The survey also covered the Senex-operated Worrior oil field to help assess potential infill development opportunities. Senex is processing the seismic data, with preliminary results indicating an encouraging continuation of the oil fairway. Interpretation of the processed data will be undertaken with prospects to be identified and matured to drillable status in 2020.



# Reserves and resources

Senex has a proven (1P) reserves position of 19.3 mmboe and proved and probable (2P) reserves of 111.4 mmboe. This represents a decrease of 4 per cent and 2 per cent, respectively, compared with 2018, after production and minor technical revisions.

Senex's major development focus in the near term is developing Surat Basin reserves. This started with development drilling in the Glenora and Eos blocks (Roma North), to be followed by development drilling for Project Atlas, before returning to Roma North to complete the drilling campaign. Plans for current development and future expansions of these blocks will bring an estimated 304PJ (52 mmboe) of 2P gas reserves into the market.

Senex's annual estimate of reserves and contingent resources is independently certified by DeGolyer & MacNaughton and Netherland Sewell Associates. A reserves statement will be separately released to the ASX with the full-year results announcement on 20 August 2019.

### Net reserves and contingent resources[1]

**Proved reserves (1P)**

| mmboe | Oil | Gas and gas liquids | **Total** | Developed | Undeveloped | **Total** |
|---|---|---|---|---|---|---|
| Surat Basin | - | 17.1 | **17.1** | 4.3 | 12.8 | **17.1** |
| Cooper Basin | 2.2 | 0.0 | **2.2** | 2.0 | 0.2 | **2.2** |
| Total | 2.2 | 17.1 | **19.3** | 6.3 | 13.0 | **19.3** |

Percentage of total proved reserves that are unconventional (natural gas from coal seams) 89%

**Proved and probable reserves (2P)**

| mmboe | Oil | Gas and gas liquids | **Total** | Developed | Undeveloped | **Total** |
|---|---|---|---|---|---|---|
| Surat Basin | - | 104.1 | **104.1** | 4.4 | 99.6 | **104.1** |
| Cooper Basin | 7.3 | 0.0 | **7.3** | 3.1 | 4.3 | **7.3** |
| Total | 7.3 | 104.1 | **111.4** | 7.5 | 103.9 | **111.4** |

Percentage of total proved and probable reserves that are unconventional (natural gas from coal seams) 93%

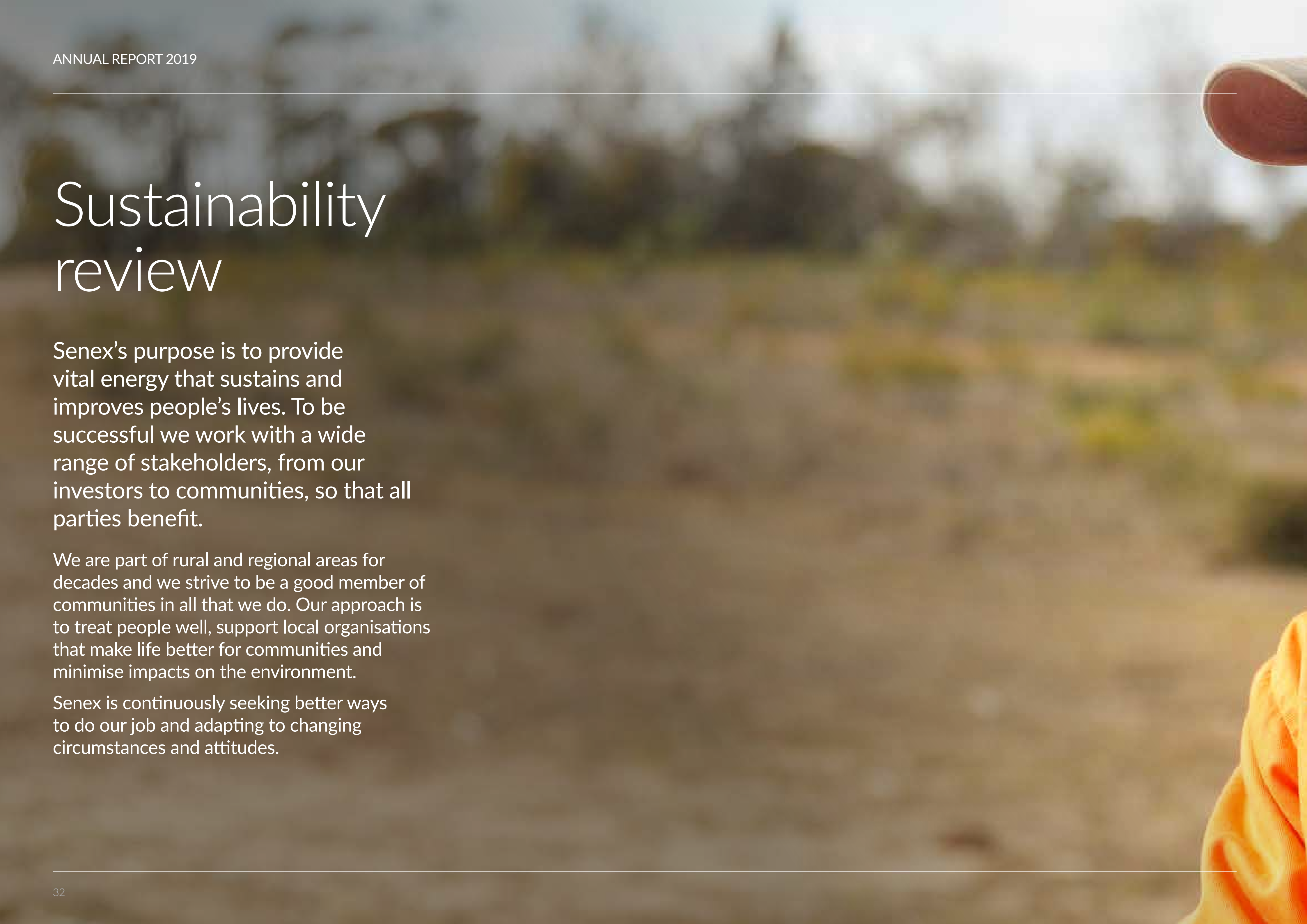
**Contingent resources (2C)**

| mmboe | Oil | Gas and gas liquids | Total |
|---|---|---|---|
| Surat Basin | - | - | - |
| Cooper Basin | 5.9 | 43.3 | 49.2 |
| **Total** | **5.9** | **43.3** | **49.2** |

**Net reserves and contingent resources movement**

| mmboe | 30 June 2018 | Production[2] | Acquisition and divestment | Revisions | 30 June 2019 | Change |
|---|---|---|---|---|---|---|
| 1P reserves | **20.2** | 1.1 | - | 0.2 | **19.3** | -4% |
| 2P reserves | **113.2** | 1.1 | - | (0.6) | **111.4** | -2% |
| 2C resources | **46.5** | - | - | 2.7 | **49.2** | 6% |

1 *Numbers may not add precisely due to rounding*
2 *Rounded, net of fuel and flare volumes*

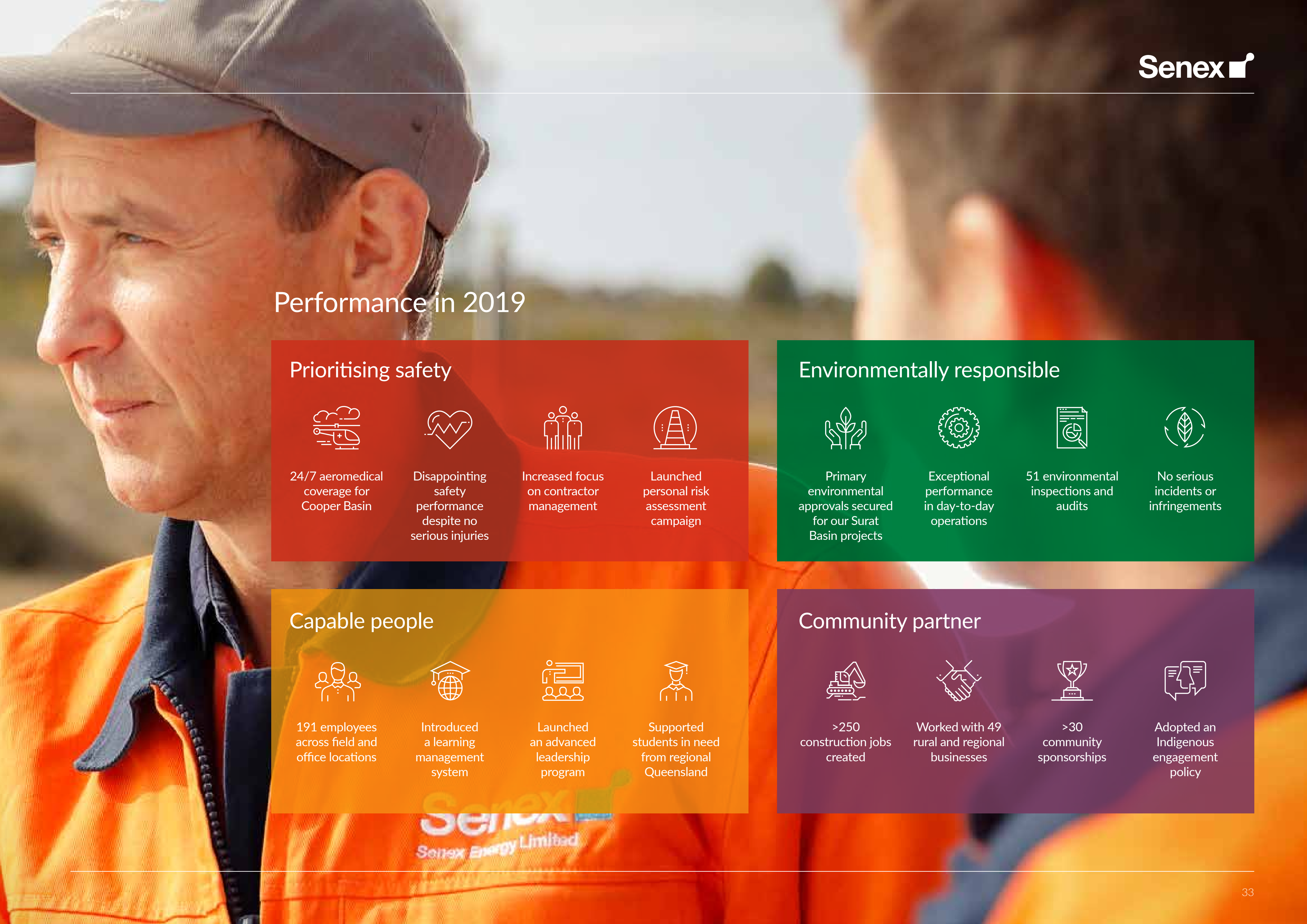


# Sustainability review

Senex's purpose is to provide vital energy that sustains and improves people's lives. To be successful we work with a wide range of stakeholders, from our investors to communities, so that all parties benefit.

We are part of rural and regional areas for decades and we strive to be a good member of communities in all that we do. Our approach is to treat people well, support local organisations that make life better for communities and minimise impacts on the environment.

Senex is continuously seeking better ways to do our job and adapting to changing circumstances and attitudes.



# Performance in 2019

## Prioritising safety

- 24/7 aeromedical coverage for Cooper Basin
- Disappointing safety performance despite no serious injuries
- Increased focus on contractor management
- Launched personal risk assessment campaign

## Environmentally responsible

- Primary environmental approvals secured for our Surat Basin projects
- Exceptional performance in day-to-day operations
- 51 environmental inspections and audits
- No serious incidents or infringements

## Capable people

- 191 employees across field and office locations
- Introduced a learning management system
- Launched an advanced leadership program
- Supported students in need from regional Queensland

## Community partner

- >250 construction jobs created
- Worked with 49 rural and regional businesses
- >30 community sponsorships
- Adopted an Indigenous engagement policy

# Safe and secure

Senex continued to put safety first for the community, our employees and contractors, the environment and our assets in 2019. We implemented improved systems to record and track incidents, and assess personal risk, as we sought to enhance our culture of risk awareness and safety.


## Safety in action 2019

**71** health and safety audits and inspections

**Launched** a personal risk assessment campaign focused on preventing incidents

**6** recordable incidents

**641,279** exposure hours worked

**0** serious injuries

Introduced a new data management system to streamline incident reporting, auditing and action tracking

"Our team works collaboratively with people across the business and with our contractors to ensure that everyone who works with Senex goes home safely."

*Senex Senior Health and Safety Manager, Michael Jennings*

## Safety review

Six recordable injuries occurred in the financial year: three in the Cooper Basin and three in the Surat Basin. These incidents included two lost time injuries, two alternative duties injuries and two medical treatment injuries. We reviewed each incident comprehensively to prevent similar injuries.

Of the total, the injured workers included two construction contractors, two drilling contractors, one seismic contractor and one Senex operator. Three injuries were the result of either a slip, trip or fall; two involved hand, finger and face cuts; and one was attributed to heat stress and dehydration.

There was an overall improvement in drilling and well completions, and Senex operations, but a decline in safety performance at our development projects.

While, fortunately, there were no serious injuries, we are disappointed with the decline in our overall safety performance. We have increased our focus on contractor management to reverse the trend and will continue to strive for zero injuries in all our activities.

## New incident management and auditing systems

In January, Senex introduced a Health Safety and Environment (HSE) data management system to streamline reporting of incidents, audits and tracking of related actions.

The system, which all employees can access, has enabled more efficient collection and visibility of data; and the ability to develop leading HSE indicators based on hazard and behavioural trends.

## 'Three Whats' for injury prevention

When a trend emerged of increasing injuries on low-risk field operations tasks, Senex responded with a new personal risk assessment tool.

Designed to complement formal written assessments, such as a Job Hazard Analysis or Take 5, Three Whats is an immediate personal risk assessment to help people pause, consider and prevent incidents.

Operators ask themselves three broad questions before starting a task to identify what could go wrong, what could cause it to go wrong and what can be done to prevent it going wrong.

Three Whats information is distributed monthly to field locations for discussion at safety meetings.


**Total recordable injury frequency rate** *(TRIFR)*

**9.36**

▲ **0.61** on 2018

**Lost time injury frequency rate** *(LTIFR)*

**3.12**

▼ **2.71** on 2018

**Contractors – exposure hours worked** *('000)*

**319.7**

▲ **72.2** on 2018

*While, fortunately, there were no serious injuries, we are disappointed with our decline in safety performance. We have increased our focus on contractor management to reverse the trend and will continue to strive for zero injuries in all our activities.*

## Industry collaboration

We remained committed to industry-wide safety initiatives in 2019 through the Queensland chapter of Safer Together; Australian Petroleum, Production and Exploration Association (APPEA) safety forums; and collaboration with government on policy initiatives.

Our significant contribution to **Safer Together working groups** demonstrated Senex's ongoing focus on improving safety standards:

- Managing Director Ian Davies – **Safer Together Safety Leadership Group:** sharing information and leading practices to enhance safety cultures
- Senior Health and Safety Advisor Andrew Behrens – **Land Transport and Land Logistics:** minimising TRIFR attributable to road use and promoting safe logistics operations
- Senior Health and Safety Advisor Sarah Kershaw – **Drilling and Completions Industry Incident Review Panel:** sharing and learning through an open forum with a no-blame culture
- Senior Health and Safety Manager Michael Jennings – **Safety Leadership:** demonstrating effective and visible safety leadership and behaviours
- Senior Health and Safety Manager Michael Jennings – **Competence and Behaviours:** defining a standard of safe working behaviour expected of all people in the industry and a common standard of competence to enable duties to be performed safely
- Senior Operation and Maintenance Engineer Andrew Squire – **Process Safety:** improving industry management of major accident hazards.

*Pictured: Senex is involved in working groups that cover the full range of safety disciplines, including process safety*

SUSTAINABILITY REVIEW

## Community support when it's needed most

### Royal Flying Doctor Service

Our investment in the Cooper Basin's 24-hour 'flying intensive care unit' continued in 2019. Funds were directed to keep the Royal Flying Doctor Service (RFDS) in the air, covering vast distances to ensure workers, communities and visitors in remote oil and gas regions have access to world-class medical care when it's needed most.

In 2019, the Senex-badged aircraft's activity included:

- 490,000km flown throughout South Australia and beyond
- 1,002 aeromedical evacuations of critically ill or injured patients to Adelaide's major hospitals for life-saving or specialist care
- 59 country towns and outback locations serviced throughout South Australia
- 13 patient transfers of critically ill patients between Adelaide and Melbourne for life-saving treatment including organ transplant and newborn heart surgery
- 9 fly-in GP clinics transporting primary healthcare teams from RFDS Port Augusta Base to remote stations
- 2 fly-in dental health clinics to remote communities

### Cooper Medivac 24

As the only aeromedical service operating at night in the Cooper Basin, the Cooper Medivac 24 helicopter continued to provide flexible and immediate emergency response for remote communities. Initiated by Senex in 2014, the service is a shared funding commitment with Beach Energy.

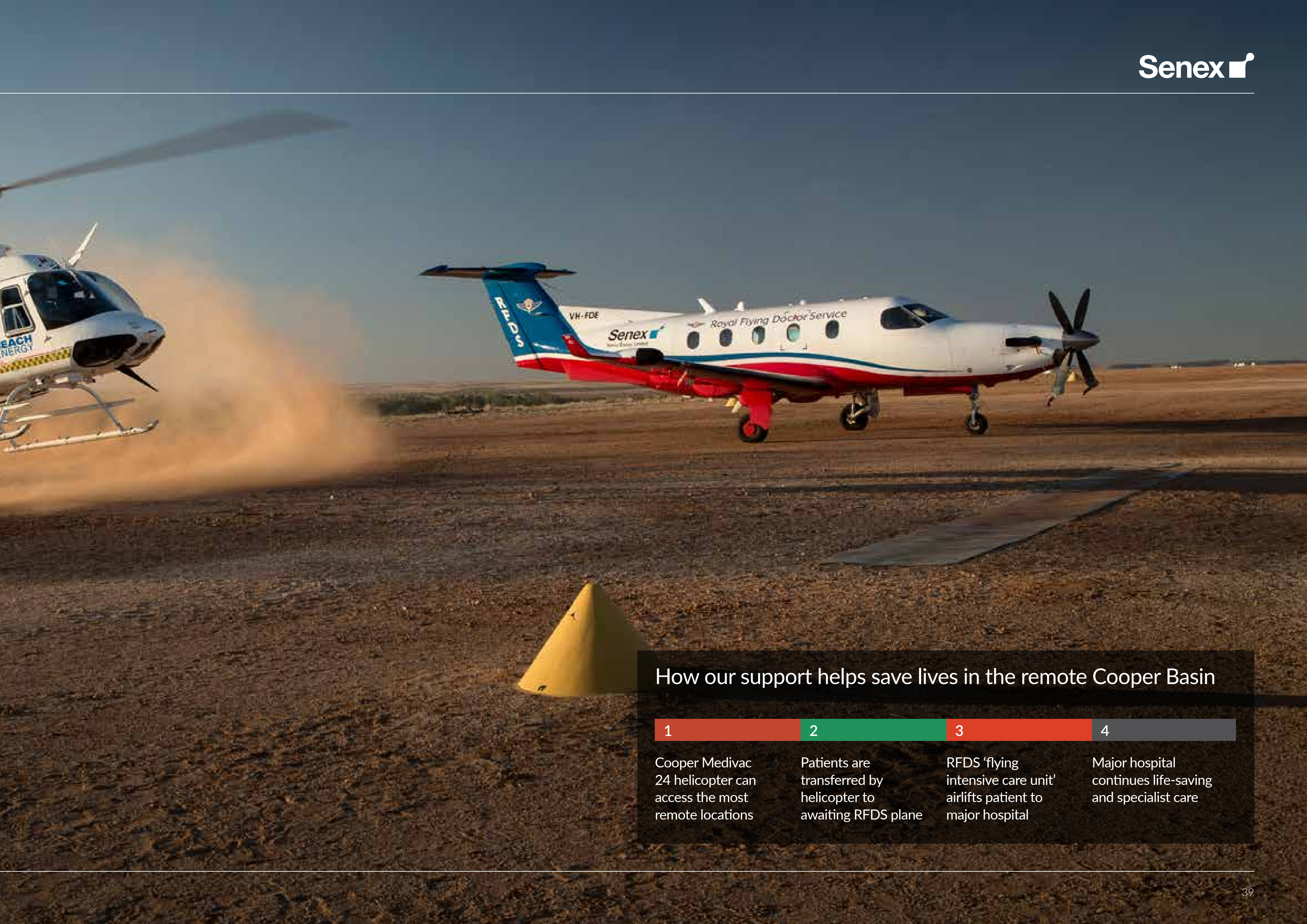
Cooper Medivac 24 provided urgent medical care to one worker from Senex and another from Beach during the year. It also continued to provide vital helicopter emergency medical evacuation support to the RFDS in cases where their fixed-wing planes are unable to land, connecting remote communities with expert medical care.

The helicopter was called to two injured motorcyclists from Birdsville after an accident near the edge of the Simpson Desert (150km east of Dalhousie Springs) for transport to Royal Adelaide Hospital. Another injured tourist with a shoulder injury was transferred 66km from Innamincka to Moomba for airlift to Royal Adelaide Hospital.

*Pictured, from left: Ian Davies and RFDS chief executive Tony Vaughan*


*"As health care providers, we are both reassured and thrilled by the availability of the Cooper Basin Helicopter Emergency Medical Service (CBHEMS). Without doubt, this resource has been invaluable for optimising the health and safety of Senex and Beach employees, and residents and travellers."*

*CBHEMS nurse*




## How our support helps save lives in the remote Cooper Basin

1. Cooper Medivac 24 helicopter can access the most remote locations
2. Patients are transferred by helicopter to awaiting RFDS plane
3. RFDS 'flying intensive care unit' airlifts patient to major hospital
4. Major hospital continues life-saving and specialist care

# Environmentally responsible

Senex holds itself to the highest environmental standards, minimising our impacts and operating to strict state and federal regulations. We continued our strong performance in environmental management in 2019 and delivered key approvals for our Surat Basin projects. In 2020 we will make strategic commitments on climate change to increase our contribution to a low-carbon future.

## Environmental management in action

Project Atlas – final primary environmental

**approvals secured**

**Exceptional environmental record** for day-to-day operations

**51**

environmental inspections and audits completed

**0**

improvement or infringement notices

**168ha**

offset approved and implemented for Roma North

**0**

serious incidents

"Securing the final primary environmental approval for Project Atlas was a significant milestone that recognised Senex's capability for safe and environmentally responsible development of natural gas projects."

*Senex Environment Manager*
*Trina Jensen*

## Managing environmental performance

There were no serious reportable environmental incidents across any of Senex's operations in 2019. This is a significant achievement in light of increased activity levels across our operations.

For well-established Cooper Basin operations, the focus remained on maintaining and improving environmental management. In the Surat Basin, key focus areas included on-ground implementation of our environmental processes and development of strong management frameworks.

In line with our increased activity, Senex and Queensland and South Australian regulators conducted a greater number of environmental inspections and audits. No improvement or infringement notices were issued.

Despite our increased activity, the number of spills was reduced, with only five in 2019 compared with eight in 2018. All incidents were within our operational areas, contained and immediately remediated. Our robust spill response management framework includes examining all environmental incidents to respond with best practice.

## Delivering in the Surat Basin

In 2019, Senex broke new ground for the natural gas industry, securing environmental approvals for Project Atlas and Roma North ahead of schedule.

Federal *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC) approvals secured for the Western Surat Gas Project in August 2018 were a first for a greenfield onshore development by a non-LNG coal seam gas producer.

Confirmation in January 2019 that Senex had satisfied all EPBC requirements for Project Atlas was a first for a standalone coal seam gas project of this scale.

By March 2019, Senex received all 12 key environmental approvals to enable full field development of its Surat Basin developments.

To pass these stringent state and federal assessment processes, Senex used prior learnings, did impact assessments and mitigated risks early. The approvals came after Senex demonstrated that any potential adverse environmental impacts would be appropriately avoided, managed or mitigated.

To ensure all approval commitments are successfully met over the life of the projects, we will focus on maintaining our robust Environmental Management System. This includes implementing an active environmental assurance program and updating the Plan of Operations for Roma North, detailing infrastructure and rehabilitation works for each stage of development.

### Artemis

After being awarded our second government-tendered domestic gas block in the Surat Basin in May 2019 (Artemis), we applied for an Environmental Authority from the Queensland Department of Environment and Science. This will enable the grant of an Authority to Prospect (ATP) for the block. Once this ATP is received, exploration and appraisal scale activities can start to inform future field development planning.

### Successful implementation of offsets for Roma North

Environmental offsets are required by state and federal governments where matters of national and state significance will be impacted. For Roma North, Senex opted for a more active approach to offset approvals:

- We conducted detailed ecological assessment surveys over the project area to determine which species would be impacted by the development. This confirmed that some species would not be impacted, reducing the offset area required and the overall cost of offsets for the project.
- We submitted the offset plan at the same time as the EPBC approval submission, resulting in the offset approval being received upfront with the EPBC approval and enabling an early start to the Roma North development.
- We aligned offset area requirements with project development so offsets can be paid in stages rather than all at project commencement.

| Environmental spills | Water produced (ML) | Water used (ML) | Water re-used from Senex production water (ML) |
|---|---|---|---|
| 5 (1.25 m³ or 1,255L) | 1,866 | 123 | 88 |
| 8 (0.072 m³ or 72L) in 2018 | ▼ 356 on 2018 | ▲ 31 on 2018 | ▲ 23 on 2018 |

**All 12 key approvals secured for our Surat Basin developments**

## Apple Tree Creek offset-in-action

Senex has established an environmental offset site about 100km north-west of Roma in an area called Apple Tree Creek. The offset area, which links to the Merivale River – a recognised riparian biodiversity corridor – and Oakvale State Forest, will ultimately contribute to improving biodiversity values in Queensland.

*Pictured: Local landholders managing the Apple Tree Creek offset area*

Following offset approval from the federal and Queensland governments in 2018, legal security of the offset site was received in March 2019 and management and on-ground monitoring began in May.

Local landholders will manage the 168ha woodland area (predominantly poplar box *Eucalyptus populnea*) to improve habitat for threatened koalas and colonies of yakka skinks. The area will be protected from vegetation clearing and feral pests. They will also conduct fire and weed control, with monitoring and annual reporting for regulators.

## Senex supports local species protection

We have continued our support for the innovative Wild Deserts project – a research partnership to understand, restore and promote desert ecosystems along the area bordering South Australia and New South Wales.

Last year, stage one of the project involved ecologists and researchers building two enclosures, covering 40sq km, to re-introduce seven threatened mammal species to an area safe from predators such as cats and foxes, and to restrict rabbits.

Senex's new sponsorship for 2020 will help fund stage two, involving construction of a 'wild training zone' where controlled numbers of feral predators will be introduced in an effort to improve the native mammals' survival skills.

Bilbies will be the first species introduced into the 'wild training zone', followed by the Burrowing Bettong, Crest-tailed Mulgara, Western Barred Bandicoot, Golden Bandicoot, Stick-nest Rat and Western Quoll. We look forward to these mammals successfully returning and thriving in their native habitat.

*Pictured: The Wild Deserts research partnership team building predator-proof fencing*
*Photo credit: Wild Deserts*

### Protecting the waterhole

In 2019, Senex partnered with Natural Resources SA Arid Lands, a division of the Department of Environment, Water and Natural Resources, to construct a cattle exclusion fence.

The fence will protect the highly sensitive Cullyamurra waterhole (pictured) in the Innamincka Regional Reserve in the Cooper Basin, South Australia.

The waterhole, located in an arid environment, holds water year-round and is an area of high conservation value and cultural significance. The fence will protect the waterhole and the wildlife it supports from grazing pressure and the impacts of cattle and horses on the sensitive environment.

Senex Environment Manager Trina Jensen said: "Often people don't realise how much damage cattle can cause around waterholes. Cullyamurra waterhole is reported to be Australia's largest billabong and restoring this area is an important objective for Senex."

*Photo credit: Department of Environment, Water and Natural Resources*

# Climate change and environmental management

### Our position on climate change

Climate change is widely recognised as one of the planet's major challenges of this century. It is a significant social, environmental and business issue. Senex recognises and accepts the science of climate change and fully supports the objectives of limiting global temperature rises as agreed by governments in the 2015 Paris Agreement.

With the approval of the Project Atlas and Roma North natural gas developments, and our growing focus on natural gas, Senex is increasingly positioned to be part of a low-carbon future.

The International Energy Agency (IEA) maintains a series of scenarios reflecting possible futures for the energy system, contrasting the path taken by current and planned policies with those that can meet long-term climate goals under the Paris Agreement. Natural gas is an important part of the global energy mix in each of the IEA's scenarios out to 2060, playing a key role in displacing more emissions-intensive coal and oil in the energy mix, improving air quality, and as the perfect partner for renewable energy. The IEA expects natural gas to grow to supply a quarter of all global energy demand into the 2030s in all scenarios.

Our strategic approach is to capture value and mitigate risk by reducing our own emissions footprint and grow a resilient long-term portfolio that provides access to affordable energy for the domestic market.

While the Project Atlas and Roma North natural gas developments will change the energy mix in our portfolio, Senex remains an oil producer in the Cooper Basin. Oil is still an integral part of the global energy mix, particularly as a transport fuel. We remain focused on these high-value assets and will continue to assess opportunities to reduce emissions in our Cooper Basin operations.

### 2020 priorities

Senex has always sought to minimise our emissions footprint and consider climate change risk as part of our strategic decision-making. However, we understand that a more structured and transparent approach is warranted.

In the 2020 financial year Senex will:

- Assess our business against the G20 Task Force on Climate-Related Financial Disclosures recommendations to identify any gaps and determine next steps for climate change disclosure and the management of material climate risks and opportunities
- Implement resultant recommendations and actions, covering climate change strategy, governance, risk management, and metrics and targets in stages in future years
- Review the Board and Committee charters and policies to ensure climate-related matters are appropriately addressed
- Review management responsibilities and accountabilities for climate change matters
- Continue to assess risk from climate change through Senex's Enterprise Risk Management framework

### Strategies to reduce emissions in the field

We understand the need to limit and offset emissions and make natural gas even cleaner by reducing production-associated emissions. Aside from the environmental and safety benefits, maximising recovery of natural gas also makes good commercial sense.

**Cooper Basin initiatives completed in 2019**

- Reduced the use and transport of diesel by introducing solar panels to power some systems to support oil production across our oil fields and to generate power at the Vanessa field
- Reduced transport-associated emissions by on-site management of waste
- Reduced fuel use and emissions at the Worrior oil field by determining that it can be operated with only a single hydraulic power unit with no impact on production

**Surat Basin initiatives completed in 2019**

- Implemented the use of a supervisory control and data acquisition system (SCADA), allowing for remote monitoring of wells

**Initiatives being considered for 2020+ across all our operations**

- Using solar panels to generate power at our field offices
- Matching power generation capacity with well-production requirements, to improve fuel efficiency and reduce emissions
- Using solar power for artificial lift at our oil wells

These initiatives could further reduce emissions if proven to be commercially viable.

### Greenhouse gas emissions

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 also reported to the National Pollution Inventory (NPI) on emissions to air, land and water.

This Annual Report provides emissions calculations for the 2018 financial year as the 2019 calculations are completed late in the calendar year. In 2018 Senex reported:

- An overall reduction in energy consumption and greenhouse gas emissions, with 22,513 tonnes of $CO_2$ equivalent recorded (2017: 27,017 tonnes $CO_2$ equivalent).
- A 16 per cent reduction in Scope 1 $CO_2$-e emissions and a 17 per cent reduction in net energy consumed compared with 2017. This is a result of ceasing gas flaring, starting new production with a higher production-to-fuel ratio and using gas fuel which is less emissions-intensive.
- A 13 per cent increase in energy production versus the previous year, reflecting the production from Roma North and development successes in the Cooper Basin.

### Water consumption

Compared to 2018, there was a 16 per cent decrease in groundwater produced by Senex in 2019 to 1,866ML, against 2,222ML in 2018.

Senex's water use increased to 123ML from 92ML in 2018, though 71 per cent of this total was recycled from our water storage ponds. The higher water use reflected increased construction and drilling activity across our operations. However, using recycled water reduced our need to take water from other sources.

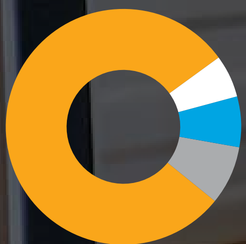
We also continue to supply treated and tested produced water to local graziers, helping them maintain their livestock watering.

**Senex reduced our overall energy consumption and greenhouse gas emissions**

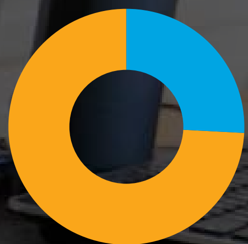
# Capable people

In 2019 we reinforced the purpose, mission and values that guide and empower our people. We invested in building a values-based, high-performance leadership culture, with significant investment in leadership programs and a new learning management system. This has heightened our ability to deliver with purpose.

## Our workforce at a glance



- Full-time employees 79%
- Casual employees 8%
- Part-time employees 7%
- Fixed-term employees 6%



- Office-based employees 74%
- Field-based employees 26%

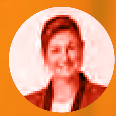
## Investment in people in 2019

**191** **direct employees**
across field and office locations

**250** **jobs created**
in construction of our projects

**Launched**
Senex Executive and Advanced Leadership Program, with a foundational program to be launched late in the 2019 calendar year

**2nd year**
supporting students in need from regional Queensland through the QUT Learning Potential Fund



"Our people and culture are critical to how our business operates. Our commitment to hiring locally, investing in our leaders and supporting a diverse and inclusive culture speaks volumes about what we believe in, stand for and value as a company."

*Senex Executive General Manager, People and Performance, Suzanne Hockey*

## Supporting local employment

Senex gives priority to local candidates where they have the required skills and capability, and we strongly encourage our contractors to do the same. Where we are unable to find local candidates, we look to base new employees in the local area. In 2019 we used local newspaper advertising to meet expanding operational activities in the Surat Basin.

The gas industry is one of the few that allows people to return to, or remain in, their local community to take up highly skilled careers. A good example is **Field Superintendent Paul Boland**, pictured right, who has been with Senex for four years and is a key member of our locally based team in the Surat Basin. Paul oversees our day-to-day production and operations and talks here about his experience working and living locally.

**Have you always lived in Roma?** I'm originally from Charleville. I studied in Toowoomba and have lived and worked in the Injune/Roma area since 1998.

**What do you enjoy about it?** I enjoy the lifestyle, ease of living and being in a relaxed regional community.

**What opportunities does it offer?** This is a good place to live. Roma has a solid agricultural and resource industry base with diverse employment opportunities. You'll always find work in Roma. It has good schools, a decent airport and daily flights to Brisbane. Anything that can't be found in Roma is only a one-hour flight away.

**How does Senex's decision to hire locally impact people?** Employing local people enhances our ability to be part of the communities in which we operate and demonstrates our commitment to the region.


## Advancing careers for women in resources

Our emphasis on gender diversity is an important aspect of our ability to attract and retain high-quality people. For many years Senex has partnered with Queensland Resources Council (QRC) and Women in Mining and Resources Queensland (WIMARQ) to improve the progression of women in Queensland's minerals and energy sector. This support continued in 2019 with ongoing sponsorship of the QRC/WIMARQ Mentoring Program.

Senior Development Geologist Rachel Kieft (pictured) knows first-hand the positive effect that mentoring can provide. The former mentee-turned-mentor credits her experience with the QRC/WIMARQ Mentoring Program for renewing her focus and passion.

Since completing the program in 2017, Rachel has become a mentor for the QRC/WIMARQ Girls Mentoring Program, which teams mentors from the resources sector with high-potential girls attending some of the 60 Queensland Minerals and Energy Academy (QMEA) schools across the state.

Rachel is also the Queensland Branch President of the Petroleum Exploration Society of Australia (PESA), which established a joint mentoring program this year.

*"Diversity of thought and experience is critical to a well-rounded organisation. I'm pleased to be able to give back as a mentor to encourage young women to engage in STEM subjects that may lead to rewarding careers in our industry."*

*Senior Development Geologist Rachel Kieft*

## Advancing Senex's leaders

Senex has made a significant investment in a leadership program to build the skills and capability of existing and emerging leaders. Launched in late 2018, the 18-month program of workshops, coaching and feedback will help embed a strong, values-based and high-performance culture. Programs are tailored for executives, other advanced leaders, and supervisors.

Head of Risk and Technology Justine Neep leads a team of four to ensure our risk framework is operating effectively and our technology and data support smart decision making. She is part of the first cohort in our program for advanced leaders.

Even with strong processes and systems guiding how we operate, Justine says success is linked strongly to the extent to which people work together.

"A leadership program helps everyone at Senex grow and improve. It's fantastic to have the time and opportunity to focus on learning and improvements that can have big impacts on how we interact with others," Justine said.

*"To keep focusing on personal growth – no matter how experienced you are – ultimately benefits the teams you lead."*

*Head of Risk and Technology Justine Neep*

| Women in the workforce | Women in management positions |
|---|---|
| 30% | 28% |

## Learning Management System introduced

In 2019 Senex implemented a learning management system, called The Learning Hub, to better deliver, record, track and report on a range of learning and development programs.

It includes a refresh of all our core induction courses – including our company and HSE field inductions as well as modules on heat stress, erosion and sediment control, land access and cultural heritage.

The system will enable a greater focus on learning and development in 2020, including an extensive e-learning resource library that supports self-paced personal and professional development.

## Supporting the next generation

In 2018 Senex committed funding for five years to support the education of students in need from regional Queensland through the QUT Learning Potential Fund.

Each year, one student will receive a Senex Energy Learning Potential Fund Scholarship. The remaining investment stays in an endowment fund to provide a scholarship each year in perpetuity.

Our financial contribution will help finance a portfolio of more than 2,000 annual scholarships to encourage students, including disadvantaged and low-income students from regional Queensland, to study for a degree at QUT.

### Supporting the next generation

Growing up in Roma, Joshua Anderson knew he wanted to give back to his community through the health sector.

After completing a Bachelor of Paramedic Science, he opted to pursue his developing interest in pharmacology with a degree in Pharmacy at QUT.

Joshua, pictured above with Ian Davies, said Senex's Learning Potential Fund scholarship had allowed him to dedicate more time to his studies.

After his degree and hospital training, Joshua's aim is to specialise in oncology pharmacy and move into research and drug development.

Joshua said: "I am so appreciative of this scholarship and thank Senex Energy for choosing to donate to a cause that has the potential to transform lives and communities."

# Community partner

Senex strives to be a good neighbour and an active member of the communities where we work. In 2019 we have helped create jobs and local business opportunities, supported the arts, education and community events and provided critical emergency medical support services.


## Supporting local communities in 2019

# 49 regional businesses engaged

**Up to 250**
workers in local accommodation every night

**>30**
community sponsorships

**24/7**
aeromedical coverage for Cooper Basin

Indigenous engagement policy adopted

"Working with Senex has made a big difference to us. In a year, we've gone from losing money every day to having a sustainable business that employs up to 12 people."

*Overlander Motel proprietor Charles Weyman-Jones*

# Supporting local businesses

**Meet some of our local suppliers**

**Huracan (Roma)**
Supplying and installing gauges for natural gas wells.

**Flower Earthmoving (Roma)**
Built a dam for produced water prior to beneficial reuse or disposal.

**T&W Earthmoving (Condamine)**
Providing civil works for well sites and access roads.

**Café 54 (Roma)**
Supplying lunch catering for drilling rig workers.

**Overlander Motel (Roma)**
Providing accommodation for Senex and contractor employees.

**Bushlander Motel (Wandoan)**
Providing accommodation for Senex and contractor employees.

**Dunns Earthmoving (Moomba)**
Providing earthworks, road maintenance and watering for Cooper Basin operations.

*More than 250 construction jobs, as well as local business opportunities, are being created as more than $400 million is invested in our Surat Basin projects.*

## Sharing the benefits with local business

Thriving local economies are good for rural and regional towns and our business, providing jobs for local people and a broader range of suppliers for Senex.

Senex buys goods and services from businesses in local communities wherever possible. We strongly encourage our contractors to do the same.

We engage with local enterprises early, giving them the information they need to supply to us. We do this through regular information sessions to share project updates and explain the types of goods and services we are looking for locally.

An important part of our approach is seeking and responding to feedback to ensure we are contributing to diversity in local economies.

For example, we responded when people told us that we could be more broadly supporting accommodation providers in Roma and Wandoan.

"Prioritising local suppliers has many mutual benefits," says Contracts and Procurement Manager Christopher Broom. "We save approximately 15-20 per cent using smaller local suppliers compared to large businesses located further away because we avoid transport costs and the need to accommodate large external teams on site."

In 2019, Senex held five community drop-in sessions in Miles, Wandoan and Roma to provide updates on how our natural gas projects were progressing and opportunities for local suppliers. Technical and procurement experts were on hand to answer any questions.


### Building foundations at Roma North

For Condamine-based T&W Earthmoving, all roads lead to Roma North and Project Atlas. In 2019 the local earthmoving contractor was awarded a substantial contract to build the initial well sites and access roads for our Surat Basin natural gas projects.

The contract followed a competitive tender process that considers price, safety, environmental performance, experience and understanding of the local area.

Senex is again pleased to support a regional Queensland business that employs local people and uses local suppliers.

*"It's exciting to be part of a project to supply gas to the domestic market. Working with Senex enables us to give back to the community through local jobs and to support community projects."*

*T&W Earthmoving Co-Director Tim Collie, pictured above*


### Filling rooms at the inn

Construction and operations employees of Senex and our contractors enjoy meals and accommodation at the family-run Overlander Motel in Roma (proprietor Charles Weyman-Jones is pictured above, right).

At Project Atlas, the majority of Senex and contractor employees stay at the Accommodation Park and locally owned Bushlander Motel in Wandoan.

Senex's decision to use local motels instead of worker camps wherever possible has boosted the economies of Roma and Wandoan and supported jobs for local people. This approach also benefits Senex by providing an extra opportunity to engage with local businesses.

"Senex has considered the economic benefits they could create for our township by supporting local," said Bushlander Motel proprietor Danella James.

*"Instead of bringing in external services, Senex has given opportunities for our local employees to secure more work."*

*Bushlander Motel proprietor Danella James*


### Local lunches good for business

Senex recently awarded Roma's family-owned Café 54 the contract to supply daily lunch packs for drilling rig crews.

The contract has provided a significant boost to the business, which employs 10 people across the café, tucker trucks and a catering business.

*"Working with Senex has increased hours for my staff and we hope it will build to bigger and better things for us so we can employ more local people."*

*Café 54 Manager Terri Radunz, pictured above, left, with Bianca Shelswell*

### Local supplier delivers leading tech

In 2019, Senex signed a $1 million deal with Roma-based Huracan Pty Ltd to supply and install gauges for wells in both Project Atlas and Roma North.

Huracan will provide permanent pressure monitoring of each gas well – industry best practice from an innovative local supplier.

Huracan was established by Jon and Katrina Hollingworth in 2012 to provide specialist services to the region's natural gas industry. Senex is proud to support a local business that has invested much in the region's prosperity.

*"Senex has been fantastic to work with – and they are very community focused which is wonderful for the Roma region."*

*Huracan founder Jon Hollingworth, pictured above, left, with Ian Davies*

# Investing in our communities

Flourishing community organisations in rural and regional areas, where Senex people live and work, benefit us all.

We are proud to help enhance local communities by supporting education, health, the performing arts, sporting and other community initiatives.

**Senex supported more than 30 local organisations in 2019 across the Surat and Cooper basins**

## From little things ...

Senex has partnered with Maranoa Regional Council to sponsor the small grants category of the area's community grants program. The innovative partnership has doubled the grants pool to $30,000, provided equally by the council and Senex.

Funds are distributed to successful local applicants to undertake valuable community projects, local events and education activities across the region.

*Pictured, from left: Senex Community Relations Manager Trevor Robertson and Maranoa Councillor Janelle Stanford*

*"We want to support the local volunteers who do so much to keep the community strong."*

*Senex Managing Director and CEO Ian Davies*


## Greening ovals in Wandoan

Senex is helping to drought-proof Wandoan State School's playing fields by contributing half the cost of fresh turf and an irrigation system to keep the grass green.

Students will have a better opportunity to enjoy physical activity, and the wider community will have access to green fields for sports and fundraising events.

Wandoan State School Parents and Citizens (P&C) Association President Greg Zillman said the initiative would ensure the school could plan and host big regional sporting events, community fetes and town markets.

"As a result, the P&C and local businesses will benefit from increased visitors to our community for such events, which require use of town facilities and services," Mr Zillman said.

*Pictured, from left: Greg Zillman with Wandoan State School's principal Jonathan Case*

*"We thank Senex Energy for their forward thinking in the community and the wonderful gesture they have provided."*

*Wandoan State School P&C President Greg Zillman*


## Roma Performing Arts take centre stage

Senex and Roma Performing Arts made their stage debut in 2019 with a sponsored production of *Legally Blonde – The Musical.* Audiences were treated to the much-loved play across a sell-out weekend in May.

*"Senex's support means we have more opportunities to secure the rights for big-name shows and get more people involved in the arts."*

*Roma Performing Arts Group President and show producer Tracey O'Brien*

The partnership with Senex marks an exciting new chapter for Roma Performing Arts as it celebrates its fiftieth year showcasing local talent in south-west Queensland.

"The sponsorship means the world to Roma Performing Arts," Tracey said.

*Pictured, from left: Roma Performing Arts Costume Master Karen Bendall, Meg O'Brien and Tracey O'Brien*


## ColourXplosion of support

Rainbows returned to Roma despite the drought as part of the annual Senex ColourXplosion.

A partnership with PCYC Maranoa, the event is held every year on Easter Sunday to raise funds for youth development and crime prevention programs. The 5km fun run and walk is a popular family event in the region.

Event organiser and PCYC Maranoa Branch Manager Sergeant Greg Caletti said the event was an important support for the town, raising vital funds that make a difference to the local community.

"Senex's sponsorship of ColourXplosion means we can afford to put on a great event for the community and all the proceeds go straight back into programs that support at-risk kids," Sgt Caletti said.

The volunteers and employees at PCYC Maranoa work hard to engage the local community through youth development and domestic violence prevention programs.

*Pictured, from left: Joel Challis, Nina Challis and Sgt Caletti*


## Senex rocks STEM education

We entered into a three-year partnership with Queensland Minerals and Energy Academy (QMEA) in 2019 to provide hands-on learning experiences for students at Roma Secondary College and St John's Catholic School. QMEA's STEM, or science, technology, engineering and maths, program is Australia's largest and most successful industry-led, schools and industry initiative.

Senex engineers and hydrogeologists, including Andrew Wilson, *pictured*, taught students about how rocks are formed and about drilling methods as part of the new initiative to bring STEM experiences to Roma's secondary schools.

The *Rockin' Reactions* and *Water4All* sessions also helped showcase careers in the natural gas industry, where young people can remain or return to their local community following study or training to take up highly skilled careers.

*"Students in Roma don't get these opportunities very often. It was great for them to see how these subjects are applied in the real world."*

*St John's Catholic School teacher Joe Bartulis*

## Supporting Indigenous engagement

Senex has positive and mutually beneficial relationships with traditional custodians of the land.

In 2019 we formally recognised the skills and knowledge of Indigenous people and their heritage, culture and connection to the land by introducing an Indigenous Engagement Policy.

This document includes commitments to continued communication and information sharing through long-term relationships with Indigenous groups and opportunities for training, employment and engaging with Indigenous-owned businesses.

During the year we engaged with Traditional Owners to protect heritage sites and ensure our workplaces are culturally aware.

Senex continues to fund an Indigenous Aboriginal Participation Manager in partnership with the South Australian Government, Santos and Beach Energy.

### Dieri art prize attracts world-class artists

The standard of entries in this year's Senex-sponsored Dieri People art competition was high, with work from featured artists hanging in major galleries. The competition supports cultural awareness and offers a way to bring traditional stories to life through art. The focus for next year will be on encouraging entries from Dieri's youth.

*Pictured, right: Joint first prize-winner of the Dieri People art competition Willy Dawson*

## Indigenous engagement activities in 2019

**1,357** people attended a cultural heritage induction from the Mandandanji People since the start of the Western Surat Gas Project

**152** people completed Senex's Iman People field induction since the start of Project Atlas

**9** cultural heritage clearance surveys with the Mandandanji People over the Western Surat Gas Project

**4** work area clearance surveys with the Dieri People in South Australia

**8** cultural heritage clearance surveys with the Iman People over Project Atlas and Roma North

**2** cultural heritage field inductions presented by the Dieri People as part of our South Australian operations

Native Title meetings with the Wardingarri Aboriginal Corporation relating to our operations on Iman country

## Working with our landholders

Senex strives to be a good partner and neighbour.

We work respectfully and constructively with landholders, with whom we have relationships over many years.

Our approach is to be open, upfront and reasonable. We take time to understand agricultural operations on properties and we work together on the location of infrastructure. In this way we minimise our impacts and ensure mutual benefits.

We meet and, where possible, go beyond the mandatory requirements designed to ensure landholders' rights are respected.

In this way, farming and our natural gas operations can continue side by side for many years.

### Engagement activities in 2019

The overwhelming majority of the landholders Senex works with are in the Surat Basin.

Senex has more than 60 landholder relationships in our Roma North and Western Surat Gas Project acreage, both near Roma, and Project Atlas near Wandoan.

Senex is managing and implementing 50 Conduct and Compensation Agreements (CCAs) with landholders in these areas. As development continues in 2020, Senex expects to enter into a further 15 CCAs. Early site surveys to support these development proposals are underway and engagement with key landholders has begun.

Conversations and correspondence with landholders is recorded in a database that ensures we stay up to date with feedback. In 2019 we documented more than 300 landholder interactions.

This approach also allows us to track and resolve any issues in a timely and mutually acceptable way.

Senex's landholder team works closely with our operations and construction people to ensure all parties are aware of relevant information at the right time and that we comply with the agreed access conditions.

In the Cooper Basin, Senex has good relationships with landholders and neighbours and we engage on opportunities to work together.

## Opportunity in collaboration

Senex's operations involve a wide range of communities, businesses and people. We strive to work constructively with everyone who has an interest in affordable, safe and reliable natural gas production – from communities where the gas is produced to consumers of this valuable energy source.

Alongside our industry counterparts, we continued to be an active participant in industry and government forums and contributed submissions for key legislative reviews and deliberations.

We did this as an individual company and as a member of APPEA, the South Australian Chamber of Mines and Energy (SACOME) and Queensland Resources Council (QRC).

Increasingly, our priority is to make a more powerful case for our industry, addressing misinformation head-on, to ensure natural gas is recognised for the important part that it will continue to play in the energy mix and as part of a lower-carbon economy.

Senex Managing Director Ian Davies spoke at the Australian Domestic Gas Outlook conference this year. He told the audience: "Industry cooperation and collaboration will lead to more supply, developed efficiently and effectively for the benefit of Australian workers, consumers and the entire economy."

*APPEA's Brighter program is giving people the opportunity to learn about the role natural gas plays in their daily lives*

# 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. Trevor was also a director of Caltex Australia for 13 years before retiring in May 2019. While at Caltex he chaired the OH&S Committee and was a member of the Remuneration Committee.

Trevor is Chairman of the Nomination Committee. He is not counted as a member of the other Board committees but he attends and participates in the meetings.

**Current directorships/other interests**

*Sydney Water: Non-Executive Director, Chairman 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*

Ian has led Senex as Managing Director and Chief Executive 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 and Exploration Association (APPEA) Board of Directors.

Before 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 in 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**

*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 natural gas company Arrow Energy Limited.

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

**Current directorships**

*Genex Power Ltd: Chairman, Non-Executive Director*

*AusNet Services Ltd: Non-Executive Director*

*Stanwell Corporation: Chairman, Non-Executive Director*

*MultiCom Resources Ltd: Non-Executive Director*

## TIMOTHY CROMMELIN

**Non-Executive Director**

*BCom, SF Fin, 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 and Nomination Committee.

**Current directorships/other interests**

*Morgans Holdings (Australia) Limited: Non-Executive Chairman*

*AP Eagers Limited: Non-Executive Chairman*

*The University of Queensland: Member of the Senate*

*Morgans Foundation: Deputy Chairman*

*Australian Cancer Research Foundation: Director*

*Brisbane Lions Foundation: Director*

## VAHID FARZAD

**Non-Executive Director**

*MA, MSc, MBA*

Vahid joined the Senex Board in April 2019. He is a Senior Vice President of EIG Global Energy Partners, where he has responsibility for a number of international oil and gas investments. Before joining EIG, he held senior business development and commercial roles at oil and gas companies including Petrobras Africa, Dominion Petroleum and Salamander Energy. Vahid started his career in investment banking at Goldman Sachs. He received an MA from The University of Oxford, an MSc from The London School of Economics and an MBA from INSEAD. Vahid is also a Non-Executive Director of KCA Deutag, a leading oil and gas drilling and engineering contractor.

Vahid is a member of the Senex Nomination Committee.

**Current directorships/other interests**

*EIG Global Energy Partners: Senior Vice President*

*KCA Deutag: Non-Executive Director*

## 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 and Chairman of the Audit Committee of Ooh! Media Limited, APA Group and Atlas Arteria Limited. 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 Chairman of the Audit and Risk Committee and a member of the People and Remuneration Committee and the Nomination Committee.

**Current directorships/other interests**

*Ooh! Media Limited: Non-Executive Director*

*APA Group: Non-Executive Director*

*Atlas Arteria Limited: Non-Executive Director*

## JOHN WARBURTON

**Independent Non-Executive Director**

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

John joined the Senex Board in March 2016. He is a Petroleum Geoscientist by profession with a broad range of technical and managerial experience in exploration, field development, commercial and new business in the global oil and gas industry. John has 36 years of international petroleum industry experience. At BP Exploration he held senior technical and leadership positions before moving on to senior positions with substantial oil and gas companies including LASMO plc, Eni Pakistan Ltd and Oil Search Ltd. At Oil Search, John held the position of Chief of Geoscience and Exploration Excellence.

John is a member of the Senex People and Remuneration Committee and the Nomination Committee.

**Current directorships/other interests**

*Empire Energy Group Limited: Non-Executive Director*

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

*University of Leeds, UK: Visiting Professor in the School of Earth & Environment and Member of the External Advisory Board at Petroleum Leeds (Centre for Integrated Petroleum Engineering & Geoscience)*

# Corporate governance and risk

SENEX INTEGRATES EFFECTIVE RISK MANAGEMENT INTO EVERYTHING WE DO, FROM SETTING AND EVALUATING STRATEGY TO PLANNING AND UNDERTAKING OUR ACTIVITIES.

## Corporate governance

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

Senex complies with all eight principles of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). Refer to Senex's 2019 Corporate Governance Statement for more information on the Senex website.

## Risk management framework

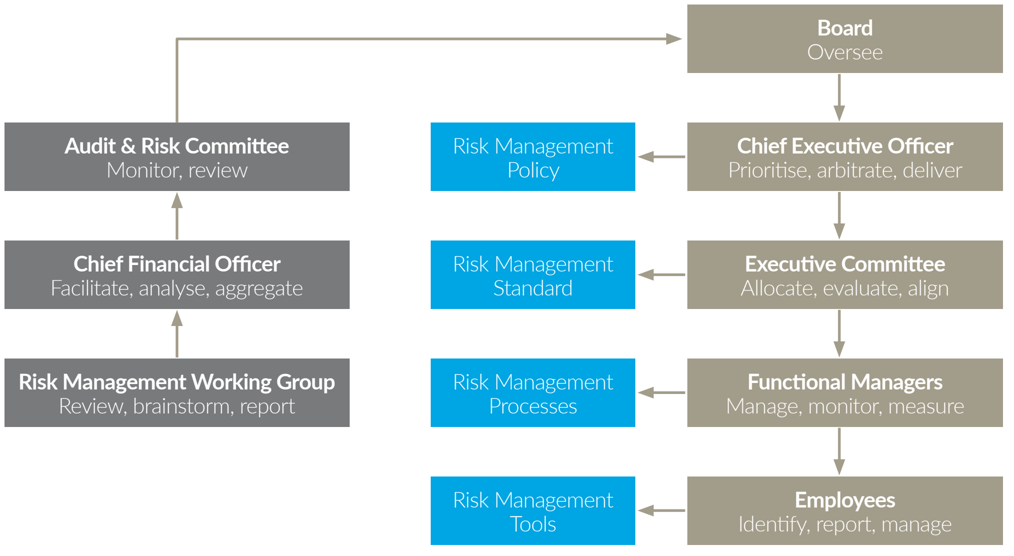
The Senex risk management framework enhances governance, reliability of decisions and decision making, communication and the ability to maximise opportunities.

The Senex risk management framework is based on the international standard for risk management (ISO 31000). The process of identifying, assessing and managing material business risks is designed to optimally manage and, where appropriate, accept risk to generate returns. The acceptance and management of enterprise-level risk is ultimately included in the company's strategy at the highest level. The Senex risk management framework is reviewed annually, with a review undertaken during the year ended 30 June 2019.

The Senex risk management framework incorporates an enterprise-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 use of a common language around risk identification, management and reporting across field operations and office-based teams enables us to focus on key risks to achieve organisational goals, from operational and corporate activities through to strategy implementation.

## Governance

The Senex risk management framework defines oversight responsibilities for the Board to enable effective risk identification, assessment and management across the business.



## Senex risk management roles and responsibilities

| | |
|---|---|
| Board | Retains the ultimate responsibility for risk management through ensuring that an adequate risk management policy is in place and outlining the strategic risk appetite. |
| Audit and Risk Committee | Ensures that the application of the internal risk management and control framework is effectively monitored, measured, guided and controlled and reviews reports from management on risk matters. |
| Chief Executive Officer | Accountable for the delivery of an effective system of risk management within the business. |
| Chief Financial Officer | Ensures the Senex risk management framework is utilised to identify, assess and manage risks across the business and facilitates risk reporting to the Audit and Risk Committee. |
| Executive Committee | Oversees the active use of the Senex risk management framework and compliance with the risk appetite set by the Board. |
| Risk Management Working Group | Reviews the effectiveness of the Senex risk management framework, the appropriateness of the mitigations applied to manage risks and highlights emerging risks. |
| Functional Managers | Monitor key activities and changes that may impact risks or create new risks or opportunities, including ensuring controls are implemented and monitored. |
| Employees | Adhere to the Senex risk management framework and remain alert to risks and opportunities. |

## Material risks at 30 June 2019

The material business risks for Senex at 30 June 2019 are outlined in this section. These risks may materialise independently, concurrently or in combination. The active management of these risks through our risk management framework is imperative to Senex meeting strategic objectives and delivering shareholder value. This summary is neither an exhaustive list of risks that may affect Senex, nor are the risks listed in order of importance.

### Operational risks

**Exploration and development:** Our production growth is dependent on our ability to successfully discover, develop and deliver new resources and reserves.

**Cause:** Exploration and drilling activities and outcomes are highly uncertain and dependent on capital funding and the acquisition and analysis of data.

**Impact:** Senex's ability to deliver our strategy may be impacted by the success of our exploration (including acquisition) and development efforts and our ability to generate prospects to meet future production requirements.

**Mitigations:** To ensure the highest possibility of success and therefore confidence of investors, we analyse existing acreage for drilling prospects by applying best-in-class technologies and processes for exploration and development. We apply our prudent expenditure management and forecasting to assist with capital funding of exploration and development activities. We seek partnering and farm-in opportunities to diversify risk.

**Surat Basin project execution and approvals:** The delivery of our Surat Basin projects has a high exposure to non-technical risks, including managing to schedule, securing land access, complying with the conditions of environmental authorities and implementing appropriate plans for water management.

**Cause:** The Surat Basin is overlayed by agricultural properties and population centres. This causes constraints and requires negotiated land access agreements and broader community acceptance in order to conduct activities.

**Impact:** Potential delays in project delivery and the resulting increase in petroleum production in the Surat Basin.

**Mitigations:** We work closely with the community and landholders to ensure mutually beneficial outcomes.

## Operational risks (continued)

**Joint venture arrangements:** Although Senex operates the majority of the tenements we hold, we are dependent on technical and commercial alignment with our joint venture partners in the Cooper Basin.

**Cause:** Misalignment between joint venture partners can lead to scarcity of available capital and may impact approaches to prioritisation of exploration, development or production opportunities.

**Impact:** Delayed approvals of development plans may impact Senex's growth.

**Mitigations:** We work closely with our joint venture partners to achieve mutually beneficial outcomes.

**Access to infrastructure:** Although Senex operates the majority of the tenements we hold, the delivery of our products to market and our growth strategy is largely dependent on access to infrastructure owned by third parties.

**Cause:** We rely on third parties to process, transport and market our oil and gas.

**Impact:** Senex's sustainability and growth may be impacted by the failure to obtain access to appropriate supporting facilities. Our ability to deliver oil and gas to purchasers may be delayed or face increased costs.

**Mitigations:** We seek to negotiate contractual rights and 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.

**Loss of key data or loss of access to key data:** Our business continuity may be impacted by the compromise of, or disruption to, corporate information, technology systems, data or intellectual property.

**Cause:** Accidental or deliberate execution of a malicious script inside Senex systems, unauthorised access to Senex data or outages of technology systems.

**Impact:** Serious business disruption including a data breach (lock-out of sensitive data, loss of data), loss of business continuity (down-time, rework), compromise or disruption of corporate IT assets, privacy violation or damage to reputation.

**Mitigations:** We have key controls in place such as firewalls, restricted points of entry, multiple data back-ups and security monitoring software. Cloud-based systems also provide a higher level of redundancy, ease of remote access for staff and faster recovery in the event of significant outages.

## Strategic financial risks

**Commodity prices:** The price obtained by Senex for oil and gas production is subject to volatility in relation to many factors, including global oil price, AUD/USD exchange rate and gas market pricing.

**Cause:** Commodity prices are determined by global supply and demand. Commodity prices and foreign exchange rates are impacted by the global economic environment.

**Impact:** Price and exchange rate volatility impacts Senex's revenue, cash flows and asset values. Sustained periods of low or declining AUD commodity 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 price and currency hedging strategy, with oil price hedging in place through FY20-FY21. We manage our gas sales on a portfolio basis, priced through sales contracts, and have some fixed-price AUD gas sales contracts. In addition, we continue to focus on structured assessments for capital allocation decision-making, managing production costs and demonstrating capacity to operate effectively in a low-price environment.

**Access to funding:** Senex's ability to fund operations and future growth, through a mix of cashflow from operating activities, bank borrowings and equity securities.

**Cause:** Volatility or uncertainty in capital markets could restrict the willingness of debt and equity investors to provide additional capital.

**Impact:** Senex's growth aspirations require the investment of significant capital to generate returns.

**Mitigations:** We have debt funding in place to support our Surat Basin project developments and agreements in place with Jemena in relation to the Project Atlas and Roma North gas processing facilities. We have prudent expenditure management and forecasting with a Board-approved capital and operating budget. We actively seek partnering opportunities to help fund key activities on a project-by-project basis.

## Safety, environmental and sustainability risks

**Safety and health:** There is risk of harm to employees, contractors and communities near our operations, particularly in remote locations, from our oil and gas operational activities.

**Cause:** Our activities are subject to operating hazards which could result in harm to our people or our communities.

**Impact:** In addition to injury or negative effects to the health or wellbeing of affected people, impacts may include reputational damage and fines.

**Mitigations:** The identification, effective control and overall management of safety and health risks are the highest priority for Senex. We have developed detailed safety and health management plans that include auditing and verification processes, as well as rigorous remote worker communication protocols for our operational activities. We continuously review our operational risks and processes to ensure we operate at the highest standards of safety management. In addition, Senex participates in industry safety organisations and committees which enables us to promote safety leadership and share good industry practices and lessons learned.

**Significant environmental incident:** There is risk of harm to the environment, employees, contractors and communities near our operations from an environmental incident or non-compliance.

**Cause:** Oil and gas exploration and operational activities involve the storage and transport of produced oil and gas as well as the generation of waste materials.

**Impact:** In addition to environmental harm, impacts may include safety issues, reputational damage and regulatory enforcement action.

**Mitigations:** Our environmental processes and robust environmental management system ensure we understand the potential risks and impacts of our activities and implement appropriate management strategies to prevent environmental harm. We also include environmental considerations in our insurance program.

**Extreme weather events:** Our oil and gas operational activities may be severely interrupted by an extreme weather event such as flood, bushfire or storm.

**Cause:** Increase in rainfall events leading to flood and/or storm or cyclone events.

**Impact**: Serious business interruption including loss of production, delays in delivery of capital works program, damage to infrastructure.

**Mitigations:** We build these considerations into our operational designs where possible. We also have flood mitigation plans as well as emergency/crisis management frameworks. Our insurance program includes business interruption coverage.

**Climate change:** Climate change and management of carbon emissions may lead to increasing regulation and costs.

**Cause:** There is an increased focus from governments, regulators and investors in relation to how companies are managing the impacts of climate change policy and expectations.

**Impact:** Senex's sustainability and growth may be impacted by increasing regulation and costs associated with climate change and the management of carbon emissions.

**Mitigations:** We actively monitor current and emerging areas of climate change risk and opportunity to ensure appropriate action can be taken, consistent with our strategic objectives. As part of our routine operations, we continuously focus on improving our energy efficiency and emissions management as an integral part of delivery of cost efficiencies.

Refer to Senex's Sustainability reporting on pages 32-57 for more information on these safety, environmental and sustainability risks.

## Political risks

**Significant regulatory change:** A change of government or policy and/or unexpected or retrospective changes to legislation and regulations or administration may significantly impact Senex financially and operationally.

**Cause:** Changes in legislation, regulation and/or policy can result from changes in Government or from changes by Government (e.g. need for increased tax revenue) or external pressure (e.g. community attitude to the oil and gas industry).

**Impact:** Changes in legislation, regulation and/or policy may impact on development, production, marketing, pricing, transportation and storage of our products. In turn, such changes would impact on sustainable returns for investors, through profit erosion and loss of company value. Retrospective or unexpected regulatory changes potentially impact the longer-term viability of projects.

**Mitigations:** We actively monitor regulatory and political developments and constructively engage with government, regulators and industry bodies.

# Directors' Report

## YOUR DIRECTORS SUBMIT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2019 (FY19).

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 FY19.

## Directors

The Directors who served at any time during or since the end of FY19 until the date of this report are identified on pages 58 and 59 and in the table adjacent.

## Key Management Personnel (KMP)

KMP of an entity for the purposes of the Corporations Act 2001 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 Senior Executives.

The KMP of the consolidated Senex entity in FY19 were the following individuals who served for the periods indicated as Directors or as Executive KMP in FY19:

| Name | Position |
|---|---|
| Non-Executive Directors | |
| Trevor Bourne | Chairman, Independent Non–Executive Director |
| Ralph Craven | Independent Non–Executive Director |
| Timothy Crommelin | Non–Executive Director |
| Vahid Farzad | Non-Executive Director |
| Debra Goodin | Independent Non–Executive Director |
| John Warburton | Independent Non–Executive Director |
| Former Non-Executive Directors | |
| Andy Zhmurovsky | Non-Executive Director |
| Executive KMP – Executives | |
| Ian Davies | Managing Director and Chief Executive Officer (CEO) |
| Suzanne Hockey | Executive General Manager People and Performance |
| Gary Mallett | Chief Financial Officer |
| Peter Mills | Chief Operating Officer |
| David Pegg | General Counsel/Company Secretary |
| David Spring | Executive General Manager Exploration |
| Former Executive KMP | |
| Julie Whitcombe | Executive General Manager Queensland Assets |

Details on each individuals' service as KMP for FY19 are set out on page 86. Details of the qualifications and experience of Directors and current Executive KMP are set out on pages 58-59 and pages 12-13.

## Senex's Executive Committee

The Senex Executive Committee in FY19 comprised the CEO and the Senior Executives who served as Executive KMP. The Executive Committee generally meets on a weekly basis to discuss strategic and operational matters.

## Secretary

Mr David A Pegg is Senex's General Counsel and Company Secretary. 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 FY19 was $6,100,000 (end of FY18: $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 exploration and production of gas tenements in the Surat Basin.

The Group's sales revenue for FY19 was $94,094,000 (FY18: $70,301,000). The Group's statutory net profit for FY19 was $3,295,000 (FY18: $94,010,000 loss). The Group's underlying net profit for FY19 was $7,211,000 (FY18: $1,951,000). 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 31 of this report. Information on Senex's business strategy is provided on page 4. Material business risks are discussed on pages 60 to 63 of the Corporate Governance overview.

### Table 1: Ordinary fully paid shares issued during FY19

| | Parent entity | | | |
|---|---|---|---|---|
| | FY19 | | FY18 | |
| | Number of Shares | $,000 | Number of Shares | $,000 |
| **Movement in ordinary fully paid shares on issue** | | | | |
| Balance at the beginning of the period | 1,447,271,094 | 540,213 | 1,442,250,404 | 539,958 |
| **Issues of shares during the period:** | | | | |
| Exercise of unlisted options[1] | 1,000,000 | 255 | 1,000,000 | 255 |
| Vesting of Performance Rights (nil consideration) | - | - | 4,020,690 | - |
| Exercise of Performance Rights[2] (nil consideration) | 4,798,441 | - | - | - |
| Transaction costs on shares issued (net of tax) | - | - | - | - |
| **Balance at the end of the period** | **1,453,069,535** | **540,468** | **1,447,271,094** | **540,213** |

1 *1,000,000 ordinary fully paid shares were issued for a price of $0.255 each for the exercise of unlisted Options during the year held by the Managing Director.*

2 *4,798,441 ordinary fully paid shares were issued during the year to Senior Executives in relation to short and long-term incentive rights that were exercised during the year.*

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

In FY19 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, Performance Rights and SARs of the Company as at the date of this report.

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

| Class of security | Shares | Performance Rights | SARs |
|---|---|---|---|
| Trevor Bourne | 652,619 | - | - |
| Ralph Craven | 562,000 | - | - |
| Timothy Crommelin | 4,074,431 | - | - |
| Ian Davies | 6,583,030 | 8,511,076 | 2,607,362 |
| Vahid Farzad* | - | - | - |
| Debra Goodin | 242,435 | - | - |
| John Warburton | 584,133 | - | - |
| Andy Zhmurovsky** | - | - | - |

* *Vahid Farzad is an executive of EIG Group which holds relevant interests in 131,757,216 shares (9.07% of issued shares) (appointed on 2 April 2019).*

** *Andy Zhmurovsky is a former executive of EIG Group (resigned on 25 March 2019).*

*Note: no Options were on issue at the date of this Annual Report and all Options have now been exercised.*

In FY19 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 FY19 that is not detailed elsewhere in this report.

## Significant events after reporting date

Since the end of FY19, the Directors are not aware of any other matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect the operations of the Company or the Group, the results of the operations of the Company or the Group, or the state of affairs of the Company or the Group in subsequent financial years.

## Likely developments and expected results

In FY20, the Group will continue to focus on its key operations and projects. Further information on the likely developments and expected results are included in the review of operations on pages 14 to 31.

## 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 FY19.

## Share options and other rights to unissued shares

Table 3 is a summary of rights to Senex unissued shares (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 | 1,024,911 | Nil | Performance and service | Jul 2018 | Sept 2023 |
| FY18 STI Rights | 859,533 | Nil | Performance and service | Jul 2019 | Sept 2024 |
| FY18 LTI Rights | 5,419,476 | Nil | Performance and service | Sept 2020 | Sept 2024 |
| FY18 Retention Rights | 3,396,380 | Nil | Service | Dec 2019 | Sept 2024 |
| FY19 STI Rights | 1,771,868 | Nil | Service | July 2020 | Sept 2025 |
| FY19 LTI Rights | 4,284,633 | Nil | Performance and service | Sept 2021 | Sept 2025 |
| FY19 Retention Rights | 1,890,220 | Nil | Service | Dec 2020 | Sept 2025 |

| Type of security | Number | Starting price | Conditions | Vesting | Expiry |
|---|---|---|---|---|---|
| FY16 SARs – tranche 1 | 6,942,644 | $0.146 | Performance and service | Sept 2018 | Sept 2022 |
| FY16 SARs – tranche 2 | 1,915,840 | $0.146 | Performance and service | Aug 2018 | Sept 2022 |
| FY17 SARS – tranche 1 | 7,006,135 | $0.248 | Performance and service | Sept 2019 | Sept 2023 |

## Movements in Options

From 1 July 2018 to the date of this report:

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

The terms of those Options are described in the Remuneration Report, page 85.

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 2018 to the date of this report there have been the following movements in Performance Rights:

- 12,276,068 Performance Rights were issued;
- 828,962 Performance Rights were exercised;
- 2,764,822 Performance Rights expired and lapsed.

The terms of those Performance Rights, including vesting conditions (performance conditions and service conditions) are described in the Remuneration Report, pages 70 to 87.

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

## Movements in SARs

From 1 July 2018 to the date of this report there have been the following movements in SARs:

- Nil SARs were issued;
- 6,222,882 SARs were exercised;
- 9,254,440 SARs expired and lapsed.

Details of those movements are disclosed in the Remuneration Report, Table 11.

The terms of those SARs, including vesting conditions (performance conditions and service conditions) are described in the Remuneration Report, pages 70 to 87.

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

## Shares issued on exercise of Options or Performance Rights

From 1 July 2018 to the date of this report Senex issued:

- 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 tranche 4 on the exercise of their Options on 19 July 2018;
- 4,269,030 shares to the Senex Employee Share Trust to provide the holder of the FY16 LTI SARs on the exercise of 6,222,882 SARs on 25 September 2018;
- 70,000 shares to the Senex Employee Share Trust to provide to the holder of part FY17 STI Rights on the exercise of their Rights on 20 June 2019; and
- 299,551 shares to the Senex Employee Share Trust to provide to the holder of part FY17 STI Rights on the exercise of their Rights on 29 July 2019.

## Indemnification and insurance of Directors and Officers

In FY19, Senex incurred a premium of $272,760 (FY18: $69,294) to insure Directors and Officers of the Group. The premium increased due to additional insurance coverage and the effect of market conditions. 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 4: The number of meetings of Senex's Board of Directors and of each Board Committee held in FY19, and the number of meetings attended by each Director

| | | | Meetings of committees | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Board meetings | | Audit and Risk | | People and Remuneration | | Nomination | |
| | A | B | A | B | A | B | A | B |
| Trevor Bourne | 15 | 15 | 6* | 6 | 5* | 5 | 1 | 1 |
| Ralph Craven | 15 | 15 | 6 | 6 | 5 | 5 | 1 | 1 |
| Timothy Crommelin | 13 | 15 | 6 | 6 | 3* | 5 | 1 | 1 |
| Ian Davies | 15 | 15 | 6* | 6 | 5* | 5 | 1* | 1 |
| Vahid Farzad[1] | 3 | 3 | 1* | 1 | 1* | 1 | - | - |
| Debra Goodin | 13 | 15 | 6 | 6 | 5 | 5 | 1 | 1 |
| John Warburton | 15 | 15 | 6* | 6 | 5 | 5 | 1 | 1 |
| Andy Zhmurovsky[2] | 8 | 9 | 2* | 5 | 2* | 3 | 1 | 1 |

*A = Number of meetings attended*

*B = Number of meetings held during the time the Director held office or was a member of the Committee during the year*

* *Not a member of the relevant Committee*

1 *Vahid Farzad (appointed 2 April 2019)*

2 *Andy Zhmurovsky (resigned on 25 March 2019)*

## 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 23 to the financial statements.

### Table 5: Services provided and amounts received or receivable for Ernst & Young's non-audit services

| | FY19 consolidated ($) | FY18 consolidated ($) |
|---|---|---|
| Other assurance related services | 201,687 | 112,100 |
| Other non-audit services | 246,055 | 27,011 |
| **Total** | **447,742** | **139,111** |

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. 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 2001* is set out on page 88.

## 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.

*Pictured: Heavy lift of compressors at the Roma North processing facility site in February 2019*

# Remuneration Report (Audited)

Dear Shareholders,

I am pleased to introduce the Senex Remuneration Report for the 2019 financial year (FY19). This report provides details of how Senex has approached remuneration for Non-Executive Directors and Senior Executives linked to the company's strategy and performance outcomes for FY19.

## Remuneration framework and corporate strategy

As Chairman of the People and Remuneration Committee (Committee), I'd like to take this opportunity to outline our framework and decision-making process for setting and determining performance measures for remuneration. How those results translate into remuneration outcomes for FY19 is detailed in the following pages.

The remuneration framework is intended to direct focus on our short and long-term strategic objectives, align staff with the corporate objectives, drive company performance and limit the potential for excessive outcomes; while providing a means to attract, retain and appropriately reward talented Senior Executives.

The Committee has been guided by the need to balance corporate and individual performance aligned with the corporate strategy set for the period. Further detail around Senex's corporate strategy for 2019 is outlined on page 4 of this report.

## 2019 performance

The corporate performance measures set for FY19 focused on five key business areas: Safety, Environment, Cooper Basin cashflow (represented by EBITDAX), Project Delivery and Financing. Discussion of performance against the key corporate performance measures is set out on pages 76 and 77 of this report.

In brief, the Senex team has taken significant steps to build an east coast gas business and transform the company via delivery of the Surat Basin natural gas projects and the remuneration outcomes for FY19 reflect those achievements. This process of transformation and project delivery will continue into FY20 as Senex moves into another exciting stage of growth. We will continue to review the remuneration framework to ensure that it supports this objective and the full growth strategy continues to be achieved.

Whilst Senex has implemented many initiatives to enhance safety performance and culture, there is still work to do to improve safety performance and Senex is committed to doing so.

On behalf of your Board, I invite you to review this Remuneration Report. Your feedback on the review outcomes, or any other aspect of this report, is warmly welcomed.

**DR RALPH CRAVEN**
Independent Non-Executive Director
People and Remuneration Committee Chairman

## 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 Senior Executives with the right capability to achieve results.

The information in this Remuneration Report has been audited.

## 2. Directors and Executives

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

The Non-Executive Directors and Senior Executives who were KMP for all or part of FY19 are identified in Table 1.

Table 1: 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 |
| Vahid Farzad | Non-Executive Director |
| Debra Goodin | Independent Non–Executive Director |
| John Warburton | Independent Non–Executive Director |
| Former Non-Executive Director | |
| Andy Zhmurovsky | Non-Executive Director |
| Executive KMP | |
| Ian Davies | Managing Director and Chief Executive Officer (CEO) |
| Suzanne Hockey | Executive General Manager People and Performance |
| Gary Mallett | Chief Financial Officer |
| Peter Mills | Chief Operating Officer |
| David Pegg | General Counsel/Company Secretary |
| David Spring | Executive General Manager Exploration |
| Former Executive KMP | |
| Julie Whitcombe | Executive General Manager Queensland Assets |

*Note: refer to section 11.1 of this report for dates of service.*

## 3. Governance

Figure 1 sets out Senex's Remuneration Governance.

*See the 2019 Corporate Governance Statement for additional details of the Board's approach to remuneration. The 2019 Corporate Governance Statement is available on 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:

1. Aligning remuneration outcomes with strategic, operational and financial goals;
2. Incentivising performance and rewarding performance outcomes fairly and reasonably; and
3. 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 policies 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 recommendations on:

- Senex's remuneration policies and framework
- Remuneration of Non-Executive Directors
- Remuneration of the CEO and Senior Executives
- Incentive arrangements of CEO and Executives
- Alignment of the interests of employees with the interests of shareholders
- Ensuring the company values and culture are being embedded in the organisation

Composition: Dr Ralph Craven Chairman, Debra Goodin and John Warburton

The People and Remuneration Committee Charter is available on the Senex website.

### Management

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

### Consultation with shareholders and other stakeholders

The Board and the People and Remuneration Committee frequently consult major shareholders, proxy advisers and other stakeholders.

### Remuneration consultants and other external advisers

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

- Senior 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 a substitute for deliberations of the People and Remuneration Committee.

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

## 4. Remuneration framework

Senex's remuneration framework for each Senior 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 alignment between Senior Executive and shareholder interests.

The incentives are intended to drive performance to deliver the Company's short and longer term business objectives.

The long-term incentives for FY19 differ from previous years. The FY19 LTI's performance conditions are solely measured on Total Shareholder Return and does not have any weight on strategic and financial performance measures, like previous years. The reason for this is to align corporate decisions and performance with shareholder interests during the key transformative period from July 2018 to June 2021 while the Company becomes a material gas producer. In addition, the CEO was granted once-off "Strategic Business Milestone" LTI for the reasons set out in section 8 of this report.

Figure 2: Aligning remuneration and performance metrics with strategic objectives

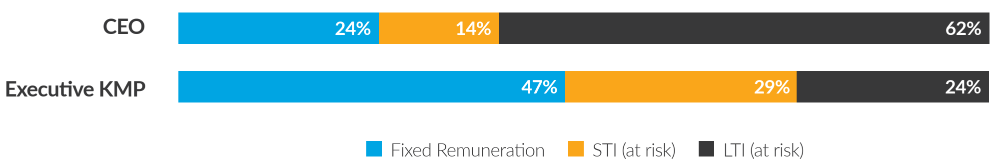
| | | Performance metrics FY19 | Alignment with strategic objectives |
|---|---|---|---|
| **Total fixed remuneration (TFR)** (not 'at risk') comprises base salary including superannuation. | Fixed remuneration | • Experience, qualifications<br>• Role and responsibility<br>• Reference to remuneration paid by comparable companies and industry-peer companies<br>• Internal and external relativities<br>• Talent retention | To attract and retain talented and qualified Senior Executives with the right capability to achieve results and deliver value for shareholders. |
| **Short-term incentives (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 times as the vesting of the contingent Performance Rights to Senior Executives). | Short-term incentive | **Corporate metrics (85% of STI grant) comprising:**<br>• Safety<br>• Environment<br>• Cooper Basin EBITDAX<br>• Project Development<br>• Financing<br>Individual performance metrics (15% of STI grant)<br>STI at risk: Maximum – 60% of TFR | Safety and eliminating unintended environmental harm are paramount in all Senex's operations and key to maintaining the Company's licence to operate.<br>Profitability and cashflow are critical to sustaining and growing the company and deliver direct financial benefits to shareholders.<br>Progress in developing key projects (Roma North and Atlas) are the key levers to future de-risked cashflow for Senex.<br>Obtaining and maintaining is critical for the ongoing operation and growth of the business.<br>**See pages 76 and 77 for further details of the STI performance metrics and outcomes for FY19.** |
| **Long-term incentive (LTI)** ('at risk') awarded on the achievement of performance conditions over three-year periods (other than SBM LTI Rights) and comprises only an equity component. | Long-term incentive | **FY19 LTI** - Performance against the metrics is measured over a 3 year performance period<br>Relative Total Shareholder Return (TSR) – FY19 100% of LTI grant (FY18: 70% of LTI grant)<br>**FY19 LTI at risk**<br>• CEO – Maximum 100% of TFR<br>• Other Senior Executives - Maximum 50% of TFR<br>**FY 19 Strategic Business Milestones (SBM) LTI Rights issued to CEO**<br>• performance against metrics over a >2 year performance period.<br>• Approximately 162% of the CEO's FY19 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/ASX 300 Energy Index.<br>SBMs require Senex's natural gas projects in the Surat Basin (Atlas and Roma North) be delivered by the construction of key infrastructure, completion of the initial phase of development drilling and the commencement of commercial gas sales from each project.<br>**See pages 78 to 80 for further details of the LTI performance metrics and outcomes.** |

### "At Risk" remuneration

The maximum potential remuneration reflects the amount (at offer date) of total remuneration the CEO and Senior Executives KMPs could receive if the maximum STI and LTI are achieved.

The remuneration mix of the CEO and other Senior Executives align with the interests of shareholders by having a greater portion of potential remuneration at risk (53% - 76%) thereby incentivising the achievement of both short and long-term performance metrics.

Figure 3: FY19 maximum potential remuneration




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 2019

### Performance snapshot

During FY19, 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 review (see page 32)
- On our operating performance – refer to the operating review (see page 18)
- On our reserves position – refer to the reserves position (see page 31)
- On our financial performance and position – refer to the financial review starting page 14 and financial statements starting page 89.

Figure 4 below shows 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 four years was ahead of its peer group and the oil price, providing evidence of a well-executed strategy for growth and an improved operating environment.

Figure 4: Senex's Total Shareholder Return over 4 years

## 6. Realised remuneration

Realised Remuneration reflects the "take home pay" of the Senior Executive KMP for FY19 and includes:

- Total fixed remuneration for FY19;
- The value of any STI from prior years that was awarded as deferred equity and actually received in FY19;
- Any STI that was awarded as cash in respect of short-term performance measures for FY19 and will be received after the end of FY19; and
- Any LTI from prior years that was awarded as deferred equity and actually exercised in FY19 valued at the share price on the date of exercise.

Table 2 has been provided to ensure shareholders are able to clearly understand the remuneration that has been realised by the Executive KMP in FY19. It has not been prepared in accordance with the disclosure requirements of the Australian Accounting Standards or *Corporations Act 2001*. See Table 8 for Executive KMP remuneration disclosures in accordance with the Australian Accounting Standards and *Corporations Act 2001*.

Table 2: Realised remuneration

| | | Total Fixed Remuneration | Short-term incentive (cash) [1] | Short-term incentive (deferred) [2] | Long-term incentive exercised [3] | Other [4] | Total |
|---|---|---|---|---|---|---|---|
| Name | Year | $ | $ | $ | $ | $ | $ |
| **Current Executive KMP – Senior Executives** | | | | | | | |
| **Ian Davies** | **2019** | **850,000** | **415,395** | **208,682** | **2,161,444** | **18,824** | **3,654,345** |
| | 2018 | 850,000 | 210,375 | 394,289 | 30,000 | 21,364 | 1,506,028 |
| **Suzanne Hockey** | **2019** | **385,000** | **94,595** | **93,293** | **-** | **7,096** | **579,984** |
| | 2018 | 380,000 | 86,640 | 77,654 | - | 10,238 | 554,532 |
| **Gary Mallett** | **2019** | **500,000** | **124,350** | **-** | **-** | **38,901** | **663,251** |
| | 2018 | 76,309 | - | - | - | - | 76,309 |
| **Peter Mills** | **2019** | **504,478** | **121,802** | **-** | **-** | **9,473** | **635,753** |
| | 2018 | - | - | - | - | - | - |
| **David Pegg** | **2019** | **385,000** | **92,862** | **-** | **-** | **7,096** | **484,958** |
| | 2018 | 76,389 | - | - | - | - | 76,389 |
| **David Spring** | **2019** | **470,000** | **102,789** | **115,389** | **-** | **7,096** | **695,274** |
| | 2018 | 470,000 | 102,225 | 145,346 | - | 9,764 | 727,335 |
| **Former Executive KMP – Senior Executives** | | | | | | | |
| **Julie Whitcombe** | **2019** | **294,896** | **111,008** | **84,455** | **-** | **4,433** | **494,792** |
| | 2018 | 286,667 | 64,997 | 111,895 | - | 9,764 | 473,323 |
| **Total Executive KMP** | **2019** | **3,389,374** | **1,062,801** | **501,819** | **2,161,444** | **92,919** | **7,208,357** |
| | 2018 | 2,139,365 | 464,237 | 729,184 | 30,000 | 51,130 | 3,413,916 |

*Note: refer to section 11.1 of this report for dates of service.*

1 *Short-term incentive (cash) comprises any STI that was awarded as cash in respect of short-term performance measures for FY19 and will be received after the end of FY19. For the CEO Short Term Incentive (Cash) also includes FY18 STI deferred cash component.*

2 *Short-term incentive (deferred) comprises the value of any STI from prior years that have been awarded as deferred equity or cash actually received in FY19, with deferred equity valued at the share price on the date of vesting.*

3 *Long-term incentive exercised is comprised of any LTI from prior years that was awarded as deferred equity and actually exercised in FY19 valued at the share price on the date of exercise; and any shares issued in FY18 and FY19 upon exercise of FY11 options granted in a prior year at a difference between the share price on the date of exercise and the exercise price of options.*

4 *Other comprises car parking, vehicle and travel-related expenses.*

## 7. Short-term incentive (STI)

Table 3 presents the corporate performance metrics, weightings and outcomes for FY19. STI grants to Executive KMP are apportioned on the basis of 85 per cent attributable to corporate performance (FY18: 75 per cent) and 15 per cent attributable to the performance of the individual Executive KMP (FY18: 25 per cent).

Based on the FY19 company performance (see Table 3) and individual KMP performance assessment, the Board determined FY19 STI award for each Executive KMP resulting in an average award of 79.6 per cent of the maximum STI available for the Executive KMP. The STI awarded will be paid up to 50 per cent in cash and the balance in deferred Performance Rights or deferred cash vesting in 12 months.

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 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 three of the performance metrics of the FY19 STI, three performance levels are set:

- **Threshold** being the minimum level of performance deserving of reward. Achievement of the Threshold results in 25 per cent of the STI being awarded;
- **Target** being a challenging but achievable level of performance. Achievement of the Target results in 50 per cent of the STI being awarded; and
- **Stretch** being the upper limit of possible outcomes that were planned for and a very challenging goal. Achievement of the Stretch results in 100 per cent of the STI being awarded.

Any achievement between Threshold and Target; and Target and Stretch results in a prorated contribution 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 of the STI award, which is a combination of cash and deferred equity (all cash for CEO).

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 3: Short-term incentive performance metrics FY19

| Focus | Performance metric | Weighting % | Performance outcome for FY19 | | | |
|---|---|---|---|---|---|---|
| | | | | THRESHOLD | TARGET | STRETCH |
| **Safety and Environment** | Safety - improvement in total recordable injury frequency rate (TRIFR)[1]. | 20 | ○ | | | |
| | Environment - Serious Reportable environmental incidents. | | | | | ○ |
| **Cooper Basin** | Cooper Basin business EBITDAX[2]. | 25 | | | ○ | |
| **Surat gas project delivery and financing** | Delivery of Surat Basin gas projects in accordance with Field Development Plans and project delivery schedule that underpin Approved Banker's Case for the Finance Facility. | 40 | | | | ○ |
| | Financial Close of Finance Facility and embedding reporting and project management systems relating to the Facility. | | | | | ○ |
| | Total Company Scorecard. | 85% of STI grant | Other than for safety, target or stretch measures were exceeded. | | | |
| **Individual performance** | Individual measures set for each Executive KMP. | 15% of STI grant | On average above target hurdles met across the Executive KMP group. | | | |

1 *TRIFR is calculated under APPEA Incident Reporting Guidelines and is equal to recordable injuries per million hours worked (man hours worked include employees, consultants and contractors to Senex). 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 (non-IFRS measure).*

## STI FY19 performance metrics and outcomes

### Safety and environment

**Safety:** Senex's safety performance for FY19 was below the threshold hurdle. There were six recordable injuries during FY19, giving a total recordable injuries frequency rate (TRIFR) of 9.36.

**Environment:** Senex achieved excellent environmental performance in FY19, at the Stretch 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 Senex's operations during the financial year.

### Cooper Basin

**EBITDAX:** Senex's Cooper Basin assets remained Senex's primary revenue source for FY19 and will enable the Company's near-term growth strategy to be implemented. The purpose of this metric was to assess the overall effectiveness of the Cooper Basin business and this was proven by the achievement of the Cooper Basin EBITDAX between the Target and Stretch hurdle.

### Project Delivery

**Delivery of Surat Basin natural gas projects:** Senex's Surat Basin assets are the primary component of Senex's near-term growth strategy. FY19 was a pivotal period for the delivery of these projects and Senex was successful in achieving the following key milestones:

- Approvals for Roma North and Project Atlas were completed ahead of schedule.
- Final Investment Decisions were taken for each of Project Atlas and Roma North in a timely manner in conjunction with closing the ANZ financing facility.
- Roma North processing facility and pipeline construction complete (and is presently being commissioned) and agreement to sell the facility to Jemena.
- First Gas Sales Agreements were signed with key industrial customers from April through to June.
- Gas has been processed through the Roma North facility and is being sold to GLNG.
- The agreement with Jemena for construction of the Project Atlas processing facility has progressed significantly in FY19, with construction due to complete in the first half of FY20.

### Financing

**Securing finance facility to fund delivery of Surat Basin natural gas projects:** Obtaining finance is always critical for the ongoing operation and growth of the business. Senex successfully completed financial close of the ANZ finance facility on 29 October 2018, securing a highly competitive source of funds for the Surat Basin projects. Since then, Senex has implemented appropriate compliance systems, project finance reporting and independent expert verification processes.

## 8. Long-term incentive (LTI)

The Board offered an LTI opportunity to the CEO and other Executive KMP for FY19 (FY19 LTI) equivalent to 100 per cent of the CEO's TFR and 50 per cent of Executive KMP's TFR.

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 assesses and determines the performance hurdles for the LTI to be offered to the CEO and Executive KMPs.

The LTI offered to the Executive KMP for FY19 was similar in structure to the LTI offered to the Executive KMP for FY18, however 100 per cent of the LTI is subject to only one performance metric (TSR). The FY19 LTI offer comprised of performance rights subject to a three-year performance condition and a three-year service condition.

Given the unprecedented capital investment for FY19-20, and the transformational nature of these investments, the CEO was also offered additional LTI Rights, in the form of strategic business milestone (SBM) Rights, as a way of ensuring leadership continuity through this transformational project development period and securing value to shareholders. The SBM Rights are 'at risk' remuneration subject to the achievement of pre-defined performance metrics, described in Table 4. The value of the SBM Rights as at the grant date equates to 162% of the CEO's FY19 TFR. The FY19 LTI and SBM offer to the CEO was approved by shareholders at the 2018 AGM and are described in detail in the Notice of Meeting and Explanatory Memorandum for the 2018 AGM. The SBM Rights are discussed later in this Remuneration Report on page 80).

Each performance right issued under the LTI to each Executive 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 Executive KMP's LTI maximum potential remuneration by the volume weighted average share price over the 10 days prior to the grant date.

The LTIs vest if and to the extent that the Board determines that the LTI performance condition is satisfied at the end of the three-year performance period and the executive is a Senex group employee on the vesting date.

Details of the LTI grants are set out in Table 5. For further details of the vesting date and expiry date in respect to the LTI grants see page 67 of the Directors' Report.

### Table 4: LTI grant details

| Grant year | Grant type | Fair value at grant date $ | Vesting condition – performance metric | Performance period | Status |
|---|---|---|---|---|---|
| 2016 | LTI Tranche 1 (SARs) | 0.08 | Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (70%) | 9 September 2015 – date that is 10th day of share trading after release of FY18 full year results | Vested in September 2018 |
| 2016 | LTI Tranche 2 (SARs) | 0.08 | 2P reserves between 100-125 mmboe (30%) | 1 July 2015 – 30 June 2018 | Vested in August 2018 |
| 2017 | LTI Tranche 1 (Performance Rights) | 0.11 | Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (70%) | 1 July 2016 – date that is 10th day of share trading after release of FY19 full year results | To be determined in September 2019 |
| 2017 | LTI Tranche 2 (Performance Rights) | 0.13 | Production Run Rate of 2.5-3 mmboe by 30 June 2019 (30%) | 1 July 2016 – 30 June 2019 | Performance condition not met - lapsed in August 2019 |
| 2018 | LTI Tranche 1 (Performance Rights) | 0.24 | Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (70%) | 1 July 2017 – 30 June 2020 | To be determined September 2020 |
| 2018 | LTI Tranche 2 (Performance Rights) | 0.34 | Strategic and Financial hurdles (30%) - see below for further details | 1 July 2017 – 30 June 2020 | To be determined July 2020 |
| 2019 | LTI (Performance Rights) | 0.23 - 0.31 | Relative TSR performance at or above 50th percentile against S&P/ASX 300 Energy Index (100%) | 1 July 2018 – 30 June 2021 | To be determined September 2021 |
| 2019 | SBM (Performance Rights) | 0.23 | Project Delivery – see below for further details | September 2018 – 30 December 2020 | To be determined January 2021 |

## LTI performance metrics and outcomes

### TSR hurdles

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'.

Each of the LTI offers for FY16 through FY19 include a TSR performance condition.

### FY17 - Production run rate hurdle

The vesting of Performance Rights was subject to the Production Run Rate Performance Condition of the Company achieving an oil and gas production run rate in any period of 30 consecutive days in the six months ending 30 June 2019 that the Board believes is capable of sustainably delivering annual production of 2.5-3.0 mmboe with the expectation of a substantial contribution from gas. This tranche of FY17 LTIs lapsed in August 2019, as the Production Run Rate Performance Condition was not met.

The Production run rate target was not achieved by the assessment date primarily due to a corporate decision to source a low-cost, competitive finance facility. This was achieved with the successful closing of the ANZ finance facility, which delivered a material benefit to Senex; however, it pushed back the increase in production due to the deferral of capital expenditure on these programs, compared with expectations when the hurdle was set.

The FY17 TSR condition will be measured in September 2019, following the end of the performance period.

### FY18 - Strategic and financial goals 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.

In assessing performance against this condition, 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.

A more detailed outline of this performance condition was set out in the 2018 Annual Report.

### FY19 – TSR Gate and Strategic Business Milestone hurdle

**TSR condition and gate**

For FY19, the LTI comprises only the TSR measure described above; and it is subject to there being a positive TSR over the performance period in comparison to the comparative group.

### Strategic Business Milestone

As described above, with Senex entering an important and transformational growth phase, with development of two significant natural gas projects in the Surat Basin, and the delivery of material gas volumes into the Australian east coast gas market, in 2018 the Board recommended to shareholders the grant of an LTI award for the CEO in the form of SBM Rights. This grant was approved by shareholders at the 2018 AGM. These projects lay the foundation for Senex to achieve a major step change in earnings and cash flow, which is consistent with the company's objective of both building a material east coast gas business and achieving sustainable growth in shareholder value.

The Board considers it important that the current leadership of Ian Davies, CEO, continue during the critical project delivery period, and offered SBM Rights as a way of ensuring leadership continuity and securing value to shareholders.

The agreed performance condition for the SBM Rights is that Senex's natural gas projects in the Surat Basin (Project Atlas and Roma North) are delivered by the construction of key infrastructure, completion of the initial phase of development drilling and the commencement of commercial gas sales from each project. At the end of the milestone delivery period, the Board will assess delivery of the two projects against the pre-established development and gas marketing plans.

Vesting will be based on achievement of the milestone as assessed by the Board, and is subject to there being a positive TSR over the milestone delivery period.

Following the end of the milestone delivery period, SBM Rights that vest are subject to an exercise restriction of six months ending 30 June 2021.

## 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, while incurring a cost which is reasonable, competitive and acceptable to shareholders.

### Maximum aggregate amount of annual remuneration

Total Non-Executive Director remuneration 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 above, the Company made superannuation contributions on behalf of Non-Executive Directors at the statutory rate of superannuation contribution in FY19. Non-Executive Directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

Non-Executive directors can claim fees for any activities outside normal duties (e.g. site visits) at the daily rate of $2,500 plus superannuation and a half day rate of $1,250 plus superannuation as part of their remuneration, provided that it does not exceed the maximum aggregate annual remuneration.

Table 5: Annual fees for Non-Executive Directors*

| From 1 July 2018 ($) | Chairman | Member |
|---|---|---|
| Board | 220,000 | 110,000 |
| Audit & Risk Committee | 25,000 | 12,500 |
| People and Remuneration Committee | 25,000 | 12,500 |

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

Table 6: Non-Executive Director remuneration

| Name | | Short-term employment benefits<br>Directors Fee | Post employment<br>Superannuation | Total Remuneration |
|---|---|---|---|---|
| **Non-Executive directors** | | | | |
| Trevor Bourne | **2019** | **220,000** | **20,900** | **240,900** |
| | 2018 | 220,000 | 20,900 | 240,900 |
| Ralph Craven | **2019** | **147,500** | **14,013** | **161,513** |
| | 2018 | 133,500 | 12,683 | 146,183 |
| Timothy Crommelin | **2019** | **122,500** | **11,638** | **134,138** |
| | 2018 | 117,500 | 11,163 | 128,663 |
| Vahid Farzad[1] | **2019** | **27,198** | **2,584** | **29,782** |
| | 2018 | - | - | - |
| Debra Goodin | **2019** | **147,500** | **14,013** | **161,513** |
| | 2018 | 133,500 | 12,683 | 146,183 |
| John Warburton | **2019** | **132,500** | **12,588** | **145,088** |
| | 2018 | 117,500 | 11,143 | 128,643 |
| Andy Zhmurovsky[1] | **2019** | **80,667** | **7,663** | **88,330** |
| | 2018 | 55,000 | 5,225 | 60,225 |
| **Total Non-Executive Directors** | **2019** | **877,865** | **83,399** | **961,264** |
| | 2018 | 777,000 | 73,797 | 850,797 |

*1 Payment is made to EIG for provision of Directors' service.*

*Note: refer to section 11.1 of this report for dates of service.*

*Pictured: Start of piling at the Roma North processing facility site in November 2018*

## 10. Detailed remuneration disclosures

The table below for Executive KMP remuneration is prepared in accordance with the Australian Accounting Standards and *Corporations Act 2001*.

Table 7: Executive remuneration

| | | Short-term employment benefits | | | Post-employment benefits | Long-term benefits | Equity settled Share Based Payments [1] | | Proportion of compensation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary | Bonus | Non Monetary Benefits | Superannuation | Long Service Leave | Rights | Total Remuneration | Performance related | In Equity |
| Name | Year | $ | $ | $ | $ | $ | $ | $ | % | % |
| **Current Executive KMP – Senior Executives** | | | | | | | | | | |
| Ian Davies | **2019** | **829,469** | **412,718** | **18,824** | **20,531** | **30,282** | **489,968** | **1,801,792** | **50%** | **27%** |
| | 2018 | 829,951 | 315,563 | 21,364 | 20,049 | 23,694 | 511,142 | 1,721,763 | 44% | 30% |
| Suzanne Hockey | **2019** | **364,469** | **94,595** | **7,096** | **20,531** | **-** | **224,428** | **711,119** | **45%** | **32%** |
| | 2018 | 359,951 | 86,640 | 10,238 | 20,049 | - | 188,342 | 665,220 | 42% | 28% |
| Gary Mallett[4] | **2019** | **479,469** | **124,350** | **38,901** | **20,531** | **-** | **-** | **663,251** | **19%** | **-** |
| | 2018 | 71,297 | - | - | 5,012 | - | - | 76,309 | 0% | 0% |
| Peter Mills | **2019** | **485,312** | **121,802** | **9,473** | **19,166** | **-** | **123,881** | **759,634** | **32%** | **16%** |
| | 2018 | - | - | - | - | - | - | - | - | - |
| David Pegg[2] | **2019** | **364,469** | **92,862** | **7,096** | **20,531** | **8,459** | **81,394** | **574,811** | **30%** | **14%** |
| | 2018 | 72,411 | - | 1,953 | 3,978 | 1,155 | - | 79,497 | 0% | 0% |
| David Spring[6] | **2019** | **449,469** | **102,789** | **7,096** | **20,531** | **-** | **77,595** | **657,480** | **27%** | **12%** |
| | 2018 | 449,951 | 102,225 | 9,764 | 20,049 | - | 279,320 | 861,309 | 45% | 32% |
| **Former Executive KMP - Senior Executives** | | | | | | | | | | |
| Julie Whitcombe[3] | **2019** | **282,149** | **111,008** | **4,433** | **12,747** | **(22,032)** | **50,668** | **438,973** | **37%** | **12%** |
| | 2018 | 271,630 | 64,997 | 9,764 | 15,037 | 6,137 | 135,864 | 503,429 | 44% | 27% |
| **Total Executive KMP** | **2019** | **3,254,806** | **1,060,124** | **92,919** | **134,568** | **16,709** | **1,047,934** | **5,607,060** | **38%** | **19%** |
| | 2018 | 2,055,191 | 569,425 | 53,083 | 84,174 | 30,986 | 1,114,668 | 3,907,527 | 43% | 29% |

1 *Share-based payments comprise equity settled share options and performance rights. These amounts were calculated in accordance with AASB2 – Share-Based Payments. 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. For any share based payment expense previously expensed have been reserved for any Executive KMP who have or will have ceased employment.*

2 *David Pegg was awarded performance rights as deferred equity from prior to commencement as Executive KMP.*

3 *Julie Whitcombe ceased to be be a KMP on 13 February 2019.*

4 *Gary Mallett did not participate in the FY18 performance incentive scheme.*

5 *Bonuses comprise of STI that was awarded as cash in respect of short term performance measures for FY19 and will be received after the end of FY19 (and FY18 for prior year).*

6 *An additional accounting accrual for voluntary redundancy of $100,000 was recognised and is to be paid in FY20.*

*Note: refer to section 11.1 of this report for dates of service. 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 8 sets out the termination provisions applicable to the Executive KMP.

### Table 8: Current Executive KMP service agreements

| Name | Duration of service | Notice period and 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 |
| Peter Mills | Ongoing | 4 months | 4 months |
| David Spring | Ongoing | 4 months | 4 months |
| David Pegg | 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.

### Table 9: KMP shareholdings as at 30 June 2019

| Name | Balance at start of year | Granted as compensation | Shares issued on the exercise of Options/ Rights/ SARs | Net other changes | Balance at the end of year |
|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | |
| Trevor Bourne | 452,619 | - | - | 100,000 | 552,619 |
| Ralph Craven | 321,000 | - | - | 179,000 | 500,000 |
| Timothy Crommelin | 4,074,431 | - | - | - | 4,074,431 |
| Vahid Farzad[1] | - | - | - | - | - |
| Debra Goodin | 180,000 | - | - | 62,435 | 242,435 |
| John Warburton | 174,133 | - | - | 338,000 | 512,133 |
| Andy Zhmurovsky[1] | - | - | - | - | - |
| **Executive KMP** | | | | | |
| Ian Davies | 5,394,842 | - | 5,269,030 [2] | (4,394,842) [3] | 6,269,030 |
| Suzanne Hockey | 277,335 | - | - | - | 277,335 |
| Gary Mallett | - | - | - | - | - |
| Peter Mills | - | - | - | - | - |
| David Pegg | 157,739 | - | - | 100,000 | 257,739 |
| David Spring | 219,093 | - | - | - | 219,093 |
| Julie Whitcombe | 1,916,033 | - | 194,149 | (200,000) | 1,910,182 |

*Note: refer to section 11.1 of this report for dates of service.*

1 *Vahid Farzad is a nominee of EIG Group and Andy Zhmurovsky was previously a nominee of EIG which holds a relevant interest in 131,757,216 shares.*

2 *Ian Davies exercised 1,000,000 options which resulted in the issue of 1,000,000 shares and exercised 6,222,882 SARs which resulted in the issue of 4,269,030 shares.*

3 *Ian Davies disposed of 4,394,842 shares on market to fund the cost of acquiring previously exercised options and for tax expenses relating to previously granted equity incentives and anticipated tax liabilities associated with the grant of future equity incentives.*

REMUNERATION REPORT (AUDITED)

### Shareholding guidelines

Executive KMP are expected to build a holding of shares or vested rights of greater than 50 per cent of their TFR within a three-year period.

Commencing 19 August 2019, Non-Executive Directors are expected to accumulate and hold a minimum number of ordinary shares in the Company which is of equal value to the NEDs annual base director fee applicable from time to time, either:

a) progressively over three years from the date of appointment (for new Directors); or

b) within three years from the date of commencement of this requirement (for existing Directors).

Nominee Directors would count the holding of the shareholder that appointed them for this purpose. The Company offers Performance Rights to Executive KMP as part of their incentive (e.g. 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.

A summary of the Performance Rights, SARs and Options held by Executive KMP is set out in Tables 10, 11 and 12.

Refer to page 67 of the Directors' 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 FY19.

Table 10: Performance Rights

| Name | Balance at start of year | Granted as compensation | Vested | Forfeited | Exercised | Balance at end of year | Value of rights granted $ | Value of rights vested $ | Value of rights forfeited $ | Vested % | Forfeited % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive KMP – Senior Executives** | | | | | | | | | | | |
| Ian Davies | 3,663,250 | 4,847,826 | 479,729 | - | - | 8,511,076 | 1,115,259 | 119,932 | - | 13% | - |
| Suzanne Hockey | 926,077 | 742,972 | 214,467 | - | - | 1,669,049 | 215,866 | 53,617 | - | 23% | - |
| Gary Mallett | - | 893,478 | - | - | - | 893,478 | 318,326 | - | - | - | - |
| Peter Mills | - | 670,503 | - | - | - | 670,503 | 218,681 | - | - | - | - |
| David Pegg | 280,900 | 570,651 | - | - | - | 851,551 | 199,226 | - | - | - | - |
| David Spring | 1,145,412 | 893,735 | 265,262 | - | - | 2,039,147 | 259,982 | 66,316 | - | 23% | - |
| Julie Whitcombe | 892,174 | 815,855 | 194,149 | - | (194,149) | 1,513,880 | 224,432 | 48,537 | - | 22% | - |
| **Total** | **6,907,813** | **9,435,020** | **1,153,607** | **-** | **(194,149)** | **16,148,684** | **2,551,772** | **288,402** | **-** | **17%** | **-** |

*Note: refer to section 11.1 of this report for dates of service.*

## Table 11: Share Appreciation Rights

| Name | Balance at start of year | Granted as compensation | Vested | Forfeited | Exercised | Balance at end of year | Value of rights granted $ | Value of rights vested $ | Value of rights forfeited $ | Vested % | Forfeited % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive KMP – Senior Executives** | | | | | | | | | | | |
| Ian Davies | 10,238,282 | - | 6,222,882 | (425,000) | (6,222,882) | 3,590,400 | - | 459,370 | 34,637 | 61% | 4% |
| Suzanne Hockey | 2,914,398 | - | 1,225,576 | (83,702) | - | 2,830,696 | - | 99,978 | 7,458 | 42% | 3% |
| Gary Mallett | - | - | - | - | - | - | - | - | - | - | - |
| Peter Mills | - | - | - | - | - | - | - | - | - | - | - |
| David Pegg | - | - | - | - | - | - | - | - | - | - | - |
| David Spring | 5,661,168 | - | 3,440,888 | (235,000) | - | 5,426,168 | - | 241,124 | 18,236 | 61% | 4% |
| Julie Whitcombe | 2,842,067 | - | 1,300,211 | (88,800) | - | 2,753,267 | - | 106,066 | 7,912 | 46% | 3% |
| **Total** | **21,655,915** | **-** | **12,189,557** | **(832,502)** | **(6,222,882)** | **14,600,531** | **-** | **906,538** | **68,243** | **56%** | **4%** |

*Note: refer to section 11.1 of this report for dates of service.*

## Table 12: Options

| Name | Balance at start of year | Granted | Value/Exercised | Forfeited | Balance at end of year | Fair value as at time of exercise [2] $ |
|---|---|---|---|---|---|---|
| Ian Davies | 1,000,000 | - | 1,000,000 | - | - | 0.41 |

1 *Other than Ian Davies, no other Executive KMP holds Options.*

2 *Value per share at time of exercise (19 July 2018). These Options had an exercise price of $0.255 per share.*

## 11. Additional information

### 11.1 Information on KMP

The following list details the date of service for KMP, where service was not for the full FY18 or FY19 year:

- Vahid Farzad was appointed director on 2 April 2019.
- Andy Zhmurovsky was appointed director on 1 January 2018 and resigned as a director on 25 March 2019.
- David Pegg became a KMP on 19 April 2018.
- Gary Mallett became a KMP on 8 May 2018.
- Peter Mills became a KMP on 30 July 2018.
- Julie Whitcombe ceased to be a KMP on 13 February 2019, however, continued to be employed with Senex until 30 June 2019.

### 11.2 Remuneration consultants

In FY19, EY provided advice related to incentive arrangements for Non-Executive Directors, CEO and Senior Executives totaling $85,815.

### 11.3 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.

### 11.4 Method of purchasing or issuing shares

Pursuant to the Senex Performance Rights Plan and the Senex SARs Plan the Company will provide the award shares by transferring or issuing them to the Participant or to an employee share trust on behalf of the Participant.

Senex has established an employee share trust to allocate and administer the Plans. Historically, the Company has issued new shares, and has not bought shares on market.

### 11.5 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 claw back 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 claw back, out of any unvested and any vested but unexercised entitlements, 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.

Signed in accordance with a resolution of the Directors.

**TREVOR BOURNE**
Chairman

**IAN DAVIES**
Managing Director

19 August 2019

*Pictured: Construction on the 5km Roma North pipeline in November 2018*

AUDITOR'S DECLARATION

Building a better working world

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

As lead auditor for the audit of Senex Energy Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

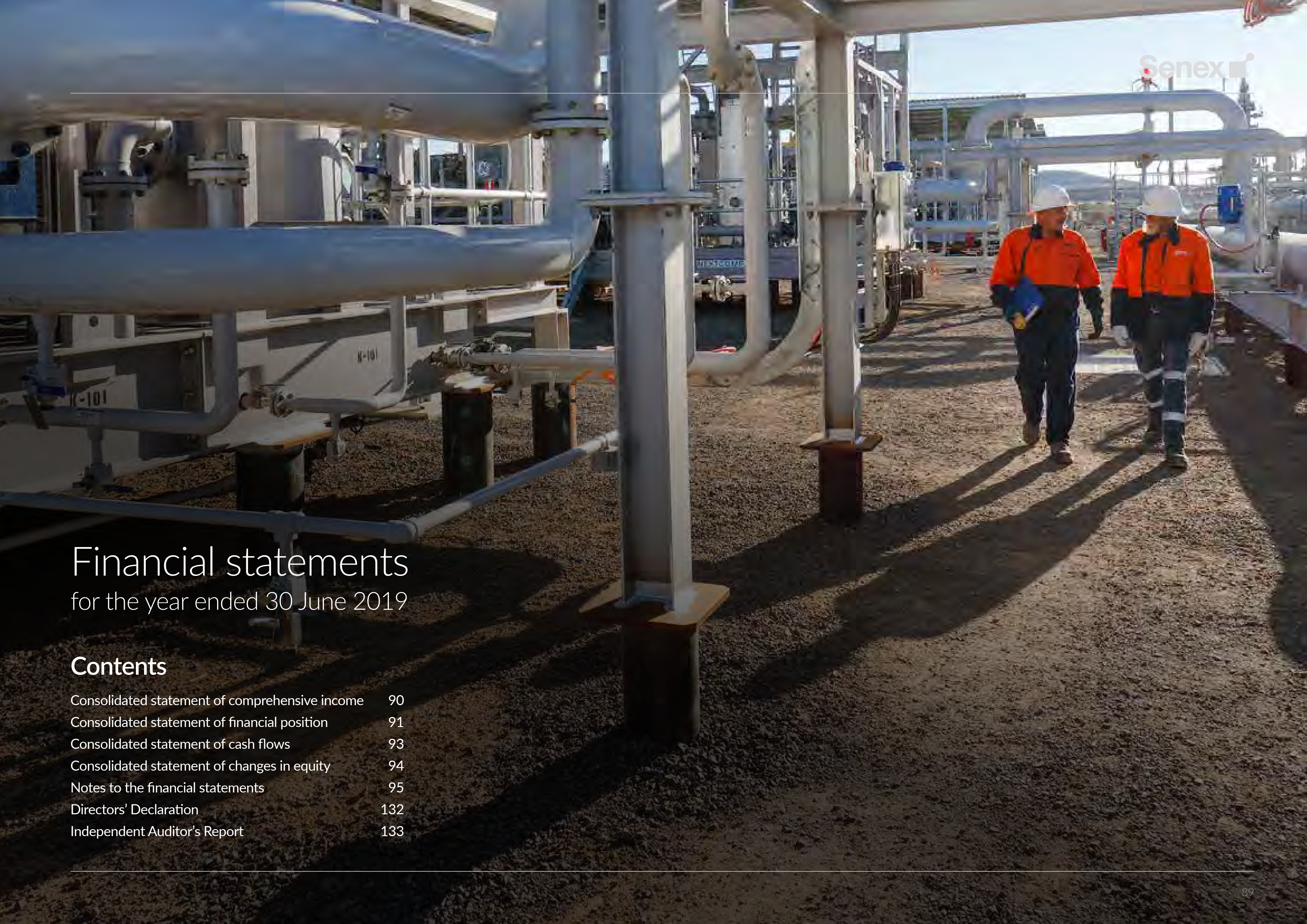
b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Anthony Jones
Partner

19 August 2019



# Financial statements

for the year ended 30 June 2019

## Contents

# Consolidated statement of comprehensive income

## FOR THE YEAR ENDED 30 JUNE 2019

| | Note | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 (a) | 95,350 | 71,454 |
| Other income | 2 (b) | 7,161 | 19,219 |
| Expenses excluding net finance costs | 3 (a) | (86,105) | (66,386) |
| Oil and gas exploration expense | | (11,327) | (3,180) |
| Impairment | 3 (b) | - | (113,255) |
| Finance expense | 3 (c) | (1,784) | (1,862) |
| **Profit/(loss) before tax** | | **3,295** | **(94,010)** |
| Income tax benefit/(expense) | 15 | - | - |
| **Profit/(loss) after tax** | | **3,295** | **(94,010)** |
| **Net profit/(loss) attributable to the owners of the parent entity** | | **3,295** | **(94,010)** |
| **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) | | 4,550 | (1,142) |
| | | **4,550** | **(1,142)** |
| **Total comprehensive income/(loss) for the period attributable to the owners of the parent entity** | | **7,845** | **(95,152)** |
| **Earnings/(loss) per share attributable to the ordinary equity holders of the parent entity (cents per share):** | | | |
| Basic earnings/(loss) (cents per share) | 4 | 0.23 | (6.50) |
| Diluted earnings/(loss) (cents per share) | 4 | 0.22 | (6.50) |

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position

AS AT 30 JUNE 2019

| | Note | Consolidated As at 30 June 2019 $'000 | Consolidated As at 30 June 2018 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 62,669 | 66,541 |
| Prepayments | | 1,457 | 3,909 |
| Trade and other receivables | 5 | 27,385 | 53,366 |
| Inventory | | 10,393 | 10,755 |
| Other financial assets | 10 | 3,429 | - |
| | | **105,333** | **134,571** |
| Assets held for sale | 20 | 50,941 | - |
| **Total current assets** | | **156,274** | **134,571** |
| | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 5 | 49 | 49 |
| Property, plant and equipment | 7 | 57,683 | 88,194 |
| Oil and gas properties | 7 | 208,530 | 132,302 |
| Exploration assets | 7 | 75,018 | 71,104 |
| Intangible assets | 16 | 5,163 | 1,099 |
| Other financial assets | 10 | 949 | - |
| **Total non-current assets** | | **347,392** | **292,748** |

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position

## AS AT 30 JUNE 2019

| | Note | Consolidated | |
|---|---|---|---|
| | | As at 30 June 2019 $'000 | As at 30 June 2018 $'000 |
| **TOTAL ASSETS** | | **503,666** | **427,319** |
| **LIABILITES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6 | 31,877 | 23,668 |
| Provisions | 8 | 6,131 | 4,244 |
| Other financial liabilities | 10 | 348 | 1,278 |
| **Total current liabilities** | | **38,356** | **29,190** |
| Liabilities directly associated with the assets held for sale | 20 | 4,941 | - |
| **Total current liabilities** | | **43,297** | **29,190** |
| | | | |
| **Non-current liabilities** | | | |
| Provisions | 8 | 63,352 | 50,821 |
| Interest bearing liabilities | 9 | 40,006 | - |
| Other financial liabilities | 10 | 1,215 | 1,035 |
| **Total non-current liabilities** | | **104,573** | **51,856** |
| **TOTAL LIABILITIES** | | **147,870** | **81,046** |
| **NET ASSETS** | | **355,796** | **346,273** |
| **EQUITY** | | | |
| Contributed equity | 11 | 540,468 | 540,213 |
| Reserves | 12 | 22,823 | 16,850 |
| Accumulated losses | | (207,495) | (210,790) |
| **TOTAL EQUITY** | | **355,796** | **346,273** |

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 2019

| | Note | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 110,204 | 60,349 |
| Payments to suppliers and employees | | (60,061) | (43,701) |
| Payments for exploration expenditure | | (9,348) | (2,181) |
| Payments for rehabilitation of wells | | (295) | (6,344) |
| Interest received | | 1,281 | 1,915 |
| Interest paid | | (1,495) | - |
| Reimbursement of third party costs | | 2,576 | - |
| Other receipts | | 1,659 | 990 |
| Payments for cessation of contract | | - | (5,775) |
| **Net cash flows from operating activities** | **18** | **44,521** | **5,253** |
| **Cash flows from investing activities** | | | |
| Payments for oil and gas assets, plant and equipment and intangibles | | (112,367) | (90,904) |
| Proceeds from free carry funding | | 21,006 | - |
| Proceeds from government grant | | - | 12,183 |
| Proceeds from sale of oil and gas properties and plant and equipment | | 431 | 1,430 |
| Proceeds from assuming increased interest in joint venture | | - | 2,471 |
| Other | | - | 509 |
| **Net cash flows from investing activities** | | **(90,930)** | **(74,311)** |
| **Cash flows from financing activities** | | | |
| Proceeds from share issues | | 255 | 255 |
| Proceeds from debt funding | | 50,000 | - |
| Payment for debt facility costs | | (7,769) | (155) |
| Payment to Halliburton under tight oil agreement | | (239) | (221) |
| **Net cash flows from financing activities** | | **42,247** | **(121)** |
| Net decrease in cash and cash equivalents | | (4,162) | (69,179) |
| Net foreign exchange differences | | 290 | 960 |
| Cash and cash equivalents at the beginning of the period | | 66,541 | 134,760 |
| **Cash and cash equivalents at the end of the period** | **9** | **62,669** | **66,541** |

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

## FOR THE YEAR ENDED 30 JUNE 2019

The following table presents the consolidated statement of changes in equity for the year ended 30 June 2019:

| | Contributed equity $'000 | Accumulated losses $'000 | Shared-based payments reserve $'000 | Hedging reserve $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2018** | **540,213** | **(210,790)** | **17,992** | **(1,142)** | **346,273** |
| Profit for the year | - | 3,295 | - | - | **3,295** |
| Other comprehensive profit | - | - | - | 4,550 | **4,550** |
| **Total comprehensive profit** | **-** | **3,295** | **-** | **4,550** | **7,845** |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Shares issued | 255 | - | - | - | **255** |
| Share-based payments expense | - | - | 1,423 | - | **1,423** |
| **Balance at 30 June 2019** | **540,468** | **(207,495)** | **19,415** | **3,408** | **355,796** |

The following table presents the consolidated statement of changes in equity for the year ended 30 June 2018:

| | Contributed equity $'000 | Accumulated losses $'000 | Shared-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** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## About these financial statements

The financial statements of Senex Energy Limited (the company) and its controlled entities (collectively known as "the Group") for the year ended 30 June 2019 were authorised for issue on 19 August 2019 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 Company is a for-profit entity for the purpose of preparing the financial statements.

The principal activities of entities within the Group during the year was oil and gas exploration, development and production.

The financial report is a general purpose financial report which:

- has been prepared in accordance with, and complies with, the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board AASB;
- 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;
- is presented in Australian dollars ($) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated. 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;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2018. Refer to note 28 for further details; and
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group.

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.

## Foreign currency translation

The functional and presentation currency of Senex Energy Limited and its controlled entities is Australian dollars ($AUD).

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 translated at the rate of exchange at the reporting date and any resulting gain or loss is taken to profit or loss.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it would influence the economic decision that users make;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions, disposals and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

### Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which have been considered material to the financial report are found in the following notes:

| | |
|---|---|
| Note 7 | Recoverability of oil and gas properties and exploration assets |
| Note 8 | Rehabilitation obligations |

### Reserves estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. Estimates of recoverable quantities of proven and probable reserves 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.

Changes in the estimate of reserves can impact:

- Asset carrying values due to changes in estimated future production levels;
- Provision for rehabilitation due to the potential to impact the timing and cost of rehabilitation;
- Recognition of deferred tax assets due to changes in the likely recovery of tax benefits; or
- Charge for depreciation and amortisation particularly where the charge is determined on a units of production basis.

## NOTE 1: 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.

### 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 and reportable segments identified by management are based on the geographical location of the resources which correspond to the Group's strategy and are the 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 Queensland and extending into New South Wales.

### Major customers

Oil revenue is predominantly derived from the sale of crude oil to two major customers: IOR Petroleum and the South Australian Cooper Basin Joint Venture (SACB JV). The SACB JV is a consortium of buyers made up of Santos Limited and Beach Energy Limited and their subsidiaries.

The Group sells gas produced from Roma North to GLNG. In July 2018, Senex commenced selling gas from the Vanessa field in the Cooper Basin 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.

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 2019

## NOTE 1: OPERATING SEGMENTS (Continued)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2019 and 30 June 2018:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Surat Basin | | Cooper/Eromanga Basins | | Total | |
| **Revenue from contracts with customers** | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Oil sales[1] | - | - | 75,848 | 68,164 | 75,848 | 68,164 |
| Gas and gas liquids sales | 12,968 | 1,302 | 4,559 | - | 17,527 | 1,302 |
| Fair value gains/(losses) on provisionally priced trade receivables | - | - | 719 | 835 | 719 | 835 |
| **Total segment revenue from contracts with customers** | **12,968** | **1,302** | **81,126** | **68,999** | **94,094** | **70,301** |
| | | | | | | |
| Flowline revenue | - | - | 1,256 | 1,153 | 1,256 | 1,153 |
| **Total segment revenue and revenue per the statement of comprehensive income** | **12,968** | **1,302** | **82,382** | **70,152** | **95,350** | **71,454** |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Surat Basin | | Cooper/Eromanga Basins[2] | | Total | |
| **Results** | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Segment profit/(loss)** | **(1,465)** | **992** | **24,251** | **(79,019)** | **22,786** | **(78,027)** |
| **Reconciliation of segment net profit/(loss) before tax to net profit/(loss) from continuing operations before tax** | | | | | | |
| *Corporate items:* | | | | | | |
| Interest income | | | | | 927 | 1,487 |
| Other income | | | | | (5) | 9 |
| Expenses excluding net finance costs | | | | | (20,289) | (17,120) |
| Interest expense | | | | | (124) | (359) |
| **Net profit/(loss) before tax per the statement of comprehensive income** | | | | | **3,295** | **(94,010)** |

1 *Inclusive of $0.2 million hedge settlements, net of premium expense (2018: $1.4 million hedge settlement net of premium).*

2 *In the year ended 30 June 2019, segment profit/(loss) includes the net effect of the Beach transaction of $1,806,000 (2018: $16,890,000). 30 June 2018 includes impairment of exploration assets of $113,255,000.*

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 1: OPERATING SEGMENTS (Continued)

Segment assets and segment liabilities at 30 June 2019 and 30 June 2018 are as follows:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Surat Basin | | Cooper/Eromanga Basins | | Total | |
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Segment assets** | **158,150** | **112,477** | **213,407** | **258,984** | **371,557** | **371,461** |
| Assets held for sale | | | | | 50,941 | - |
| Corporate assets – cash and cash equivalent | | | | | 62,669 | 43,792 |
| Corporate assets – other | | | | | 18,499 | 12,066 |
| **Total assets per the statement of financial position** | | | | | **503,666** | **427,319** |
| **Segment liabilities** | **69,535** | **10,311** | **55,480** | **56,987** | **125,015** | **67,298** |
| Liabilities directly associated with the assets held for sale | | | | | 4,941 | - |
| Corporate liabilities | | | | | 17,914 | 13,748 |
| **Total liabilities per the statement of financial position** | | | | | **147,870** | **81,046** |
| | | | | | | |
| **Additions and acquisitions of non-current assets (other than financial assets and deferred tax assets):** | | | | | | |
| Property, plant and equipment and intangibles | 3,872 | 901 | 7,072 | 3,521 | 10,944 | 4,422 |
| Exploration assets | 13,899 | 41,053 | 20,652 | 17,521 | 34,551 | 58,574 |
| Oil and gas properties | 82,076 | 14,538 | 8,670 | 4,611 | 90,746 | 19,149 |
| | **99,847** | **56,492** | **36,394** | **25,653** | **136,241** | **82,145** |
| Corporate additions – property, plant and equipment, and intangibles | | | | | 7,510 | 4,456 |
| **Total additions and acquisitions** | | | | | **143,751** | **86,601** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## PERFORMANCE
## NOTE 2: REVENUE

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|
| **(a) Revenue from contracts with customers** | | |
| Oil sales[1] | 75,848 | 68,164 |
| Gas and gas liquids sales | 17,527 | 1,302 |
| Fair value gains/(losses) on provisionally priced trade receivables | 719 | 835 |
| | **94,094** | **70,301** |
| **Other revenue** | | |
| Flowline revenue | 1,256 | 1,153 |
| | **95,350** | **71,454** |
| **(b) Other income** | | |
| Net gain on sale of exploration assets | 54 | 404 |
| Net gain in termination of unconventional gas joint venture | 5,400 | 16,890 |
| Interest income | 927 | 1,487 |
| Other | 780 | 438 |
| | **7,161** | **19,219** |

1 *Inclusive of $0.2 million hedge settlements, net of premium expense (2018: $1.4 million hedge settlement net of premium).*

### Recognition, measurement and performance obligations

#### Revenue

Revenue is recognised when the Group transfers control of goods to a customer at the amount to which the Group expects to be entitled. Where the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled at the time the revenue is recognised. The following specific recognition criteria must also be met before revenue is recognised:

*Revenue from contracts with customers*

Revenue from the sale of produced hydrocarbons is recognised at a point in time when control of the asset is transferred to the customer, which is typically on delivery of the goods. This policy is applied to the Group's different operating arrangements.

*Oil sales*

The performance obligation for sales to the SACB JV is satisfied when physical possession of the oil is taken. Payment is generally received 80 to 100 days from delivery. Oil revenue is provisionally priced until approximately 60 to 80 days after delivery and is recognised as 'Trade receivables (subject to provisional pricing)' during this period. When pricing is finalised, oil sales are transferred to 'Trade receivables (not subject to provisional pricing)'.

The performance obligation for sales to IOR is satisfied when physical possession of the oil is taken. Payment is generally received approximately 30 days from delivery and is recognised directly in 'Trade receivables (not subject to provisional pricing)'.

*Gas and gas liquids sales*

The performance obligation for the sale of gas and gas liquids is satisfied when physical possession of the gas or gas liquid is taken at the contractually agreed point of delivery. Payment is generally received 30 days from delivery and is recognised directly in 'Trade receivables (not subject to provisional pricing)'.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 2: REVENUE (Continued)

*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.

*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.

### Farm-outs and terminations 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 disposed of and recognises the consideration received or receivable from the farmee. A gain or loss on the transaction is recognised for the difference between the net disposal proceeds and the carrying amount of the asset disposed of.

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. 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.

### Disaggregated revenue information

Disaggregated revenue information by segment can be found in Note 1 to the financial statements. All revenue from customer contracts is derived in Australia and relate to goods transferred at a point in time.

### Contract balances

| | Note | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|---|
| Trade receivables (not subject to provisional pricing) | 5 | 902 | 906 |

## NOTE 3: EXPENSES

| | Note | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|---|
| **(a) Expenses excluding net finance costs** | | | |
| Operating costs | | (41,461) | (27,905) |
| Depreciation of field-based facilities and property, plant and equipment | | (8,643) | (7,733) |
| Amortisation of oil and gas properties | | (16,320) | (10,942) |
| Employee expenses not included in operating costs | | (6,056) | (7,965) |
| Restructuring expense | | (2,109) | - |
| Depreciation and amortisation of corporate assets | | (1,814) | (1,972) |
| Foreign exchange gain/(loss) | | 290 | 960 |
| Cessation of contract expense | | - | (2,745) |
| Onerous lease | | - | (1,055) |
| Operating lease expense | | (1,759) | (1,390) |
| Flowline operating costs | | (830) | (593) |
| Other expenses | | (7,403) | (5,046) |
| | | **(86,105)** | **(66,386)** |
| **(b) Impairment** | | | |
| Exploration assets | 7 | - | (113,255) |
| | | **-** | **(113,255)** |
| **(c) Finance expenses** | | | |
| Rehabilitation accretion | 8 | (1,429) | (1,502) |
| Debt facility fees | | (124) | (360) |
| Other | | (231) | - |
| | | **(1,784)** | **(1,862)** |
| **(d) Employee costs[1]** | | | |
| Wages, salaries and bonuses | | (36,359) | (32,821) |
| Share-based payments | | (1,423) | (1,685) |
| Employee admin expenses | | (4,200) | (4,258) |
| Restructuring expense | | (2,013) | - |
| | | **(43,995)** | **(38,764)** |

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

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 3: EXPENSES (Continued)

### Recognition and measurement

#### Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 17. The policy relating to share-based payments is set out in note 14.

All employees are party to a defined contribution scheme and receive fixed contributions from Group companies. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

#### 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.

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 over the lease term. An asset or liability is recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight-line basis.

#### Finance costs

Finance costs are recognised as an expense when they are incurred. Provisions and other payables are discounted to their present value when the effect of the time value of money is significant.

#### Capitalisation of borrowing costs

Borrowing costs relating to assets currently under development, which have been capitalised in 'Oil and gas properties' during the period, amounted to $2.1 million (30 June 2018: $nil) at an interest rate of floating bank bill swap bid (BBSY) plus margin.

## NOTE 4: EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| **Net profit/(loss) attributable to the owners of the parent entity ($'000)** | **3,295** | **(94,010)** |
| **Weighted average number of shares (thousand)** | | |
| - Basic earnings per share | 1,451,658 | 1,446,996 |
| - Diluted earnings per share | 1,479,306 | 1,453,596 |
| **Earnings per share (cents)** | | |
| - Basic earnings/(loss) per share | 0.23 | (6.50) |
| - Diluted earnings/(loss) per share | 0.22 | (6.50) |

### Recognition and measurement

The calculation of the number of ordinary shares used in the computation of basic earnings per share is the weighted average number of ordinary shares of Senex Energy Limited outstanding during the period.

For the purposes of calculating diluted earnings per share, the effect of 27.6 million dilutive shares has been taken into account for the year ended 30 June 2019 (2018: 6.6 million shares). The Group's only potential dilutive ordinary shares are share awards granted under the employee share ownership plans for which terms and conditions are described in note 14. Diluted earnings per share calculation excludes instruments which are considered antidilutive.

The conversion of options and share rights would decrease the loss per share for the year ended 30 June 2018 and therefore its impact has been excluded from the diluted earnings per share calculation.

At 30 June 2019, there are no instruments which are considered antidilutive.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 5: TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>Restated<br>$'000 |
| Trade receivables (not subject to provisional pricing) | 902 | 906 |
| Trade receivables (subject to provisional pricing) | 20,712 | 26,347 |
| Deferred consideration owing by Beach Energy | 4,794 | 20,400 |
| Sundry receivables non-interest bearing and unsecured | 780 | 3,092 |
| Attributable share of receivables for joint operations | 197 | 2,621 |
| **Current trade and other receivables** | **27,385** | **53,366** |
| | | |
| Sundry receivables non-interest bearing and unsecured | 49 | 49 |
| **Non-current trade and other receivables** | **49** | **49** |

### Recognition and measurement

With the exception of trade receivables (subject to provisional pricing), trade and other receivables are classified as financial assets held at amortised cost on the basis that they are held with the objective of collecting contractual cash flows; and the cash flows relate to payments of principal and interest on the principal amount outstanding.

### Trade receivables (subject to provisional pricing)

Trade receivables (subject to provisional pricing) are mainly exposed to future commodity price movements and are therefore measured at fair value through profit or loss, with subsequent changes in fair value recognised in profit or loss until final settlement or the commodity price is no longer variable. At this point they are transferred to trade receivables (not subject to provisional pricing).

### Trade receivables (not subject to provisional pricing)

Trade receivables (not subject to provisional pricing) generally have terms of 30 days. They are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

### Impairment of trade receivables

The Group considers an allowance for expected credit losses (ECLs) for all debt instruments. The Group applies a simplified approach in calculating ECLs. The Group bases its ECL assessment on its historical credit loss experience, adjusted for factors specific to the debtors and the economic environment including, but not limited to, financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and delinquency in payments.

In 2019 and 2018 all of the Group's trade receivables and other current receivables which the Group measures at amortised cost are short-term (i.e. expected settlement within 12 months) and the Group has credit assessment and risk management policies in place. As a result, the expected credit losses on trade receivables was not considered material (<0.5%).

### Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history and future economic forecasts, it is expected that these other balances will be received when due.

The consideration receivable for the termination of the Senex-Beach Energy 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 Cooper Basin Western Flank areas in which both parties are joint venture participants.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 6: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Trade creditors and accruals - unsecured | 23,667 | 12,089 |
| Unexpended government grant | 1,400 | 4,073 |
| Payables to joint operations creditors | 6,810 | 7,506 |
| **Current trade and other payables** | **31,877** | **23,668** |

### Recognition and measurement

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. The amounts are unsecured and are usually paid within 30 days of recognition.

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, which is the case for grants at 30 June 2019 and 30 June 2018, it is offset against the 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 consumption of the benefits of the underlying asset.

*Pictured: Installation of compression plant at Roma North processing facility in February 2019*

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## RESOURCE ASSETS
## NOTE 7: OIL & GAS ASSETS AND PLANT & EQUIPMENT

| | Consolidated at 30 June 2019 | | | | |
|---|---|---|---|---|---|
| | Property, plant and equipment | | | | Total |
| | Property, plant and equipment $'000 | Assets under construction $'000 | Oil and gas properties $'000 | Exploration assets $'000 | $'000 |
| **Opening at 30 June 2018** | | | | | |
| Cost | 116,356 | 7,672 | 280,888 | 314,545 | **719,461** |
| Accumulated depreciation, amortisation and impairments | (35,834) | - | (148,586) | (243,441) | **(427,861)** |
| **Net book value** | **80,522** | **7,672** | **132,302** | **71,104** | **291,600** |
| Additions | 5,653 | 12,799 | 90,746 | 34,553 | **143,751** |
| Disposals | (19) | - | - | (704) | **(723)** |
| Transfers | (22,504) | (6,908) | 48,153 | (18,741) | **-** |
| Transfer to Property, plant and equipment | 4,594 | (4,594) | - | - | - |
| Transfer (to)/from intangible assets (Note 16) | - | (5,330) | - | - | **(5,330)** |
| Transfer to assets held for sale (Note 20) | (4,712) | - | (46,229) | - | **(50,941)** |
| Written off to the profit and loss | - | (299) | (122) | (11,194) | **(11,615)** |
| Depreciation and amortisation charge | (9,191) | - | (16,320) | - | **(25,511)** |
| **Closing net book value** | **54,343** | **3,340** | **208,530** | **75,018** | **341,231** |
| **At 30 June 2019** | | | | | |
| Cost | 97,263 | 3,340 | 373,437 | 318,522 | **792,562** |
| Accumulated depreciation, amortisation and impairments | (42,920) | - | (164,907) | (243,504) | **(451,331)** |
| **Net book value** | **54,343** | **3,340** | **208,530** | **75,018** | **341,231** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 7: OIL & GAS ASSETS AND PLANT & EQUIPMENT (Continued)

| | Consolidated at 30 June 2018 | | | | |
|---|---|---|---|---|---|
| | Property, plant & equipment | | | | Total |
| | Property, Plant & Equipment $'000 | Assets Under Construction $'000 | Oil & Gas Properties $'000 | Exploration Assets $'000 | $'000 |
| **Opening at 30 June 2017** | | | | | |
| Cost | 75,765 | 3,226 | 232,366 | 334,017 | 645,374 |
| Accumulated depreciation, amortisation and impairments | (27,721) | - | (137,644) | (130,186) | (295,551) |
| **Net book value** | **48,044** | **3,226** | **94,722** | **203,831** | **349,823** |
| Additions | 3,031 | 5,847 | 19,149 | 56,103 | 84,130 |
| Disposals | (86) | - | - | (4,816) | (4,902) |
| Transfers | 39,607 | (1,401) | 29,373 | (67,579) | - |
| Transfer to intangible assets | (859) | - | - | - | (859) |
| Written off to the profit and loss | - | - | - | (3,180) | (3,180) |
| Depreciation, amortisation and impairment charge | (9,215) | - | (10,942) | (113,255) | (133,412) |
| **Closing net book value** | **80,522** | **7,672** | **132,302** | **71,104** | **291,600** |
| **Closing at 30 June 2018** | | | | | |
| Cost | 116,356 | 7,672 | 280,888 | 314,545 | 719,461 |
| Accumulated depreciation, amortisation & impairments | (35,834) | - | (148,586) | (243,441) | (427,861) |
| **Net book value** | **80,522** | **7,672** | **132,302** | **71,104** | **291,600** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 7: OIL & GAS ASSETS AND PLANT & EQUIPMENT (Continued)

### Recognition and measurement

#### 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.

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, being the difference between the disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is derecognised.

#### Oil and gas properties

Oil and gas properties are carried at cost less accumulated amortisation and any accumulated impairment losses. It includes 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.

#### Exploration assets

Exploration expenditure is expensed as incurred unless the following criteria is met, in which case costs are capitalised:

- Right to tenure of the area of interest is current; and
- At least one of the following conditions is also met:
  - The carrying value is expected to be recouped through the successful development and exploitation or sale of an area of interest; or alternatively, by its sale; and
  - Exploitation and evaluation activities in the area of interest have not at the end of the reporting period, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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 drilling and testing. 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 and gas properties and associated physical assets are transferred to property, plant and equipment.

In the event of a farmout of exploration assets, 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.

#### Depreciation and amortisation

Depreciation is calculated on a straight-line basis or a units of production basis over the estimated useful life of the specific assets.

Assets within property, plant and equipment that are depreciated over a straight-line basis use the following lives:

- Office equipment, furniture and fittings – over 1 to 7 years;
- Field-based facilities, plant and equipment – over 5 to 20 years; and
- Motor vehicles – over 5 years.

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, with any change in reserves applied prospectively from the date of reserve change.

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

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 7: OIL & GAS ASSETS AND PLANT & EQUIPMENT (Continued)

### Impairment

#### Recognition and measurement

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

Previously impaired assets are reviewed for possible reversal of impairment at each reporting date. Impairment reversal cannot exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised for the asset or cash generating units (CGUs).

There were no reversals of impairment in the current or prior year.

#### How the Group calculates recoverable amount

The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCD) and its value in use (VIU). 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).

#### Valuation methods

In assessing the fair value less costs of disposal recent market transactions are taken into account. If no such transactions can be identified FVLCD is estimated from future cash flows relating to 2P reserves, including the anticipated cash flow of any capital expenditure to enhance production or reduce cost, 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.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the Group's continued use and cannot take into account future development.

#### Key judgements and estimates

In determining the recoverable amount of assets, in the absence of quoted market prices, 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 estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets at each reporting date.

#### Recoverable amount

*Oil and gas properties*

In accordance with the Group's accounting policy, the group's CGUs were tested for indicators of impairment as at 30 June 2019. The Group determined that no indicators of impairment were present at 30 June 2019 and no impairment was recorded (2018: $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 prices between US$67 and US$73/bbl real (2018: US$58 to US$68/bbl real), and an AUD/USD long term exchange rate of $0.74 (2018: AUD/USD: $0.75). A discount rate of 10.5% (2018: 10.5%) was applied. The Group's oil and gas price forecasts include climate change and potential policy responses as one of the many factors that can affect long term scenarios. The Group's independent research into forecast oil and gas consumption suggests that the global demand for the Group's products will continue over the life of the respective fields.

*Exploration assets*

In the year ended 30 June 2019, the Group performed a review of indicators of impairment under AASB 6 Exploration for and Evaluation of Mineral Resources. No indicators of impairment were identified.

In the year ended 30 June 2018, the Group performed a review of indicators of impairment. This review gave rise to an impairment charge of $113.3 million against non-core Cooper Basin exploration assets. 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 8: REHABILITATION PROVISIONS

| | | Consolidated | |
|---|---|---|---|
| | Note | 2019 $'000 | 2018 $'000 |
| **Current** | | | |
| Rehabilitation | | 1,974 | 1,280 |
| Other provisions | 17 | 4,157 | 2,964 |
| | | **6,131** | **4,244** |
| **Non-current** | | | |
| Rehabilitation | | 62,589 | 49,936 |
| Other provisions | 17 | 763 | 885 |
| | | **63,352** | **50,821** |

| | | Consolidated | |
|---|---|---|---|
| | Note | 2019 $'000 | 2018 $'000 |
| **Rehabilitation** | | | |
| Balance at the beginning of the year | | 51,216 | 49,048 |
| Additional provision recognised during the year | | 8,986 | 2,862 |
| Acquisitions during the year | | - | 2,555 |
| Changes in cost estimate and discount rate adjustment | | 8,157 | 1,720 |
| Transfer to assets held for sale | 20 | (4,941) | - |
| Completion of rehabilitation activity | | (284) | (6,471) |
| Interest unwind of liability | | 1,429 | 1,502 |
| **Balance at the end of the year** | | **64,563** | **51,216** |

### Recognition and measurement

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 thirty years. Costs incurred which relate to an existing condition caused by past operations, and which do not have a future economic benefit, are expensed.

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

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

### Key judgements and estimates

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 assumptions to be made on removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating future cost and future removal technologies in determining the removal cost. The rehabilitation obligation is discounted to present value using a ten-year government bond discount rate as this is reflective of the risk free rate.

These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets and the value of rehabilitation obligations at each reporting date.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## FINANCIAL MANAGEMENT
## NOTE 9: NET CASH

The Group's purpose is to create long-term shareholder value through the discovery, acquisition, development and sale of oil and gas. The Group will invest capital in assets where they fit its strategy. The Group primarily monitors capital using the net (debt)/cash balance.

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Current interest-bearing liabilities** | | |
| Bank loan | - | - |
| **Non-current interest-bearing liabilities** | | |
| Bank loan | (50,000) | - |
| Debt facility transaction costs | 9,994 | - |
| **Total interest-bearing liabilities** | **(40,006)** | **-** |
| **Less: cash and cash equivalents** | | |
| Cash at bank and in hand | 62,669 | 63,493 |
| Cash advance to joint operations | - | 3,048 |
| **Total cash and cash equivalents** | **62,669** | **66,541** |
| **Net cash excluding transaction costs** | **12,669** | **66,541** |

### Recognition and measurement

Interest-bearing liabilities are classified, at initial recognition, as loans and borrowings and are recognised at fair value.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit and loss. Interest-bearing loans are derecognised when the associated obligation is discharged, cancelled or expires.

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.

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

No term deposits were held at 30 June 2019. The cash at bank and in hand at 30 June 2018 included $40 million held in term deposits with maturity dates up to 87 days.

## NOTE 10: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, cash flow hedges, receivables, payables, interest bearing liabilities and other financial liabilities.

### 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 Audit and Risk 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, liquidity risk, commodity price risk and interest rate 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 interest rates.

### Commodity price risk

The Group's primary exposure to commodity price risk relates to the market price of oil and Roma North natural gas which is largely denominated in US Dollars (USD) and based on Brent oil price or Brent oil price related indices.

To mitigate commodity price risk, the Group has entered into monthly settled oil price swaps covering 756,217 barrels for the period 1 July 2019 to 30 June 2021. The quantity of swaps each month is designed to cover a portion of highly probable forecast sales for the month and are expected to reduce the volatility attributable to price fluctuations of Brent oil. They mature as follows:

| | Maturity | |
|---|---|---|
| **Oil price swaps** | **Within 1 year** | **1 – 2 years** |
| Notional amount ($'000) | 43,479 | 27,299 |
| Average Brent price (A$) | 93.46 | 87.87 |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 10: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

There is an economic relationship between the hedged items and the hedging instruments as the terms of the oil price swaps match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the oil price swaps are identical to the hedged risk components. Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items; or
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

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 2019 and is based on the commodity risk exposures in existence at the reporting date.

| | Change in year-end price $'000 | Effect on profit before tax $'000 | Effect on equity $'000 |
|---|---|---|---|
| **2019** | | | |
| Oil | + 10% | 1,700 | (4,881) |
| | -10% | (1,758) | 4,224 |
| **2018** | | | |
| Oil | +10% | 2,692 | 2,692 |
| | -10% | (2,692) | (2,692) |

### 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 and received in USD. To manage foreign exchange exposure the Group converts funds to Australian dollars on a regular basis and hedges oil sales in AUD.

At the reporting date, and exclusive of commodity price derivatives, the Group had the following exposure to foreign currency risk for balances denominated in USD from its continuing operations, which are disclosed in AUD:

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Financial assets** | | |
| Cash and cash equivalents | 3,223 | 1,303 |
| Trade and other receivables | 21,383 | 26,759 |
| Trade and other payables | (579) | - |
| **Net exposure** | **24,027** | **28,062** |

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 and takes into account commodity price derivatives.

| | Consolidated higher/(lower) | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Effect on profit/(loss) before tax** | | |
| AUD / USD +10% | (2,023) | (2,806) |
| AUD / USD –10% | 1,964 | 2,806 |
| **Effect on equity before tax** | | |
| AUD / USD +10% | 3,959 | (2,806) |
| AUD / USD –10% | (4,616) | 2,806 |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 10: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost-effective manner.

The Group funds its activities through equity raisings, use of debt facilities and operating cash. It is the Group's policy to continually review its liquidity position, including cash flow forecasts, to maintain appropriate liquidity levels.

On 26 October 2018, the Group completed financial close of a $150 million Senior Secured Multi-Currency Facility Agreement (SFA) with ANZ. The SFA is secured by the assets of the Group.

The SFA comprises of Facility A (reserve-based facility to provide funding for key identified projects at Roma North and Atlas) and Facility B (working capital facility for general corporate purposes). Facility A has a limit of $125 million and Facility B has a limit of $25 million.

Facility A matures on 25 October 2025 and carries an effective interest rate of AUD BBSY plus margin.  Facility B matures on 25 October 2021 and attracts varying cost dependent on the purpose for which drawings are made. At 30 June 2019 the Group has drawn down $50.0 million of Facility A and has utilised $21.3 million of Facility B to back performance guarantees issued by the Group.

The SFA contains certain covenants that the Group must comply with on a quarterly basis and the Directors continue to monitor the Group's compliance with these requirements.

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

| | Consolidated | | | |
|---|---|---|---|---|
| **2019 $'000** | Trade and other payables | Other financial liabilities | Interest bearing liabilities | Total |
| **Due for payment** | | | | |
| In six months or less or on demand | 31,877 | 195 | 2,349 | **34,421** |
| In greater than six months but less than one year | - | 153 | 2,349 | **2,502** |
| In one to five years | - | 1,215 | 61,341 | **62,556** |
| In greater than five years | - | - | - | **-** |
| | **31,877** | **1,563** | **66,039** | **99,479** |

| **2018 $'000** | Trade and other payables | Other financial liabilities | Interest bearing liabilities | Total |
|---|---|---|---|---|
| **Due for payment** | | | | |
| In six months or less or on demand | 23,668 | 74 | - | **23,742** |
| In greater than six months but less than one year | - | 62 | - | **62** |
| In one to five years | - | 1,035 | - | **1,035** |
| In greater than five years | - | - | - | **-** |
| | **23,668** | **1,171** | **-** | **24,839** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 10: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Interest rate risk

Interest rate risk arises from the Group's exposure to variable BBSY payable on the SFA principal outstanding. To manage this risk the Group has taken out floating for fixed interest rate swaps to fix interest payable on 60 per cent of the SFA principal outstanding.  These contracts are expected to reduce the volatility attributable to price fluctuations of the BBSY interest rate.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swaps are identical to the hedged risk components. Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items; or
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The following table details the Group's sensitivity to a 0.5% increase or decrease in the BBSY after hedging is taken into account.

| | Consolidated Higher / (Lower) | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Effect on profit/(loss) before tax** | | |
| BBSY +0.5% | (10) | - |
| BBSY -0.5% | 10 | - |
| **Effect on equity before tax** | | |
| BBSY +0.5% | 140 | - |
| BBSY -0.5% | (140) | - |

The sensitivity assumes that the change in interest rate is effective from the beginning of the financial year and the net debt position and fixed/floating mix is constant over the year. However, interest rates and the debt profile of the Group are unlikely to remain constant and therefore the above sensitivity analysis will be subject to change.

### 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.

#### 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 or more frequently should the need arise. 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 through the Group's established policy, procedures and controls 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.

### Capital management

When managing capital, the Board'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.

#### Financial assets and liabilities

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

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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 10: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Fair values

For financial assets and liabilities carried at fair value the Group uses the following to categorise the inputs and methodology used to determined fair value at the reporting date:

| | |
|---|---|
| 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 below table outlines the fair value of financial assets and liabilities:

| | As at 30 June 2019 | | | As at 30 June 2018 | | |
|---|---|---|---|---|---|---|
| | Amortised cost | Fair value through profit or loss | Fair value through OCI | Amortised cost | Fair value through profit or loss | Fair value through OCI |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 62,669 | - | - | 66,541 | - | - |
| Trade and other receivables | 1,928 | - | - | 6,668 | - | - |
| Deferred consideration | 4,794 | - | - | 20,400 | - | - |
| Trade and other receivables – subject to provisional pricing [1] | - | 20,712 | - | - | 26,347 | - |
| **Other financial assets** | | | | | | |
| Crude oil price swaps - current[2] | - | - | 3,429 | - | - | - |
| Crude oil price swaps - non-current[2] | - | - | 949 | - | - | - |
| | **69,391** | **20,712** | **4,378** | **93,609** | **26,347** | **-** |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 31,877 | - | - | 23,668 | - | - |
| Interest bearing liabilities | 50,000 | - | - | - | - | - |
| **Other financial liabilities - current:** | | | | | | |
| Haliburton tight oil [4] | 190 | - | - | 136 | - | - |
| Crude oil contracts | - | - | - | - | - | 1,142 |
| Interest rate swaps [3] | - | - | 158 | - | - | - |
| **Other financial liabilities – non-current:** | | | | | | |
| Haliburton tight oil [4] | 740 | - | - | 1,035 | - | - |
| Interest rate swaps [3] | - | - | 475 | - | - | - |
| | **82,807** | **-** | **633** | **24,839** | **-** | **1,142** |

*Note: see notes on following page*

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 10: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### 1) Level 2

The Group recognises trade receivables in relation to its provisionally priced sales contracts at fair value. All derivatives and provisionally priced trade receivables are valued using forward pricing models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value and therefore the other observable parameters outlined above categorise these assets as level 2 instruments.

### 2) Level 2

Crude oil price swaps have been designated as cash flow hedge instruments. The fair value of crude oil price swaps has been determined with reference to the Brent ICE forward price (USD) and forward exchange rate (AUD:USD) compared with the exercise price of the instrument along with the volatility of the underlying commodity price and the expiry of the instrument.

### 3) Level 2

Interest rate swaps have been designated as cash flow hedge instruments. The fair value of interest rate swaps has been determined with reference to the BBSY forward rate compared with the fixed price leg that the Group will pay.

### 4) Level 3

The carrying value of the Halliburton tight oil agreement approximates fair value at 30 June 2019. 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.

The Group does not have any level 1 financial instruments as at 30 June 2019 or 30 June 2018.

### Recognition and measurement - hedging

The Group uses derivative financial instruments including Australian dollar and US dollar denominated Brent oil swaps 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 on each subsequent reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, 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. Hedge documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' from the economic relationship.
- The hedge ratio of the relationship is equal.

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income (OCI) in the hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## CAPITAL STRUCTURE
## NOTE 11: CONTRIBUTED EQUITY

| | Parent Entity | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Number of Shares | $'000 | Number of Shares | $'000 |
| **Movement in ordinary fully paid shares on issue** | | | | |
| Balance at the beginning of the period: | 1,447,271,094 | 540,213 | 1,442,250,404 | 539,958 |
| Issues of shares during the period: | | | | |
| Equity raising – share purchase plan | - | - | - | - |
| Exercise of unlisted options [1] | 1,000,000 | 255 | 1,000,000 | 255 |
| Employee shares | | | - | - |
| Performance rights (nil consideration) [2] | 4,798,441 | - | 4,020,690 | - |
| **Balance at the end of the period** | **1,453,069,535** | **540,468** | **1,447,271,094** | **540,213** |

*During the year ended 30 June 2019:*

1 *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.*

2 *4,798,441 ordinary fully paid shares were issued during the year to senior executives in relation to Short- and Long-Term Incentive rights that vested during the year.*

### Recognition and measurement

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.

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.

## NOTE 12: RESERVES

| | Consolidated | | |
|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | Recognition and measurement |
| Share-based payment reserve | 19,415 | 17,992 | The share-based payments reserve represents the accrued employee entitlements to share awards that have been charged to profit or loss and have not yet been exercised. |
| Hedging reserve | 3,408 | (1,142) | The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments related to 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 as the underlying hedged transactions occur. |
| | **22,823** | **16,850** | |

## EMPLOYEE MATTERS
## NOTE 13: KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel comprises:

| | Consolidated | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Short-term | 5,285,712 | 3,994,103 |
| Post-employment | 234,674 | 210,827 |
| Termination benefits[1] | - | - |
| Share-based payment | 1,047,934 | 918,781 |
| | **6,568,320** | **5,123,711** |

1 *An additional accounting accrual for voluntary redundancy of $100,000 was recognised and is to be paid in FY20.*

### Other transactions with Key Management Personnel

During FY19, the Group made payments of $12,928 (FY18: $11,596) to Morgans Financial Limited, a company associated with 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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 14: SHARE-BASED PAYMENTS

Equity settled 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. The table below provides a description of the plans that the Company has in place.

| Plan | Share appreciation rights | Performance rights |
|---|---|---|
| Overview | The Company has adopted a share appreciation rights (SARs) plan for executives and employees, which directly links equity-based incentives to performance conditions. | From FY18, the Company has adopted performance rights plans for executives and employees, which directly links equity-based incentives to pre-defined performance conditions. |
| Vesting conditions | Service and performance conditions.<br><br>**FY17 SARs**<br>70% of 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.<br><br>30% of 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 of 2.5 – 3.0 mmboe.<br><br>**FY16 SARs**<br>70% of SARs are subject to an LTI Performance Condition (Relative TSR Performance Condition) that the Company achieves a 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.<br><br>30% of SARs are subject to an LTI Performance Condition of achievement of 2P Reserves target (mmboe) over the three year performance period. | Service and performance conditions.<br><br>**FY19 Performance Rights**<br>100% of FY19 LTI performance rights are subject to relative TSR Performance Condition that the Company achieves 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.<br><br>**FY19 Strategic Business Milestone Rights**<br>The Company issued rights to the CEO during the period that are subject to natural gas projects in the Surat Basin being delivered through the construction of key infrastructure, completion of the initial phase of development drilling and the commencement of commercial gas sales from each project.<br><br>Vesting will be based on achievement of the milestone, subject to there being a positive TSR over the milestone delivery period.<br><br>**FY18 and FY19 Retention Rights**<br>In FY18 the company commenced a Retention Rights plan designed to incentivise and attract key employees. The retention rights have service conditions only.<br><br>**FY18 Performance Rights**<br>70% of FY18 LTI performance rights are subject to relative TSR Performance Condition that the Company achieves 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.<br><br>30% of FY18 LTI performance rights are subject to the achievement of identified strategic and financial goals linked to material project delivery and company transition over the three year performance period.<br><br>Performance rights issued to non-executive employees and executive employees in conjunction with their STI entitlements are subject to service conditions only. |
| Vesting period | 3 years | 2 – 3 years |
| Expiry period | 7 years | 6 - 7 years |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 14: SHARE-BASED PAYMENTS (Continued)

A reconciliation of outstanding awards is contained below:

| | At 1 July 2018 (number) | Issued (number) | Exercised (number) | Lapsed (number) | At 30 June 2019 (number) | Vested and exercisable at 30 June 2019 (number) | Weighted average remaining contractual life (years) |
|---|---|---|---|---|---|---|---|
| Options | 1,000,000 | - | (1,000,000) | - | - | - | - |
| SARs | 31,341,942 | - | (6,222,882) | (6,612,959) | 18,506,101 | 8,858,485 | 3.7 |
| Performance rights | 11,235,061 | 11,511,110 | (529,411) | (1,405,963) | 20,810,797 | 1,024,911 | 4.1 |

The assumptions used when determining the fair value of awards issued during the year was:

| 2019 | Weighted average fair value ($) | Risk-free interest rate (%) | Estimated life (years) | Share price at grant date ($) | Estimated volatility (%) | Dividend yield (%) |
|---|---|---|---|---|---|---|
| Performance rights | 0.30 | 2.11% | 2.3 – 3.0 | 0.39 – 0.47 | 50 | 0 |
| Retention rights | 0.43 | 2.01% - 2.17% | 3.0 | 0.43 – 0.47 | 50 | 0 |

Employee share awards expense was $1,423,000 (2018: $1,685,000).

### Recognition and measurement

The fair value at grant date of equity-settled share-based payment transactions is recognised as an employee benefit expense over the period in which the performance and/or services conditions are fulfilled.

The fair values of awards granted were estimated using a Monte Carlo simulation methodology and Black-Scholes option pricing techniques. In determining the share-based payment expense for the year the Group also estimates 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. Where awards are forfeited because non-market-based vesting conditions are not satisfied, the expense previously recognised is proportionately reversed.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not met), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## OTHER FINANCIAL DISCLOSURES
## NOTE 15: INCOME TAX

| | Consolidated | |
|---|---|---|
| **Income tax expense** | 2019 $'000 | 2018 $'000 |
| The major component of income tax expense is: | | |
| Deferred income tax | | |
| Deferred tax benefit/(liability) | (601) | 30,660 |
| Net tax (asset)/liability not brought to account | 601 | (30,660) |
| **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

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Profit / (loss) before income tax** | **3,295** | **(94,010)** |
| At the Group's statutory income tax rate of 30% (2018: 30%) | (989) | 28,203 |
| Research and development benefit | 425 | 31 |
| Rehabilitation costs | - | 2,337 |
| Exploration costs deductible | - | 593 |
| Assessable grant | - | (464) |
| Other | (37) | (40) |
| Derecognition of deferred tax on gains/(losses) | 601 | (30,660) |
| **Income tax benefit/(expense) reported in the Statement of Comprehensive Income** | **-** | **-** |

### 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 | |
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Deferred tax assets / (liabilities)** | | | | |
| Receivables | 34 | 34 | 0 | (257) |
| Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties | (30,965) | (20,980) | (9,985) | 26,530 |
| Trade and other payables | (153) | 730 | (883) | (667) |
| Provisions | 10,611 | 5,097 | 5,514 | 2,028 |
| Other | 167 | 1,733 | (1,566) | (26) |
| Income tax losses and offsets | 79,446 | 75,113 | 4,333 | 2,659 |
| | **59,140** | **61,727** | **(2,587)** | **30,267** |
| Income tax losses and offsets not recognised as realisation is not probable | (59,140) | (61,727) | 2,587 | (30,267) |
| **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 $8.7 million of state taxes, fringe benefits tax and royalties in Australia (2018: $4.6 million).

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 15: INCOME TAX (Continued)

### Recognition and measurement

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the 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 assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date.

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.

### 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.

### Income tax losses

At 30 June 2019, the Group had $264,820,000 (2018: $250,378,000) of carry-forward tax losses that are available for offset against future taxable profits of the income tax consolidated group, subject to the relevant tax loss recoupment requirements being met.

The carry-forward tax losses and offsets give rise to a deferred tax asset (which have not been recognised at 30 June 2019) of $79,446,000 (2018: $75,113,000).

### Unrecognised temporary differences – Petroleum Resource Rent Tax (PRRT)

At 30 June 2018, the Company had disclosed total unrecognised temporary differences in respect of PRRT for existing projects of $482,253,000. In April 2019, the Australian Parliament passed changes to the PRRT laws which took effect on 1 July 2019. The amendments remove onshore petroleum projects from the PRRT regime and will therefore relieve Senex's onshore projects from any PRRT requirements. Senex had previously received a PRRT Combination Certificate allowing Project Atlas and the Western Surat Gas Project to be combined for PRRT calculation purposes, and has held a separate PRRT Combination Certificate for the Cooper Basin production licences since PRRT first applied to onshore petroleum projects. As a result, unrecognised temporary differences related to PRRT has reduced to $nil at 30 June 2019 as the Group only operates onshore petroleum projects.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 16: INTANGIBLE ASSETS

| | Note | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|---|
| **At the beginning of the year** | | | |
| Cost | | 6,653 | 6,010 |
| Accumulated amortisation | | (5,554) | (5,272) |
| **Net book amount** | | **1,099** | **738** |
| **Movement for the year ended 30 June** | | | |
| **Opening net book amount** | | **1,099** | **738** |
| Transfer from property, plant and equipment | 7 | 5,330 | 859 |
| Disposals | | - | (5) |
| Amortisation charge for the year | | (1,266) | (493) |
| **Closing net book amount** | | **5,163** | **1,099** |
| **At 30 June** | | | |
| Cost | | 11,983 | 6,653 |
| Accumulated amortisation | | (6,820) | (5,554) |
| **Net book amount** | | **5,163** | **1,099** |

### Recognition and measurement

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software and licences, where it is considered that they will contribute to future periods through revenue generation or reductions in cost. These assets, classified as finite life intangible assets, are carried in the balance sheet at the fair value of consideration paid less accumulated amortisation and impairment charges. Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives. The estimated useful lives are generally two to five years.

## NOTE 17: OTHER PROVISIONS

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|
| **Current** | | |
| Annual and long service leave | 1,821 | 1,492 |
| Restructuring provision | 2,013 | - |
| Onerous contracts | - | 1,083 |
| Other provisions | 323 | 389 |
| | **4,157** | **2,964** |
| **Non-current** | | |
| **Long service leave** | **763** | **885** |

Movement in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|
| **Onerous contracts** | | |
| Balance at the beginning of the year | **1,083** | **193** |
| Provision recognised /(released) during the year | 112 | 929 |
| Payments made during the year | (1,195) | (39) |
| **Balance at the end of the year** | **-** | **1,083** |
| **Other provisions** | | |
| Balance at the beginning of the year | 389 | 3,271 |
| Provision utilised during the year | (66) | - |
| Provision applied on cessation of contract | - | (2,767) |
| Others | - | (115) |
| **Balance at the end of the year** | **323** | **389** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 17: OTHER PROVISIONS (Continued)

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

### Recognition and measurement

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.

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. The increase in the provision due to the passage of time is recognised in finance costs.

Liabilities for wages, salaries and any restructuring communicated prior to the reporting date, 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.  Restructuring activities are expected to be completed in financial year 2020.

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.

## NOTE 18: CONSOLIDATED STATEMENT OF CASH FLOWS RECONCILIATION

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| **Reconciliation of the net profit/(loss) after tax to net cash flows used in operations** | | |
| **Net profit/(loss)** | **3,295** | **(94,010)** |
| *Adjustments:* | | |
| Amortisation and depreciation | 26,777 | 20,650 |
| Impairment expenses | - | 113,255 |
| (Gain)/loss on foreign exchange translation | (290) | (960) |
| (Gain)/loss on termination of unconventional joint venture | (5,400) | (16,890) |
| (Gain)/loss on sales of exploration assets | - | (404) |
| (Gain)/loss on sale of fixed assets | 318 | (9) |
| Rehabilitation liability accretion | 1,429 | 1,502 |
| Share-based payments | 1,423 | 1,685 |
| Write-off of exploration assets | 1,831 | 2,787 |
| Other | (1,334) | 356 |
| *Changed in assets and liabilities:* | | |
| (Increase)/decrease in prepayments | 190 | (1,788) |
| (Increase)/decrease in trade and other receivables | 10,830 | (17,293) |
| (Increase)/decrease in inventory | 87 | 763 |
| (Increase)/decrease in make good asset | - | 80 |
| Increase/(decrease) in trade and other payables | 2,785 | 4,526 |
| Increase/(decrease) in provisions | 2,580 | (8,997) |
| | **44,521** | **5,253** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## GROUP AND RELATED PARTY INFORMATION
## NOTE 19: 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.

| Exploration | Consolidated working interest 2019 Percentage | Consolidated working interest 2018 Percentage |
|---|---|---|
| **Surat Basin** | | |
| ATP 1190 (Weribone) | 20.7% | 20.7% |
| **Cooper/Eromanga Basin** | | |
| ATP 736P[1] | - | 55.0% |
| ATP 737P[1] | - | 55.0% |
| ATP 738P[1] | - | 55.0% |
| ATP 2025P (Barcoo Junction Proposed Area) [2] | - | 60.0% |
| ATP 2026P (Barcoo) [2] | - | 60.0% |
| PEL 87 [3] | - | 60.0% |
| PEL 90* (Kiwi) | 75% | 75.0% |
| PEL 94 | 15% | 15.0% |
| PEL 424 [3] | - | 60.0% |

*1 On 11 April 2019 the Group disposed of its interest in ATP 736P, 737P and 738P.*
*2 On 16 May 2019 the Group disposed of its interest in ATP 2025P and 2026P.*
*3 On 8 August 2018 the Group relinquished its interest in PEL 87 and PEL 424.*
*4 On 5 September 2018 the Group relinquished its interest in PRL 118-127.*
** denotes operatorship*

| Production | Consolidated working interest 2019 Percentage | Consolidated working interest 2018 Percentage |
|---|---|---|
| **Cooper/Eromanga Basin** | | |
| PRL 206 (Derrilyn) | 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% |
| PPL258 (Spitfire)* | 60.0% | 60.0% |
| PPL 263 (Martlet North)* | 60.0% | - |
| PPL 264 (Martlet)* | 60.0% | - |
| PPL 265 (Marauder)* | 60.0% | - |

| Retention | Consolidated working interest 2019 Percentage | Consolidated working interest 2018 Percentage |
|---|---|---|
| **Cooper/Eromanga Basin** | | |
| PRL 15* | 60.0% | 60.0% |
| PRL 106* | 100.0% | 60.0% |
| PRL 108* | 50.0% | 50.0% |
| PRL 109* | 50.0% | 50.0% |
| PRL 110* | 50.0% | 50.0% |
| PRL 118, 119, 121-123, 125-127[4] | - | 80.0% |
| PRL 120* | 80.0% | 80.0% |
| PRL 124* | 80.0% | 80.0% |
| PRL 128* | 80.0% | 80.0% |
| PRL 135 (Vanessa)* | 57.0% | 57.0% |
| PRL 136 (Maurauder)* | 60.0% | 60.0% |
| PRL 137 (Martlet)* | 60.0% | 60.0% |
| PRL 138-150* | 60.0% | 60.0% |
| PRL 183-190* | 80.0% | 80.0% |
| PRL 207-209* | 55.0% | 55.0% |
| PRL 210-220* | 100.0% | 60.0% |
| PRL 221-230* (Deeps) | 100.0% | 53.8% |
| PRL 221-230* (Shallows) | 100.0% | 80.0% |
| PRL 231-233 | 70.0% | 70.0% |
| PRL 237 (Cooper) | 70.0% | 70.0% |
| PRL 238-244 | 57.0% | 57.0% |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 19: INTEREST IN JOINT OPERATIONS (Continued)

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

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Revenue** | | |
| Oil sales | 70,076 | 63,541 |
| Gas and gas liquids sales | 4,559 | - |
| Fair value gains/(losses) on provisionally priced trade receivables | 719 | 835 |
| | **75,354** | **64,376** |
| **Expenses** | | |
| Cost of sales | (43,269) | (33,393) |
| Oil and gas exploration expenses | (10,491) | (3,114) |
| | **(53,760)** | **(36,507)** |

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

| | | Consolidated | |
|---|---|---|---|
| | Note | 2019 $'000 | 2018 $'000 |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | - | 3,048 |
| Trade and other receivables | | 19,459 | 2,621 |
| **Non-current assets** | | | |
| Property, plant and equipment | | 35,772 | 27,992 |
| Exploration assets | | 21,982 | 44,094 |
| Oil and gas properties | | 68,661 | 68,700 |
| **TOTAL ASSETS** | | **145,874** | **146,455** |
| **Current liabilities** | | | |
| Trade and other payables | 6 | 6,810 | 7,506 |
| **Non-current liabilities** | | | |
| Provision – rehabilitation | | 17,482 | 18,981 |
| **TOTAL LIABILITIES** | | **24,292** | **26,487** |
| **NET ASSETS** | | **121,582** | **119,968** |

### Recognition and measurement

The Group has interests in joint arrangements that are joint operations. In a joint operation the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

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

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

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 20: ASSETS HELD FOR SALE

On 17 June 2019, the Group announced the decision to sell its wholly owned subsidiary, Senex Pipeline & Processing Pty Ltd (SPP) for $50 million and then enter into a long-term gas tolling agreement. The sale of SPP is expected to be completed within 12 months of 30 June 2019.

SPP's primary business is the construction and operation of the Roma North gas compression facility and associated pipeline. SPP did not contribute to the Group's result in the year ended 30 June 2019. Assets and liabilities associated with the Roma North gas compression facility, as disclosed below, have been removed from the Surat Basin reporting segment.

| | As at 30 June 2019 |
|---|---|
| | $'000 |
| **ASSETS** | |
| Oil and gas properties | 46,229 |
| Property, plant and equipment | 4,712 |
| **TOTAL ASSETS** | **50,941** |
| | |
| Provisions – rehabilitation | 4,941 |
| **TOTAL LIABILITIES** | **4,941** |

SPP does not expend cash in its own right and therefore no cash flow is presented.

## NOTE 21: SUBSIDIARIES

The consolidated financial statements include the financial statements of Senex Energy Limited and its controlled entities listed in the following table:

| | | Equity interest % | |
|---|---|---|---|
| Name | Country of Incorporation | 2019 | 2018 |
| **Parent entity** | | | |
| Senex Energy Limited | Australia | 100 | 100 |
| **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 | 100 |
| Senex Pipeline & Processing Pty Ltd[1] | Australia | 100 | 100 |
| **Directly controlled by Stuart Petroleum Pty Ltd** | | | |
| Stuart Petroleum Cooper Basin Oil Pty Ltd | Australia | 100 | 100 |
| Stuart Petroleum Cooper Basin Gas Pty Ltd | Australia | 100 | 100 |

1 *On 17 June 2019 Senex Energy Limited agreed to dispose of 100% of the share capital of Senex Pipeline & Processing Pty Ltd. The sale is expected to complete in FY20. Refer to Note 20 for additional details.*

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.

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 22: 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 2019.

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

The following companies are parties to the deed of cross guarantee and represent a 'closed group' for the purposes of the relief instrument:

- Senex Energy Limited
- Azeeza Pty Ltd
- Victoria Oil Pty Ltd
- Senex Weribone Pty Ltd
- Permian Oil Pty Ltd
- Victoria Oil Exploration (1977) Pty Ltd
- Stuart Petroleum Pty Ltd
- Stuart Petroleum Cooper Basin Oil Pty Ltd
- Stuart Petroleum Cooper Basin Gas Pty Ltd
- Senex Assets Pty Ltd
- 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'.

### (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':

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Continuing operations** | | |
| Revenue | 95,350 | 71,454 |
| Other income | 7,161 | 19,219 |
| Expenses excluding net finance costs | (86,105) | (66,386) |
| Oil and gas exploration expense | (11,327) | (3,180) |
| Impairment | - | (113,255) |
| Finance expense | (1,784) | (1,862) |
| **Profit/(loss) before tax** | **3,295** | **(94,010)** |
| Income tax benefit/(expense) | - | - |
| **Profit/(loss) after tax** | **3,295** | **(94,010)** |
| **Net profit/(loss) attributable to the owners of the parent entity** | **3,295** | **(94,010)** |
| **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) | 4,550 | (1,142) |
| | **4,550** | **(1,142)** |
| **Total comprehensive income/(loss) for the period attributable to the owners of the parent entity** | **7,845** | **(95,152)** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 22: 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':

| | Consolidated | |
|---|---|---|
| | As at 30 June 2019 $'000 | As at 30 June 2018 $'000 |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 62,669 | 66,541 |
| Prepayments | 1,457 | 3,909 |
| Trade and other receivables | 27,385 | 53,366 |
| Inventory | 10,393 | 10,755 |
| Other financial assets | 3,429 | - |
| | **105,333** | **134,571** |
| Assets held for sale | 50,941 | - |
| **Total current assets** | **156,274** | **134,571** |
| **Non-current assets** | | |
| Trade and other receivables | 49 | 49 |
| Property, plant and equipment | 57,683 | 88,194 |
| Oil and gas properties | 208,530 | 132,302 |
| Exploration assets | 75,018 | 71,104 |
| Intangible assets | 5,163 | 1,099 |
| Other financial assets | 949 | - |
| **Total non-current assets** | **347,392** | **292,748** |
| **TOTAL ASSETS** | **503,666** | **427,319** |

### (b) Consolidated Statement of Financial Position (Continued)

| | Consolidated | |
|---|---|---|
| | As at 30 June 2019 $'000 | As at 30 June 2018 $'000 |
| **LIABILITES** | | |
| **Current liabilities** | | |
| Trade and other payables | 31,877 | 23,668 |
| Provisions | 6,131 | 4,244 |
| Other financial liabilities | 348 | 1,278 |
| | **38,356** | **29,190** |
| Liabilities directly associated with the assets held for sale | 4,941 | - |
| **Total current liabilities** | **43,297** | **29,190** |
| **Non-current liabilities** | | |
| Provisions | 63,352 | 50,821 |
| Interest bearing liabilities | 40,006 | - |
| Other financial liabilities | 1,215 | 1,035 |
| **Total non-current liabilities** | **104,573** | **51,856** |
| **TOTAL LIABILITIES** | **147,870** | **81,046** |
| **NET ASSETS** | **355,796** | **346,273** |
| **EQUITY** | | |
| Contributed equity | 540,468 | 540,213 |
| Reserves | 22,823 | 16,850 |
| Accumulated losses | (207,495) | (210,790) |
| **TOTAL EQUITY** | **355,796** | **346,273** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## OTHER ITEMS
## NOTE 23: AUDITOR'S REMUNERATION

The auditor of Senex Energy Limited and its controlled entities is Ernst & Young (Australia). Amounts received or due and receivable are set out below.

| | Consolidated | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Audit or review of the financial report of the Group | 364,000 | 330,300 |
| Other assurance related services | 201,687 | 112,100 |
| Other non-audit services | 246,055 | 27,011 |
| | **811,742** | **469,411** |

## NOTE 24: COMMITMENTS

### Leasing and financing commitments

The Group has lease agreements primarily for office premises and motor vehicles with the remaining terms of the leases ranging between one to seven years.

Future leasing and financing payments as at 30 June 2019 are as follows:

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| **Minimum lease and financing payments** | | |
| No later than one year | 3,405 | 3,020 |
| Later than one year and not later than five years | 9,618 | 8,038 |
| Later than five years | 2,601 | 4,692 |
| | **15,624** | **15,750** |

### Capital commitments

The following capital commitments, including those entered into by the Group in their capacity as operator of Joint Operations, were contracted for at the reporting date but not recognised as liabilities.

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 value of the capital component of the GP&TA tariffs is included in the payments below.

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Not later than one year | 19,561 | 10,123 |
| Later than one year and not later than five years | 20,330 | 8,745 |
| Later than five years | 118,833 | 131,255 |
| | **158,724** | **150,123** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 25: 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.

The Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance, which are in the normal course of business. The likelihood of these guarantees being called upon is considered remote.

The Group also has certain obligations to perform exploration work pursuant to the terms of the granting of petroleum exploration permits in order to maintain rights of tenure. These commitments may be varied as a result of renegotiations of the terms of the exploration permits, licences or contracts or, alternatively, upon their relinquishment and cannot reliably be estimated.

There were no other unrecorded contingent assets or liabilities in place for the Group at 30 June 2019.

## NOTE 26: EVENTS AFTER THE REPORTING DATE

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

## NOTE 27: PARENT ENTITY INFORMATION

### (a) Summary financial information

| | Parent entity | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Total current assets | 263,410 | 291,508 |
| Total non-current assets | 119,856 | 106,023 |
| **TOTAL ASSETS** | **383,266** | **397,531** |
| Total current liabilities | 14,730 | 14,822 |
| Total non-current liabilities | 3,848 | 4,975 |
| **TOTAL LIABILITIES** | **18,578** | **19,797** |
| **NET ASSETS** | **364,688** | **377,734** |
| **EQUITY** | | |
| Contributed equity | 540,722 | 540,467 |
| Share-based payments reserve | 19,161 | 17,738 |
| Other reserve | 3,408 | (1,142) |
| Accumulated losses | (198,603) | (179,329) |
| **TOTAL EQUITY** | **364,688** | **377,734** |
| Net profit/(loss) | (18,011) | (22,083) |
| Other comprehensive income/(loss) of the parent entity | 4,550 | (1,142) |
| **Total comprehensive income/(loss) of the parent entity** | **(13,461)** | **(23,225)** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 27: PARENT ENTITY INFORMATION (Continued)

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

There are cross guarantees provided as described in note 22.

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 25, there are no unrecorded contingent assets or liabilities in place for the parent entity at 30 June 2019 (2018: nil).

### (d) Contractual commitments for capital acquisitions

The parent entity had contractual commitments for capital acquisitions at 30 June 2019 of $nil (2018: $nil).

## NOTE 28: NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of other new standards are effective from 1 July 2018 but they do not have a material impact on the Group's financial statements.

### New and amended accounting standards and interpretations adopted

#### Adoption of AASB 15 revenue from contracts with customers

The Group has adopted AASB 15 as of 1 July 2018 using the full retrospective method. AASB 15 provides a five step model for recognising revenue earned from a contract with a customer and is applicable to all contracts with customers.

Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Following a detailed review of the Group's revenue contracts it was identified that some sale contracts contain provisional pricing features which are considered to be embedded derivatives. AASB 15 does not change the assessment of the existence of embedded derivatives. These embedded derivatives are outside the scope of AASB 15 and are accounted for in accordance with AASB 9. Refer to discussion below regarding reclassification adjustments. No adjustments were required to net profit or opening retained earnings upon the Group adopting AASB 15.

#### Adoption of AASB 9 financial instruments

The Group has adopted AASB 9 Financial Instruments as at 1 July 2018. The Group has applied AASB 9 retrospectively and has adjusted the comparative information for the period beginning 1 July 2017. There were no material impacts on the comparative balances other than the reclassification of the gain/(loss) on provisionally priced trade receivables and reclassification of provisionally priced trade receivables within Trade and other receivables. There was no impact on hedging as the Group early adopted the hedging requirements of AASB 9 in the financial year ended 30 June 2015.

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets whereby financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income (OCI).

The Group's assessment resulted in the following changes to the classification of the Group's financial assets:

- Trade receivables (not subject to provisional pricing) and other current financial assets previously classified as loans and receivables: these were assessed as being held to collect contractual cash flows. These are now classified and measured as financial assets at amortised cost.
- Trade receivables (subject to provisional pricing): The exposure of unsettled trade receivable to future commodity price movements requires the entire receivable to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in profit or loss each period until final settlement. The Group previously presented such fair value changes in 'Oil sales' and 'Gas and gas liquids sales' within Revenue but will now present them as 'Fair value gains/(losses) on provisionally priced trade receivables' within Revenue. There was no impact on profit as a result of this change.

The adoption of AASB 9 has also changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking, simplified, expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of AASB 15. As all of the Group's trade receivables (not subject to provisional pricing) and other current receivables which the Group measures at amortised cost are short term (i.e. less than 12 months) and the Group has credit assessment and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements (less than 0.5%).

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 28: NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

In summary, the Group had the following required reclassifications for financial assets:

| As at 30 June 2018<br>AASB 139 Category | AASB 139 carrying value<br>$'000 | AASB 9 Category<br>Fair value through profit or loss<br>$'000 | AASB 9 Category<br>Amortised cost<br>$'000 | AASB 9 Category<br>Fair value through OCI<br>$'000 |
|---|---|---|---|---|
| **Trade and other receivables** | | | | |
| Trade receivables (not subject to provisional pricing) | 906 | - | 906 | - |
| Trade receivables (subject to provisional pricing) | 26,347 | 26,347 | - | - |
| Deferred consideration owing by Beach Energy | 20,400 | - | 20,400 | - |
| Sundry receivables non-interest bearing and unsecured | 3,141 | - | 3,141 | - |
| Attributable share of receivables for joint operations | 2,621 | - | 2,621 | - |
| | **53,415** | **26,347** | **27,068** | **-** |

| As at 1 July 2017<br>AASB 139 Category | AASB 139 carrying value<br>$'000 | AASB 9 Category<br>Fair value through profit or loss<br>$'000 | AASB 9 Category<br>Amortised cost<br>$'000 | AASB 9 Category<br>Fair value through OCI<br>$'000 |
|---|---|---|---|---|
| **Trade and other receivables** | | | | |
| Trade receivables (not subject to provisional pricing) | 702 | - | 702 | - |
| Trade receivables (subject to provisional pricing) | 10,631 | 10,631 | - | - |
| Sundry receivables non-interest bearing and unsecured | 1,531 | - | 1,531 | - |
| Attributable share of receivables for joint operations | 1,405 | - | 1,405 | - |
| | **14,269** | **10,631** | **3,638** | **-** |

# Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 28: NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

### Issued but not yet effective

The following new accounting standards and interpretations will become effective for future reporting periods and may have a significant impact on the income statement or net assets of the Group.

| Reference | Title | Summary | Application date for the Group |
|---|---|---|---|
| AASB 16 | Leases | AASB 16 provides a new model for lessee accounting under which all leases will be accounted for by:<br>a) Recognising all right of use assets and lease liabilities, with the exception of short-term (12 months or fewer) and low value leases, on the balance sheet. The lease liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the liability if the Group is reasonably certain that it will exercise the option. The right of use asset at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.<br>b) Recognising depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.<br>c) Separating the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.<br>The Group has completed its implementation project which has focussed on a review of contracts, aggregation of data to support the evaluation of the accounting impacts of applying the new standard and assessment of the need for changes to systems and processes.<br>The Group intends to adopt the modified retrospective approach when applying this standard.<br>The impact of transition to AASB 16 on the Group's 1 July 2019 balance sheet is expected to be an increase in gross assets of $13.3 million, an increase in net assets of $0.2 million, and a benefit of $0.2 million to retained earnings.<br>Information on the undiscounted amount of the Group's lease commitments under AASB 117 'Leases', which was in effect at 30 June 2019, is disclosed in note 24 'Commitments'. | Year ending 30 June 2020 |

# 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 2019 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 22, 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 22.

(2) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in '*About this report*'.

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 2019.

On behalf of the Board

**TREVOR BOURNE**
Chairman

**IAN DAVIES**
Managing Director

Brisbane, Queensland
19 August 2019

# Independent Auditor’s 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 2019, 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 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

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

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

#### Key Audit Matters

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

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

# Independent Auditor's Report

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## Capitalised costs

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As at 30 June 2019 the consolidated statement of financial position includes $209 million of Oil and gas properties, $75 million of Exploration assets and $58 million of Property, plant & equipment. During the period, $144 million of costs were capitalised, relating to various oil and gas exploration and development projects across the Group's two operating segments. Costs capitalised include external costs, internal time writing and capitalised borrowing costs that are directly attributable to the acquisition and construction of qualifying assets.<br><br>Capitalisation of expenditure requires consideration the nature of costs incurred and an assessment of the satisfaction of the specific asset recognition criteria in AASB 116 Property, Plant & Equipment and AASB 6 Exploration for and Evaluation of Mineral Resources.<br><br>Given the amount of the capital additions for the year and the impact of the judgements made in respect of allocation of costs to capital projects rather than expensing them to the profit and loss, we considered this a key audit matter.<br><br>Details of the Group's Oil and gas properties, Exploration assets and Property, plant & equipment are included in Note 7 to the consolidated financial report. | Our audit procedures included the following:<br><br>• Evaluated the design and operating effectiveness of management's controls over the allocation of costs and capitalising of internal time.<br><br>• Tested a statistical sample of capital additions for the year. We agreed the sampled items to supplier invoices and contracts to evidence the costs had been incurred by the Group and assessed whether the nature of the expenditure met the asset recognition criteria required by the applicable Australian Accounting Standards.<br><br>• Tested the allocation and calculation of internal time costs capitalised by the Group for the year (including amounts capitalised for key management personnel) and assessed whether the internal time costs met the asset recognition criteria required by the applicable Australian Accounting Standards.<br><br>• Assessed the classification of the capitalised amounts to evaluate whether they were appropriately classified as either Exploration assets, Oil and gas properties or Property, plant & equipment.<br><br>• Re-calculated the amount of borrowing costs capitalised for the year to assess whether the amounts capitalised were consistent with the borrowing costs incurred by the Group in respect of its debt facilities and tested whether the assets, in respect of which borrowing costs were capitalised, met the criteria of qualifying assets for AASB 123 Borrowing Costs purposes.<br><br>• Assessed the adequacy of the related financial report disclosures. |

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## Accrued oil revenue

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| As at 30 June 2019 the Group has $18.6 million of accrued oil revenue (30 June 2018: $26.0 million), which represents a significant portion (24.5%) of total annual oil revenue (30 June 2018: 37.0%).<br><br>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. The supply of oil to the Moomba processing facility is the point Group satisfies its performance obligation to the SACBJV in respect of the supply of oil. Revenue is calculated using forecast oil prices when title has passed, with actual invoices raised when the oil has shipped from Port Bonython.<br><br>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.<br><br>Disclosure regarding this matter can be found in Note 2 to the financial report. | Our audit procedures included the following:<br><br>• Assessed the point of revenue recognition with reference to the executed contracts between the parties.<br><br>• 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.<br><br>• 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.<br><br>• Selected shipments which occurred close to the period end and assessed whether revenue was recorded in the correct period. |

# Independent Auditor's Report

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## 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 2019 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.

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.

Building a better working world

- 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 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 70 to 87 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Senex Energy Limited for the year ended 30 June 2019, 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 | Matthew Taylor |
| Partner | Partner |
| Brisbane | |
| 19 August 2019 | |

# Additional Information

## Tenement interests

Senex's portfolio of exploration, development and production assets as at 30 June 2019.

| Permit (*operated by Senex) | Area (km²) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| **Exploration** Cooper/Eromanga Basins | | | | |
| ATP 736* | 4,811.76 | 55 | Bridgeport[1] | - |
| ATP 737* | 621.96 | 55 | Bridgeport[1] | - |
| ATP 738* | 1,077.91 | 55 | Bridgeport[1] | - |
| PEL 90* (Remainder) | 0.29 | 100 | | - |
| PEL 90* (Kiwi) | 144.36 | 75 | Cooper[2] | - |
| PEL 94 | 899.87 | 15 | Beach*, Strike | - |
| PEL 182* | 870.35 | 57 | Acer Energy | - |
| PEL 516* | 1,522.30 | 100 | | - |
| PEL 639* | 627.45 | 100 | | - |
| Surat Basin | | | | |
| ATP 1190 (Weribone) | 12.19 | 20.65 | AGL, Armour Energy* | - |
| ATP 767* | 313.6 | 100 | | - |
| ATP 795* | 218.31 | 100 | | - |
| ATP 889* | 76.95 | 100 | | - |
| ATP 593* | 230.79 | 100 | | - |
| ATP 771* | 538.36 | 100 | | - |
| PCA 125* - (East) | 154.00 | 100 | | ATP 771 |
| PCA 126* - (West) | 154.00 | 100 | | ATP 771 |
| PCA 127* - (Central) | 231.00 | 100 | | ATP 771 |
| PCA 157 - (Weribone block only) | 12.19 | 20.65 | AGL, Armour Energy* | ATP 1190 |
| PCA 184* | 76.90 | 100 | | ATP 767 |
| PCA 249* | 230.79 | 100 | | ATP 593 |

*Note: see footnotes on page 142*

| Permit (*operated by Senex) | Area (km²) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| **Production** Surat Basin | | | | |
| PL 1037* | 58 | 100 | | N/A Tender Award |
| PL 1022* (East) | 230.60 | 100 | | ATP 767, 795 & 889 |
| Cooper/Eromanga Basins | | | | |
| PPL 203 (Acrasia)* | 2.03 | 100 | | 90 |
| PPL 206 (Derrilyn[3]) | 1.40 | 35 | Santos* | Santos |
| PPL 207 (Worrior)* | 6.41 | 70 | Cooper | 93 |
| PPL 208 (Derrilyn) | 0.26 | 35 | Santos* | 113 |
| PPL 209 (Harpoono)* | 10.02 | 100 | | 113 |
| PPL 211 (Reg Sprigg West[4]) | 0.12 | 25 | Santos*, Beach, Lattice Energy | 90 |
| PPL 213 (Mirage)* | 9.69 | 100 | | 115 |
| PPL 214 (Ventura)* | 1.56 | 100 | | 115 |
| PPL 215 (Toparoa) | 0.89 | 35 | Santos* | 113 |
| PPL 217 (Arwon)* | 0.81 | 100 | | 93 |
| PPL 218 (Arwon East)* | 0.62 | 100 | | 113 |
| PPL 221 (Padulla)* | 4.56 | 100 | | 113 |
| PPL 241 (Vintage Crop)* | 0.53 | 100 | | 516 |
| PPL 240 (Snatcher)* | 3.08 | 60 | Beach | 111 |
| PPL 242 (Growler)* | 7.87 | 60 | Beach | 104 |
| PPL 243 (Mustang)* | 3.61 | 60 | Beach | 111 |
| PPL 251 (Burruna)* | 1.02 | 100 | | 115 |

| Permit (*operated by Senex) | Area (km²) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| PPL 258 (Spitfire)* | 8.10 | 60 | Beach | 104 |
| PPL 263 (Marlet North)* | 0.58 | 60 | Beach | 111 |
| PPL 264 (Martlett)* | 1.30 | 60 | Beach | 104 & 111 |
| PPL 265 (Marauder)* | 1.87 | 60 | Beach | 104 |

**Retention**

Cooper/Eromanga Basins

| | | | | |
|---|---|---|---|---|
| PRL 15* | 6.87 | 60 | Beach | 104 |
| PRL 16* | 3.09 | 100 | | 113 |
| PRL 50* | 97.76 | 100 | | 88 |
| PRL 51* | 99.34 | 100 | | 88 |
| PRL 52* | 97.33 | 100 | | 88 |
| PRL 53* | 99.63 | 100 | | 88 |
| PRL 54* | 96.07 | 100 | | 88 |
| PRL 55* | 99.63 | 100 | | 88 |
| PRL 56* | 99.36 | 100 | | 88 |
| PRL 57* | 99.19 | 100 | | 88 |
| PRL 58* | 98.59 | 100 | | 88 |
| PRL 59* | 99.14 | 100 | | 88 |
| PRL 60* | 99.68 | 100 | | 88 |
| PRL 61* | 98.87 | 100 | | 88 |
| PRL 62* | 98.83 | 100 | | 88 |
| PRL 63* | 94.35 | 100 | | 88 |
| PRL 64* | 98.04 | 100 | | 88 |

| Permit (*operated by Senex) | Area (km²) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| PRL 65* | 97.70 | 100 | | 88 |
| PRL 66* | 96.27 | 100 | | 88 |
| PRL 67* | 96.95 | 100 | | 90 |
| PRL 68* | 98.52 | 100 | | 90 |
| PRL 69* | 94.08 | 100 | | 90 |
| PRL 70* | 77.35 | 100 | | 90 |
| PRL 71* | 75.96 | 100 | | 90 |
| PRL 72* | 72.53 | 100 | | 90 |
| PRL 73* | 94.48 | 100 | | 90 |
| PRL 74* | 82.57 | 100 | | 90 |
| PRL 75* | 49.05 | 100 | | 90 |
| PRL 76* | 84.77 | 100 | | 102 |
| PRL 77* | 77.21 | 100 | | 102 |
| PRL 78* | 98.23 | 100 | | 113 |
| PRL 79* | 96.99 | 100 | | 113 |
| PRL 80* | 60.28 | 100 | | 113 |
| PRL 81* | 78.46 | 100 | | 113 |
| PRL 82* | 76.66 | 100 | | 113 |
| PRL 83* | 98.58 | 100 | | 113 |
| PRL 84* | 52.89 | 100 | | 113 |
| PRL 105* | 82.54 | 100 | | 115 |
| PRL 106* | 23.27 | 100 | | 115 |
| PRL 107* | 94.03 | 100 | | 115 |
| PRL 108* | 41.89 | 50 | PNC Aust Pty Ltd | 105 |

## ADDITIONAL INFORMATION

| Permit (*operated by Senex) | Area (km²) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| PRL 109* | 93.22 | 50 | PNC Aust Pty Ltd | 105 |
| PRL 110* | 83.79 | 50 | PNC Aust Pty Ltd | 105 |
| PRL 116* | 63.92 | 100 | | 115 |
| PRL 117* | 1.59 | 100 | | 115 |
| PRL 118* - Surrendered 5/09/2018 | 99.70 | 80 | Planet Gas | 514 |
| PRL 119* - Surrendered 5/09/2018 | 99.74 | 80 | Planet Gas | 514 |
| PRL 120* | 99.30 | 80 | Planet Gas | 514 |
| PRL 121* - Surrendered 5/09/2018 | 98.58 | 80 | Planet Gas | 514 |
| PRL 122* - Surrendered 5/09/2018 | 96.84 | 80 | Planet Gas | 514 |
| PRL 123* - Surrendered 5/09/2018 | 98.08 | 80 | Planet Gas | 514 |
| PRL 124* | 84.83 | 80 | Planet Gas | 514 |
| PRL 125* - Surrendered 5/09/2018 | 91.57 | 80 | Planet Gas | 514 |
| PRL 126* - Surrendered 5/09/2018 | 81.86 | 80 | Planet Gas | 514 |
| PRL 127* - Surrendered 5/09/2018 | 75.45 | 80 | Planet Gas | 514 |
| PRL 128* | 86.58 | 80 | Planet Gas | 514 |
| PRL 135 (Vanessa)* | 2.54 | 57 | Beach | 182 |
| PRL 136 (Marauder)* | 74.18 | 60 | Beach | 104 |
| PRL 137 (Martlet)* | 72.73 | 60 | Beach | 104 |
| PRL 138* | 89.23 | 60 | Beach | 104 |
| PRL 139* | 94.85 | 60 | Beach | 104 |
| PRL 140* | 98.41 | 60 | Beach | 104 |
| PRL 141* | 77.29 | 60 | Beach | 104 |
| PRL 142* | 99.36 | 60 | Beach | 111 |
| PRL 143* | 94.97 | 60 | Beach | 111 |
| PRL 144* | 88.87 | 60 | Beach | 111 |
| PRL 145* | 97.77 | 60 | Beach | 111 |
| PRL 146* | 98.03 | 60 | Beach | 111 |
| PRL 147* | 85.18 | 60 | Beach | 111 |
| PRL 148* | 93.34 | 60 | Beach | 111 |

| Permit (*operated by Senex) | Area (km²) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| PRL 149* | 94.62 | 60 | Beach | 111 |
| PRL 150* | 22.82 | 60 | Beach | 111 |
| PRL 183* | 82.58 | 80 | Cooper | 110 |
| PRL 184* | 93.50 | 80 | Cooper | 110 |
| PRL 185* | 86.78 | 80 | Cooper | 110 |
| PRL 186* | 86.67 | 80 | Cooper | 110 |
| PRL 187* | 97.32 | 80 | Cooper | 110 |
| PRL 188* | 93.83 | 80 | Cooper | 110 |
| PRL 189* | 88.70 | 80 | Cooper | 110 |
| PRL 190* | 98.13 | 80 | Cooper | 110 |
| PRL 207* | 99.14 | 55 | Cooper, Santos | 100 |
| PRL 208* | 98.89 | 55 | Cooper, Santos | 100 |
| PRL 209* | 98.47 | 55 | Cooper, Santos | 100 |
| PRL 210* | 98.80 | 100 | | 637 |
| PRL 211* | 98.49 | 100 | | 637 |
| PRL 212* | 86.53 | 100 | | 637 |
| PRL 213* | 97.12 | 100 | | 637 |
| PRL 214* | 96.61 | 100 | | 637 |
| PRL 215* | 88.65 | 100 | | 637 |
| PRL 216* | 71.61 | 100 | | 637 |
| PRL 217* | 97.11 | 100 | | 637 |
| PRL 218* | 89.87 | 100 | | 637 |
| PRL 219* | 86.42 | 100 | | 637 |
| PRL 220* | 96.38 | 100 | | 637 |
| PRL 221 (Deeps)* | 85.56 | 100 | | 638 |
| PRL 221 (Shallows)* | | 100 | | |
| PRL 222 (Deeps)* | 93.61 | 100 | | 638 |
| PRL 222 (Shallows)* | | 100 | | |

| Permit (*operated by Senex) | Area ($km^2$) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| PRL 223 (Deeps)* | 95.12 | 100 | | 638 |
| PRL 223 (Shallows)* | | 100 | | |
| PRL 224 (Deeps)* | 95.86 | 100 | | 638 |
| PRL 224 (Shallows)* | | 100 | | |
| PRL 225 (Deeps)* | 98.84 | 100 | | 638 |
| PRL 225 (Shallows)* | | 100 | | |
| PRL 226 (Deeps)* | 98.37 | 100 | | 638 |
| PRL 226 (Shallows)* | | 100 | | |
| PRL 227 (Deeps)* | 51.96 | 100 | | 638 |
| PRL 227 (Shallows)* | | 100 | | |
| PRL 228 (Deeps)* | 89.93 | 100 | | 638 |
| PRL 228 (Shallows)* | | 100 | | |
| PRL 229 (Deeps)* | 99.00 | 100 | | 638 |
| PRL 229 (Shallows)* | | 100 | | |
| PRL 230 (Deeps)* | 95.76 | 100 | | 638 |
| PRL 230 (Shallows)* | | 100 | | |
| PRL 231* | 86.82 | 70 | Cooper | 93 |
| PRL 232* | 95.04 | 70 | Cooper | 93 |
| PRL 233* | 94.66 | 70 | Cooper | 93 |
| PRL 237* | 17.64 | 70 | Cooper[5] | 93 |
| PRL 238* | 98.50 | 57 | Beach | 182 |
| PRL 239* | 99.10 | 57 | Beach | 182 |
| PRL 240* | 99.15 | 57 | Beach | 182 |
| PRL 241* | 99.05 | 57 | Beach | 182 |
| PRL 242* | 98.33 | 57 | Beach | 182 |
| PRL 243* | 99.68 | 57 | Beach | 182 |
| PRL 244* | 98.69 | 57 | Beach | 182 |
| **Applications**<br>Surat Basin | | | | |
| ATP 2042 - application (preferred tendered for PLR2018-1-1) | 153.00 | 100 | | |

| Permit (*operated by Senex) | Area ($km^2$) | Interest (%) | Joint venturers (*operator) | Original PEL/ATP |
|---|---|---|---|---|
| PL 1023* - application (West) | 230.50 | 100 | | |
| PL 1024* - application (Central) | 224.60 | 100 | | |
| Cooper/Eromanga Basins | | | | |
| PRL 245 - application | 93.09 | 75 | Cooper[2] | 90 |
| PRL 246 - application | 51.56 | 75 | Cooper[2] | 90 |
| PPL 266 - application | 1.98 | 60 | Beach | 104 |
| PPL 267 - application | 5.33 | 60 | Beach | 111 |

*Footnotes:*

1 *Approval pending for the transfer of Senex interest to Bridgeport*
2 *Senex has received notice from Cooper of withdrawal from Joint Venture, to be effected*
3 *Santos PPL 206 forms part of Derrilyn Unitisation Agreement with PPLs 208 & 215*
4 *Santos PPL 194 forms part of Reg Sprigg West agreement with PPL 211*
5 *20% of Senex interest to be assigned to Metgasco*

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

ADDITIONAL INFORMATION

## Shareholder statistics

Additional information is 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 30 July 2019:

| | Number of Holders | | |
|---|---|---|---|
| Size of Holding | Listed Fully Paid Shares | Unlisted Performance Rights | Unlisted Share Appreciation Rights |
| 1-1,000 | 1,123 | - | - |
| 1,001-5,000 | 3,810 | - | - |
| 5,001-10,000 | 2,127 | - | - |
| 10,001-100,000 | 5,797 | 37 | - |
| 100,001 + | 1,321 | 25 | 5 |
| **Total** | **14,178** | **62** | **5** |

(b) The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 30 July 2019 was 1,580.

(c) The names of the 20 largest holders of fully paid shares each holds and the percentage of capital each holds as at 30 July 2019:

| No. | Name | Number | % |
|---|---|---|---|
| 1. | CITICORP NOMINEES PTY LIMITED | 275,109,748 | 18.93 |
| 2. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 260,747,173 | 17.94 |
| 3. | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 151,528,243 | 10.43 |
| 4. | NATIONAL NOMINEES LIMITED | 24,674,096 | 1.70 |
| 5. | ELPHINSTONE HOLDINGS PTY LTD | 21,777,928 | 1.50 |
| 6. | BOW ENERGY LIMITED | 12,738,621 | 0.88 |
| 7. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 9,779,197 | 0.67 |
| 8. | UBS NOMINEES PTY LTD | 8,741,801 | 0.60 |
| 9. | BNP PARIBAS NOMS PTY LTD <DRP> | 8,277,334 | 0.57 |
| 10. | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 8,274,031 | 0.57 |
| 11. | MR ROBERT BRYAN | 7,000,000 | 0.48 |
| 12. | BNP PARIBAS NOMS (NZ) LTD <DRP> | 6,362,500 | 0.44 |
| 13. | CHARMIAN INVESTMENTS PTY LTD <CHARMIAN ACCOUNT> | 5,269,030 | 0.36 |
| 14. | CURTIS FAMILY SUPERANNUATION PTY LTD <THE CI & M CURTIS PL S/F A/C> | 5,000,000 | 0.34 |
| 15. | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 4,711,166 | 0.32 |
| 16. | BAINPRO NOMINEES PTY LIMITED | 4,310,698 | 0.30 |
| 17. | MR MICHAEL RYALLS + MRS DULCIE ELLEN RYALLS <M & D RYALLS SUPER FUND A/C> | 4,173,870 | 0.29 |
| 18. | PACIFIC DEVELOPMENT CORPORATION PTY LTD | 4,000,000 | 0.28 |
| 19. | MR TIMOTHY BRYCE KLEEMANN | 3,248,000 | 0.22 |
| 20. | CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 2,912,862 | 0.20 |

Details of the names of the substantial holders 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 are outlined in the table below. At the date of the Annual Report, only EIG-related parties qualify as substantial holders:

| Names of substantial holder | Date of notice | Number of ordinary shares | % of ordinary shares |
|---|---|---|---|
| EIG Global Energy Partners, LLC and related parties disclosed in the substantial holding notification (all having the same relevant interest in the same securities). | 29 August 2018 | 131,757,216 | 9.1% (based on 1,448,730,505 shares on issue at 29 August 2018) |

## 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.

*Pictured: Easternwell Rig 27 keeps drilling in the Surat Basin*

ADDITIONAL INFORMATION

## Five-year history

| At 30 June | FY19 | FY18 | FY17 | FY16 | FY15 |
|---|---|---|---|---|---|
| Financial performance ($'000) | | | | | |
| Sales revenue | **94,094** | 70,301 | 43,650 | 69,287 | 115,910 |
| Total revenue | **95,350** | 71,454 | 44,811 | 111,557 | 120,878 |
| Income tax benefit / (expense) | **-** | - | - | – | (10,681) |
| Profit / (loss) after tax | **3,295** | (94,010) | (22,661) | (33,196) | (80,646) |
| | | | | | |
| Financial position ($'000) | | | | | |
| Total assets | **503,666** | 427,319 | 513,493 | 454,105 | 484,174 |
| Total equity | **355,796** | 346,273 | 439,485 | 369,645 | 401,916 |
| | | | | | |
| Production and Reserves | | | | | |
| Production – oil and gas (mmboe) | **1.20** | 0.84 | 0.75 | 1.01 | 1.39 |
| 2P Reserves – oil (mmboe) | **7.3** | 8.3 | 9.3 | 10.4 | 11.3 |
| 2P Reserves – gas (mmboe) | **104.1** | 104.8 | 74.7 | 73 | 83.3 |
| | | | | | |
| Capital expenditure ($'000) | | | | | |
| Total capital expenditure | **109,300** | 80,100 | 62,300 | 27,800 | 82,200 |

## Five-year history (continued)

| At 30 June | FY19 | FY18 | FY17 | FY16 | FY15 |
|---|---|---|---|---|---|
| Share information | | | | | |
| Issued shares | **1,453,069,535** | 1,447,271,094 | 1,442,250,404 | 1,152,686,422 | 1,149,657,377 |
| Weighted average shares | **1,451,657,667** | 1,446,995,988 | 1,252,319,487 | 1,152,686,422 | 1,149,307,488 |
| Share price | **0.36** | 0.44 | 0.28 | 0.26 | 0.28 |
| | | | | | |
| Ratios | | | | | |
| Basic earnings / (loss) per share (cents) | **0.23** | (6.5) | (1.82) | (2.88) | (6.11) |
| Earnings / (loss) per share (cents) diluted | **0.22** | (6.5) | (1.82) | (2.88) | (7.02) |
| | | | | | |
| General ($'000) | | | | | |
| Market capitalisation | **523,105** | 629,563 | 396,619 | 293,935 | 321,904 |
| Current Liabilities | **43,297** | 29,190 | 29,666 | 35,490 | 29,831 |
| Profit / (loss) from continuing operations before tax | **3,295** | (94,010) | (22,661) | (33,196) | (91,327) |
| Interest income | **927** | 1,487 | 1,885 | 1,510 | 634 |
| Depreciation and amortisation | **26,777** | 20,647 | 21,145 | 23,605 | 24,744 |
| Impairment | **-** | 113,255 | - | 69,673 | 96,963 |
| Exploration expenses | **11,327** | 3,180 | 8,688 | 2,268 | 18,430 |

ADDITIONAL INFORMATION

## Glossary

| | |
|---|---|
| $ | Australian dollars unless otherwise stated |
| 1P | Proved (developed plus undeveloped) reserves in accordance with the SPE PRMS |
| 2P | Proved plus probable reserves in accordance with the SPE PRMS |
| 2C | Best estimate scenario of contingent resources in accordance with the SPE PRMS |
| ASX | Australian Securities Exchange |
| ATP | Authority to prospect granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld) |
| Barrel/bbl | the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons |
| Bcf | Billion cubic feet |
| Beach | Beach Energy Limited |
| boe | Barrels of oil equivalent, the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy |
| bopd | Barrels of oil per day |
| Cooper Basin | The sedimentary geological basin of upper Carboniferous to middle Triassic age in north east South Australia and south west Queensland |
| Cooper-Eromanga Basin | The Cooper Basin and the overlying Eromanga Basin within the limits of the Cooper Basin |
| cps | Cents per share |
| CSG | Coal seam gas where gas is stored within coal deposits or seams |
| EBITDA | Earnings before Interest, Taxes, Depreciation and Amortisation |
| EBITDAX | Earnings before Interest, Taxes, Depreciation, Amortisation and Exploration expense. |
| EIP | Senex Employee Incentive Plan |
| ESG | Environmental, social and governance risks |
| 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 |
| 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 |
| mmbbl | Million barrels |
| mbbl | Thousand barrels |
| mmboe | Million barrels of oil equivalent |
| mmscfd | 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) |

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| 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. Performance Rights currently include FY17 STI Rights, FY18 STI Rights, FY18 LTI Rights, FY18 Retention Rights, FY19 STI Rights, FY19 LTI Rights and FY19 Retention Rights. |
| PJ | Petajoule |
| PL | 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 |
| 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 |
| 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 used as fuel in operations; flared; vented; other shrinkages; 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. SARs currently includes FY16 SARS – tranche 1, FY16 SARs – Tranche 2, FY17 SARs – Tranche 1. |
| Senex | Senex Energy Limited |
| Share | Fully paid ordinary share issued by the company |
| SPE PRMS | The Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers |
| Surat Basin | The sedimentary geological basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales |
| SXY | Senex Energy Limited's code on the Australian Securities Exchange |
| tcf | Trillion cubic feet of gas |
| TJ | Terajoule |
| TRIFR | Total recordable injury frequency rate |
| TSR | Total shareholder return |
| Underlying EBITDAX | Earnings before interest, tax, depreciation, amortisation, evaluation, exploration expenses, impairment adjustments and restructuring |
| Underlying NPAT | Underlying net profit after tax excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the Beach Energy transaction and restructuring |
| VWAP | Volume weighted average price |
| Waterflood | A means of improving oil recovery by maintaining pressure in the formation and improving sweep efficiency. Maintaining pressure is accomplished by injecting water of suitable quality into the target formation in sufficient quantity to compensate for the fluid removed from the reservoir through production |


Senex
Senex Energy Limited
Senex

# 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)

Vahid Farzad (Non-Executive Director) (appointed 2 April 2019)

**Company Secretary**
David Pegg

**Principal place of business**
Level 30, 180 Ann Street
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Facsimile +61 7 3335 9999
Website www.senexenergy.com.au

**Share registry**
Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane, QLD, 4000
Website www.computershare.com/au

To maintain or update your details online and enjoy full access to all your holdings and other valuable information, simply visit www.investorcentre.com

**Securities exchange**
Australian Securities Exchange (ASX) Code: SXY

**Bankers**
ANZ
Level 20, 111 Eagle Street
Brisbane, Queensland 4000

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

**Senex Energy Limited**

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