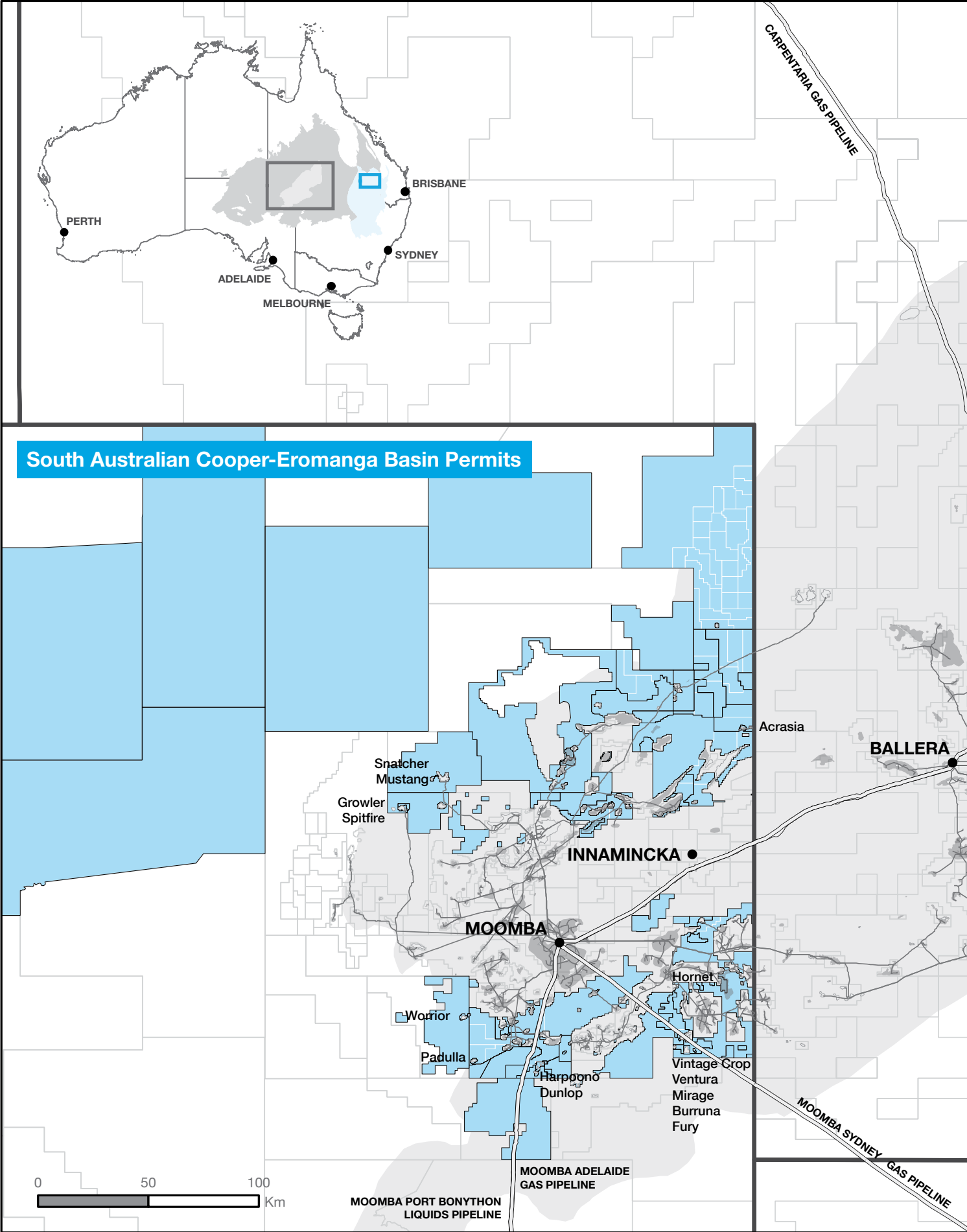


Driving growth with purpose direction focus



Senex areas of interest



Queensland Cooper-Eromanga Basin Permits

Major export pipelines

Pipelines

Oil and gas fields*

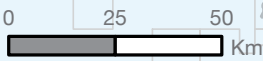
Senex permit interests

*Source: GPINFO

SOUTH WEST QUEENSLAND GAS PIPELINE

Queensland Surat Basin Permits

ROMA ●



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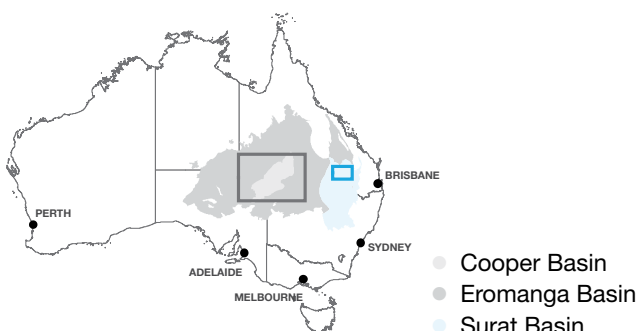
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Company profile

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

Senex holds an extensive portfolio of oil and gas assets in central and eastern Australia that are strategically located to supply growing domestic and international energy demand. This includes a range of oil and gas reservoir types, from conventional through to unconventional resources in established oil and gas provinces and close to existing infrastructure.

Senex employs a team of 200, with headquarters in Brisbane and offices in Adelaide and the Cooper-Eromanga Basin. The Senex team is committed to upholding the Company's values of *Delivery, Ownership, Collaboration and Integrity*, based on safe work practices and long term sustainability.



About this report

This report is a summary of Senex's operations, activities and financial position as at 30 June 2014. It complies with Australian reporting requirements.

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

Chairman's letter

Dear Shareholder,

Four years ago, your Board began a process of Company rejuvenation. Over those four years, that process has transformed your Company into a strong performer in Australia's energy sector and delivered year on year growth in oil production, reserves and revenue. The Company's results have demonstrated that there is enormous opportunity in Australia's onshore energy sector for reliable, agile and innovative operators.

Positioned for growth

Today, your Company is one of Australia's largest independent onshore oil producers and among a handful of early movers in the establishment of an unconventional gas industry in the Cooper-Eromanga Basin. The Company has a strong balance sheet, with cash in the bank and no debt. It also has an impressive portfolio of assets.

Senex's oil and gas portfolio covers more than 70,000 square kilometres of the Cooper, Eromanga and Surat Basins in South Australia and Queensland. It is no accident that Senex assets are located within these two states. They have proven to be two of the country's leading regions in the development of sustainable solutions to growing energy demand. Importantly, Senex operates more than 90% of its permits – ensuring that our business has the ability to manage its assets as a portfolio.

During the year, the Senex team set new benchmarks for production and reserves growth, while successfully delivering a 30-well drilling program. Once again, the team delivered important milestones in our growing gas business; signing our first gas supply agreement with Santos Limited (Santos) on behalf of the South Australian Cooper Basin Joint Venture (SACB JV) and securing a major farm out transaction with Origin Energy Limited (Origin) to continue unconventional gas exploration and appraisal in our Cooper-Eromanga Basin acreage.

Importantly, these results were achieved with fewer safety incidents than the previous year, resulting in a 25% improvement in the Company's total recordable injury frequency rate. Of course, any incident is one too many. That is why we will continue to strive for zero harm to people and the environment. We must continue to improve our safety performance if we are to achieve our growth ambitions. In my experience, safe companies are successful companies.

The road to FY18 and beyond

Over the next four years, your Company will deliver on the promise of its asset portfolio by leveraging its strengths and capabilities. Coinciding with the release of this annual report, Senex has articulated a *Growth Acceleration Strategy* that describes where the business is headed and how we intend to get there.

The Board fully supports and encourages this targeted growth strategy, which maintains and strengthens the dual focus on accelerating the development of oil and gas resources to supply growing energy demand in Australia and internationally. Details of this strategy and its implications for the business are included on page 6 of this annual report.

This is an exciting phase of development for Senex. I can see parallels between what we are doing here and what I have experienced in the past with other business success stories. With the right team in place and a culture focused on safety, technical excellence, cost efficiency and great performance, Senex is in the box seat to benefit from gas market opportunities in coming years.

On behalf of my fellow Directors, I would like to recognise the incredible efforts of the Senex team over the year to deliver such strong results. I would also like to thank my fellow Board members for ongoing efforts and make special mention of our most recent appointee, Ms Debra Goodin, whom I expect will contribute strongly in the coming years.

I urge our loyal shareholders to continue their support as we prepare to further develop our business and take the Company to the next level.

Sincerely,



Denis F Patten
Chairman

25 August 2014

Managing Director's report

Australia's oil and gas sector is thriving. Growing energy demand and favourable economic conditions continue to underpin a proliferation of oil and gas projects across the country. Senex is perfectly placed to take advantage of this perfect storm. We have the right people, the right experience and the right strategy to deliver sustainable growth and strong returns for shareholders.

Strong FY14 results

Our Cooper-Eromanga Basin oil business continued to grow over the last 12 months, achieving record production, record sales and record reserves growth through organic means. A successful program of drilling and workovers balanced our portfolio of oil assets and our reserves base. Interpretation of recently acquired 3D seismic data identified a range of leads and prospects that will fuel future growth.

We also made excellent progress in the gas arena during the year, with game changing transactions agreed early in 2014:

- In February 2014, we announced a major new unconventional gas farm out transaction with Origin involving a \$252 million exploration program in the Cooper-Eromanga Basin
- In March 2014, we entered into a gas supply agreement with the SACB JV to supply gas during testing and appraisal of the Hornet gas discovery.

Safety first – always

I am very pleased to report that Senex's safety performance improved markedly during the year, even with increased activity across the business. Senex is concerned for the safety and wellbeing of all people who live and work in Australia's outback. For this reason, we have formed an active partnership with the Royal Flying Doctor Service (RFDS) and led an industry initiative to establish a 24-hour helicopter evacuation capability in the Cooper-Eromanga Basin that complements the existing 24/7 emergency response capability of the RFDS.

A responsible operator

As a significant operator in Australia's oil and gas industry, we are focused on ensuring our operations benefit local landholders and minimise the impact on the environment wherever possible. In FY14, we worked closely with landholders to negotiate a number of agreements that meet those objectives, including reuse of co-produced water for graziers and the construction and upgrade of roads. These agreements demonstrate our commitment to being a responsible operator in every aspect of our business.

Growth Acceleration Strategy

In addition to announcing our full year results to shareholders, we have outlined a *Growth Acceleration Strategy* that describes our plans to realise the potential of our large pipeline of growth assets.

The strategy enables a bold vision for the business. We are targeting major growth in oil and gas reserves and production through leveraging our portfolio, our financial strength and our operating capability.

Structured for growth

To deliver our strategy and ensure the core functions of the business can be scaled for growth, the Company's leadership team was streamlined in August 2014. Six executives now report to me, including our new Chief Operating Officer, Craig Stallan, who has responsibility for all of our operations in South Australia's Cooper-Eromanga Basin. This executive committee will drive our *Growth Acceleration Strategy*.

The entire business is focused on achieving our strategic growth objectives in line with our core values of Delivery, Ownership, Collaboration and Integrity, all underpinned by safe working practices. These values, which are embedded in everyone's performance contracts, are the key to delivering a high performance culture. This in turn will deliver the focus on technical excellence and cost efficiency that is critical to operational excellence.

Outlook

FY15 heralds a new era of growth for Senex. During the year, we expect to drill more than 25 wells in the Cooper-Eromanga Basin, focused not only on oil but also on gas. This program will provide the first phase of exploration for a broader, multi-year drilling campaign, reaping the benefit of targeted investment in over 2,000 square kilometres of 3D seismic over the last two years. In addition, we will progress with seismic acquisition and drilling in the unconventional gas program with our partner Origin, and continue to progress the appraisal of our Surat Basin gas assets.

Continued oil production growth is expected in FY15 and in future years. In addition we plan to commence initial gas production from the Cooper-Eromanga Basin in FY15, targeting total net production of 1.4 million barrels of oil equivalent for the full year, plus additional production from successful exploration.

I am very excited about the next four years for Senex and the opportunity before us. I feel privileged to work with such an intelligent, enthusiastic and experienced group of people who understand what it takes to deliver success in the oil and gas industry. I would like to thank our team, in the broadest possible sense, for their contribution throughout FY14. I look forward to working with you all in the coming year as we deliver our next phase of growth.

Sincerely,



Ian R Davies

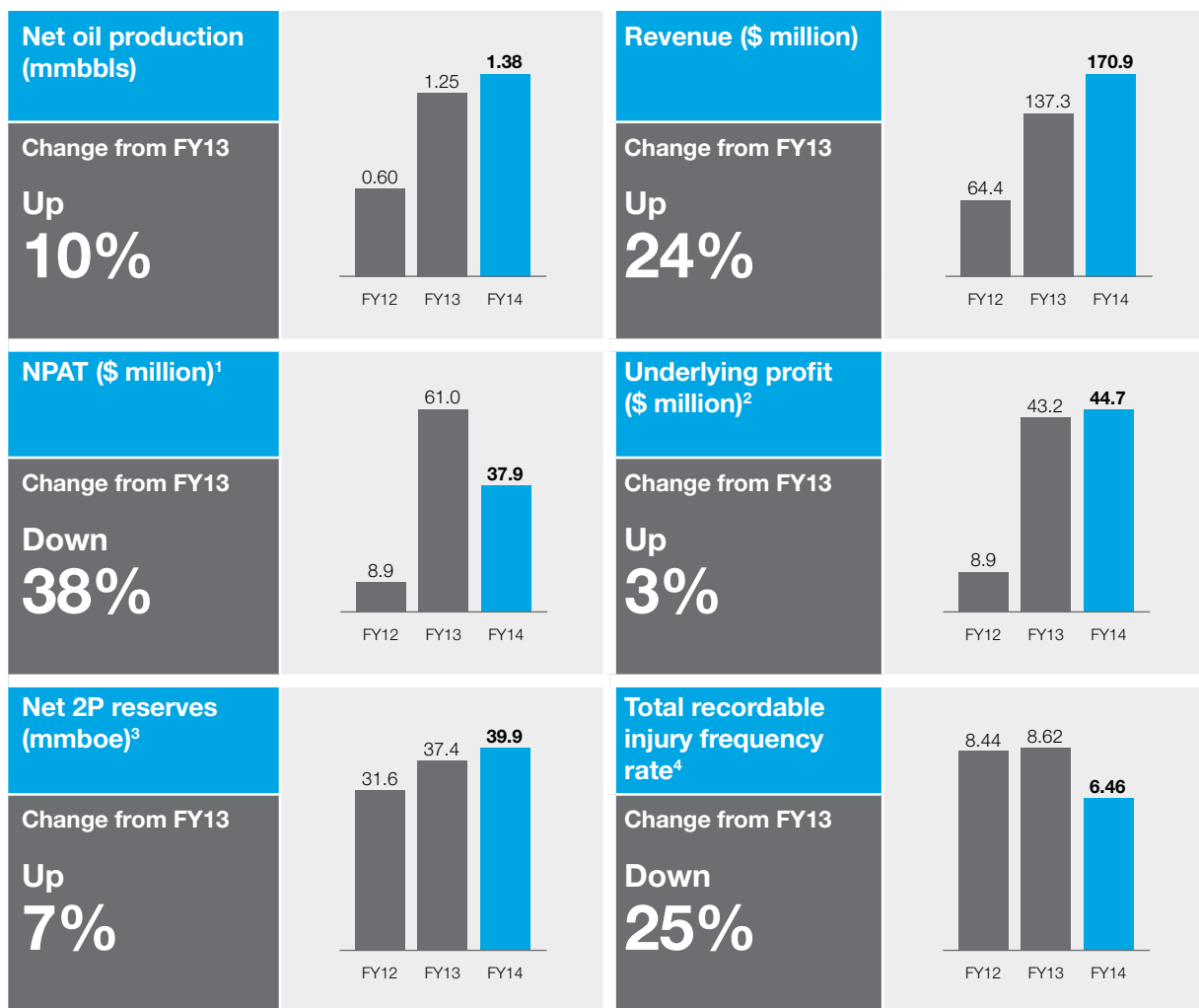
Managing Director and Chief Executive Officer

25 August 2014



Performance highlights

Performance indicators



¹ NPAT: Net profit after tax is equivalent to 'profit/(loss) after tax' per the audited consolidated statement of comprehensive income on page 70 of this annual report.

² Underlying profit can be reconciled to NPAT as follows:

	FY14 \$ million	FY13 \$ million	FY12 \$ million
NPAT	37.9	61.0	8.9
Add/(deduct):			
Gain on sale of assets – note 6(e)	(1.9)	(16.2)	-
Gain on asset held for sale	0.0	(3.7)	-
One off transaction costs*	4.1	(0.2)	-
Impairment of available for sale asset	0.0	2.3	-
Tax expense**	4.6	0.0	-
Underlying profit	44.7	43.2	8.9

* One off transaction costs form part of general and administrative expenses of \$32.7 million as set out in note 7(a).

** Relates to the income tax expense in respect of the gain on the sale of the Cuisinier assets recognised in FY13 for accounting purposes.

³ Evaluation dates for 2P reserves are set out on page 17 of this annual report.

⁴ Total recordable injury frequency rate is the number of recordable injuries per million hours worked.

Financial analysis



Financial position

Senex ended the financial year in a strong fiscal position, with no debt and \$76.6 million in cash. All Senex work programs for FY15 are fully funded by cash reserves, forecast cash flows from the high margin oil business and the free carried interest resulting from the Origin Cooper Basin gas farm-in agreement.

Revenue

Senex delivered another strong financial performance in FY14 with revenue from oil sales increasing by 25% to \$170.9 million, up from \$137.3 million in FY13. Sales growth was mainly due to continued development of the Company's western flank oil fields, successful exploration and appraisal in southern and northern areas of the South Australian Cooper-Eromanga Basin and sustained high oil prices. New discoveries and increased production from existing fields lifted total production by 10% to 1.38 million barrels.

Oil prices were strong during the year with average revenue per barrel of \$127, compared with \$113 per barrel in FY13. This was supported by a weaker Australian dollar, with an average exchange rate of 0.931 to the US dollar (USD) during the year, down from 1.014 in FY13.

Cost of sales

Excluding royalties, the cost of sales per barrel decreased from \$31.80 in 2013 to \$31.08 in FY14. Including royalties, the cost of sales per barrel increased from \$39.20 in FY13 to \$41.43 in FY14, as higher sales prices resulted in higher royalties payable.

Gross profit

These results combined to produce a gross profit of \$89.1 million, compared with \$70.0 million in FY13. The average cash margin of \$86 per barrel improved by \$11 per barrel on the previous year.

Net profit

Net profit after tax¹ was \$37.9 million, down from \$61.0 million in the previous year. However, underlying profit² increased by \$1.5 million to \$44.7 million after excluding the sale of oil and gas assets and one off transaction costs in the year.

Earnings before interest, tax, depreciation, amortisation, impairment and exploration expense (EBITDAX)³ increased slightly to \$91.1 million, compared to \$91.0 million in the prior year. The FY13 result included a one off net gain of \$15.5 million resulting from the sale of the Group's 15% interest in ATP 752 and PL 303 as well as a net gain of \$3.6 million from the sale of Port Bonython Fuels project. Accordingly, underlying EBITDAX increased by 34% to \$97.9 million, compared with \$73.2 million in the prior year.

Total general and administrative expenses increased to \$32.7 million, up from \$26.5 million in the previous year, which included one off transaction costs of \$4.1 million. Employee expenses increased by 5% with the number of Senex employees increasing from 160 to 197 by 30 June 2014.

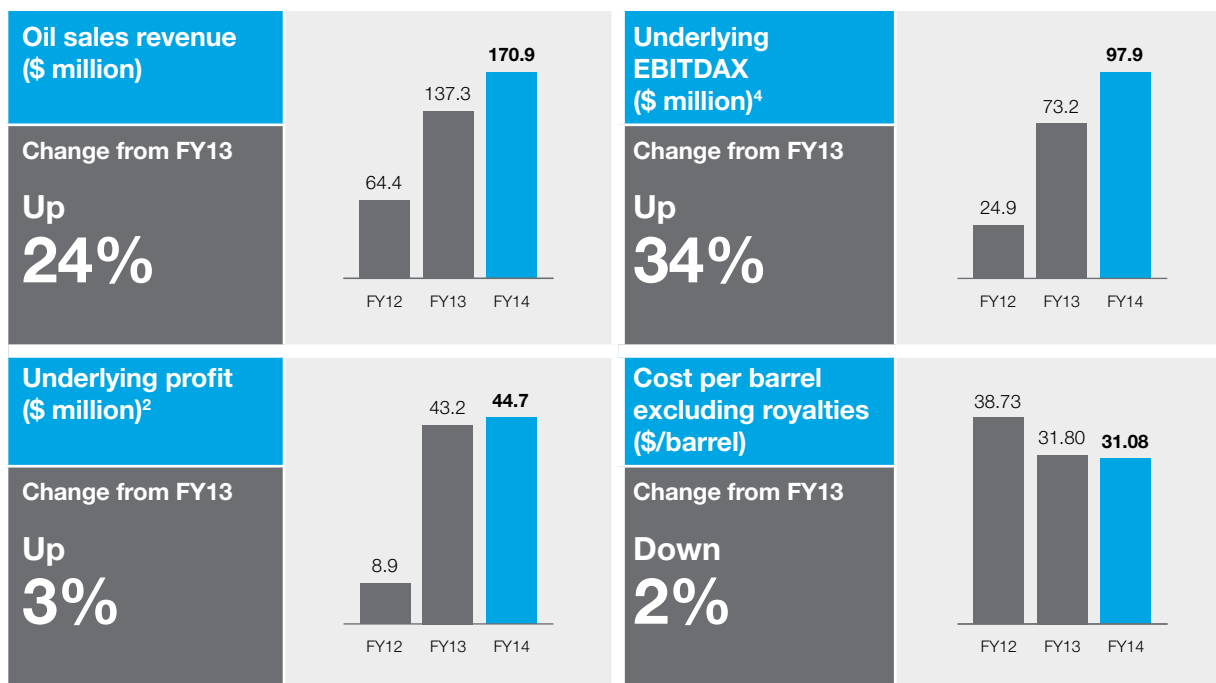
Other income recognised in the current financial year included \$1.9 million resulting from a net gain on the sale of listed securities.

Capital expenditure

Senex primarily focused on developing its Cooper-Eromanga Basin oil business in FY14, with a balanced program of exploration, appraisal and development activities primarily targeting new accumulations in or near Senex's operated oil fields. Senex invested \$84.5 million on oil and gas properties, facilities and plant and equipment during the year. This included projects to facilitate production increases from new and existing fields, and projects focused on increasing efficiency and reducing future operating costs. Senex also invested \$87.5 million in exploration and appraisal during the year, which included \$13.5 million in respect of additional acreage acquisition and \$14.2 million in 3D seismic acquisition and processing. The status of these activities are included on pages 24 to 25 of this annual report.

Financial analysis

Financial performance indicators



¹ NPAT: Net profit after tax is equivalent to 'profit/(loss) after tax' per the audited consolidated statement of comprehensive income on page 70 of this annual report.

² Underlying profit is reconciled to NPAT on page 3 of this annual report.

³ EBITDA /EBITDAX – Earnings before interest, tax, depreciation, amortisation, impairment and exploration expense can be reconciled to the audited financial report as follows:

	FY14 \$ million	FY13 \$ million	FY12 \$ million
NPAT	37.9	61.0	8.9
Add back:			
Interest (net)	(1.7)	(5.4)	(3.3)
Tax	10.7	0.4	1.7
Depreciation	1.3	0.6	0.6
Amortisation and impairment	26.1	21.5	11.8
EBITDA	74.3	78.1	19.7
Exploration expenses	16.8	12.9	5.2
EBITDAX	91.1	91.0	24.9

⁴ Underlying EBITDAX can be reconciled to the audited financial report as follows:

	FY14 \$ million	FY13 \$ million	FY12 \$ million
Underlying profit	44.7	43.2	8.9
Add back:			
Interest (net)	(1.7)	(5.4)	(3.3)
Tax	10.7	0.4	1.7
Depreciation	1.3	0.6	0.6
Amortisation and impairment	26.1	21.5	11.8
Exploration expenses	16.8	12.9	5.2
Underlying EBITDAX	97.9	73.2	24.9

Growth Acceleration Strategy



Our Vision



We are a growth-focused oil and gas exploration and production company

We care about and support the communities in which we operate

We aim to attract and retain the best people and partners

We aim to consistently deliver enhanced returns to shareholders

We are building an S&P/ASX 100 listed company with world-class operating credentials



Oil and gas in Australia is an exciting business to be in.

The Australian petroleum industry has gone from strength to strength in recent years, with all indicators suggesting this growth will continue in the near term. This strength is much more than a blip – it comes from the robust fundamentals of a thriving supply-demand dynamic.

For oil production, consistently high prices have combined with a strengthening United States dollar to deliver a sustained period of strong operating margins.

Gas prices on the east coast of Australia have risen materially and quickly, fuelled by the expected gas demand from large scale LNG export projects being built by some of the largest energy companies in the world. Global and local demand growth for gas continues to outstrip the speed at which new supply can be brought to market.

Australia is well positioned in this market. Few countries in the world can boast such a wealth of untapped hydrocarbon resource in tandem with the political stability of a first world nation.

This is the perfect storm of opportunity for a company with Senex's extensive suite of assets and Senex is preparing to ride the wave.

A strategy for growth

Achieving Senex's goals and making the most of the opportunities ahead requires Senex to maintain and strengthen its dual focus on oil and gas.

Senex's foundations in oil are now well established and the focus has shifted to delivering growth and driving continual improvement.

Senex is committed to building a high quality gas portfolio and a market-leading operating capability to take advantage of the unprecedented growth opportunities in Australia's east coast gas markets.

And importantly, Senex is increasing its focus on de-risking its growth by high grading the mix of oil, gas, exploration and production in our portfolio through a targeted new ventures strategy.

The building blocks for delivering this vision are embedded in our plans for FY15 and beyond.

Growth Acceleration Strategy

The Senex Journey



	2010	2014	2018
What is Senex?	Oil explorer with coal seam gas assets	Oil producer and gas explorer	Oil and gas explorer and producer
What is Senex's focus?	Achieving a robust production base	Delivering year on year production growth	Building a sustainable, material business across the oil and gas upstream value chain
Where is Senex?	Across Australia and internationally	Focused on the South Australian Cooper-Eromanga Basin	Cooper-Eromanga Basin
			Surat Basin
			Active new ventures strategy to further diversify and strengthen the business
How is Senex funded?	Regular small capital raisings	Operating cash flows, supported by a clean balance sheet	Optimised production strategy
			Strategic partnering
			Disciplined capital management
How is success measured?	Well by well, barrel by barrel	Annual production and reserves targets	Targeting inclusion in the S&P/ASX 100
			2P reserves well in excess of 100 mmboe
			Sustainable and material growth in oil and gas production

Growth Acceleration Strategy

Oil

Delivering growth

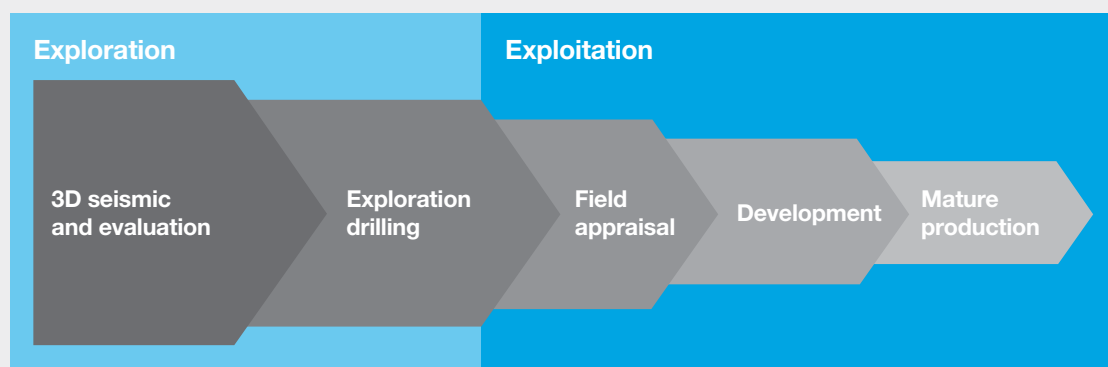


Producing onshore oil from established oil provinces in an environment of sustained high oil prices is an attractive investment proposition. The cost of production is relatively low, and the rewards are fast and material.

Over the last four years, Senex has worked hard to build an enviable portfolio of highly prospective oil exploration acreage focused in the Cooper Basin for exactly that reason.

The company's forward plan focuses on unlocking the value in that portfolio via patient and focused stewardship through the upstream exploration, development and production value chain.

At every step in the journey our focus is on teaming the right people with the right technologies to maximise returns.



Projects	Forward plan
Cooper oil exploration	Building and updating regional modelling and evaluation
	Progressing the 3D seismic plan <ul style="list-style-type: none"> • Ongoing evaluation of Dundinna, Cordillo and Lignum • Progressive acquisition of new areas to extend coverage across Senex acreage
	Exploration drilling <ul style="list-style-type: none"> • Phase I drilling on Dundinna and Cordillo (structural targets) • Phase II drilling on Lignum (structural and stratigraphic targets)
Cooper oil exploitation	Continuing appraisal of Spitfire and Worrior, and new fields as they are discovered
	Investigating and planning field development opportunities, including continuing execution of optimisation activities to drive continuing basin-wide infrastructure planning to minimise costs to market
Cooper tight oil	Planning for appraisal, targeting drilling late in FY15, early FY16

Growth Acceleration Strategy

Gas



Achieving material production

The Australian east coast gas market continues to go from strength to strength. Robust underlying domestic demand and the impending startup of large LNG projects in Gladstone have provided the catalysts for a permanent step change in gas pricing – a rare opportunity for the astute investor.

Senex's portfolio spans material conventional, coal seam, tight and unconventional gas opportunities – ideally positioning it as part of the short, medium and long-term supply solution. Senex's forward plan focuses on maturing these assets to production and continuing to develop its capabilities as a gas operator.

Projects	Forward plan
Cooper conventional gas	Building and updating regional modelling and evaluation
	Progressing identification of gas prospects from the 3D seismic plan
	Exploration drilling
	Vanessa conventional gas discovery connection and follow-up appraisal
Surat gas	Detailed geological and reservoir modelling and evaluation
	Design and execution of baseline monitoring plans
	Constructing water handling facilities to facilitate pilot production testing
	Ongoing exploration activities to extend and mature reserve coverage
Cooper tight gas	Continuing evaluation of the Hornet gas discovery
	Flow testing and connection
	Detailed appraisal planning
Cooper unconventional gas (Origin JV)	Ongoing evaluation to refine subsurface models
	Commencement of farm-in work program: <ul style="list-style-type: none"> • 3D seismic acquisition • Exploration drilling

Balancing our portfolio FY15 guidance



A successful growth strategy seeks to balance risk and reward to realise returns. Senex will continue to be proactive in high grading its portfolio to achieve its goals through an active new ventures strategy that will be managed alongside, and complement, the organic growth initiatives in oil and gas. The objective of this strategy will be to diversify the company's portfolio (geography, product and maturity) for the management of risk and optimisation of returns.

Performance indicator	FY15 target
Production	1.4 mmbbl before exploration success
Reserves	Organic reserves replacement ratio of 200%+
Capital expenditure	\$100-\$120 million, comprising: <ul style="list-style-type: none"> • ~\$40 million for FY15 target delivery • ~\$60-\$80 million for future growth investment, where benefits are recognised post 30 June 2015



Principal risks and uncertainties

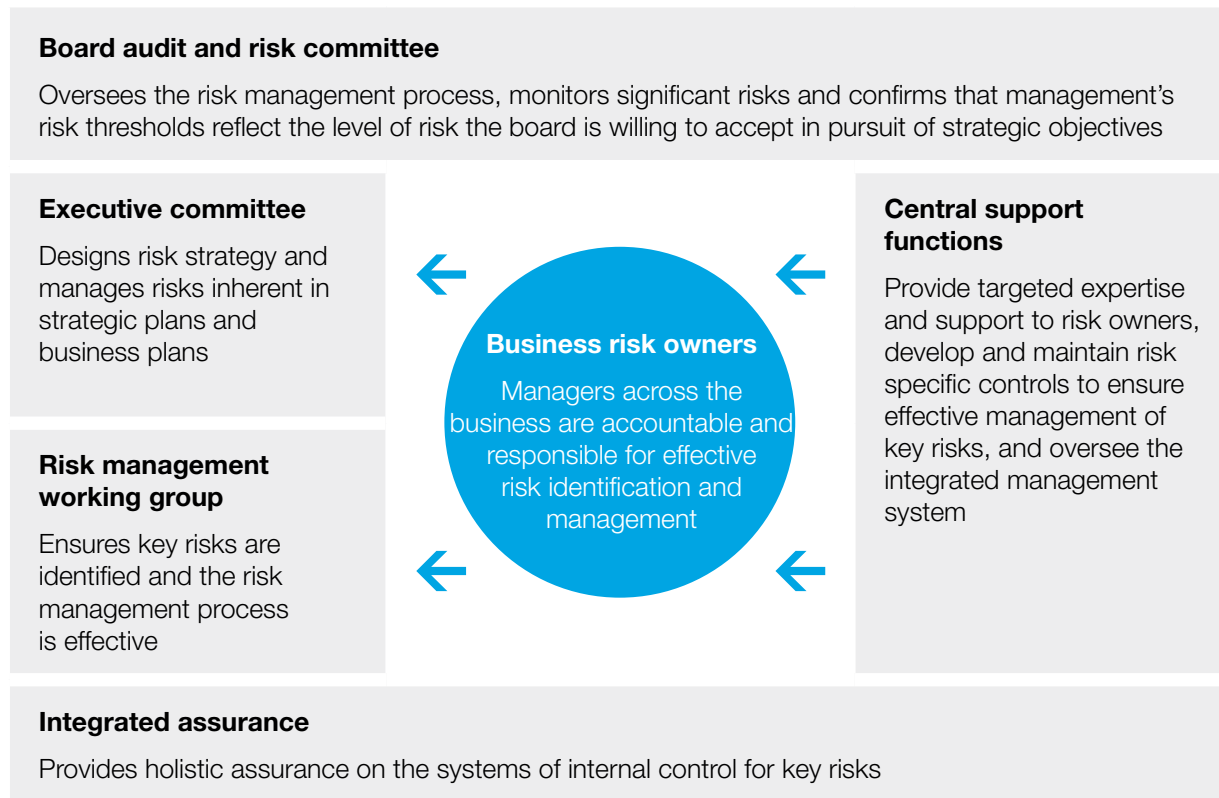
Risk factors

Senex identifies and assesses the potential consequences of a wide range of risks in accordance with the Company's risk management policy. This includes environmental, social and governance risks as well as strategic and operational risks.

Senex management continually monitors the effectiveness of the Company's risk management, internal compliance and control systems, and reports to the audit and risk committee on areas where there is scope for improvement. The corporate governance framework for risk management within the business is illustrated below.

The principal risks and uncertainties with the potential to materially affect Senex are described on pages 11-13 of this report. Further information about Senex's approach to risk management is provided in the corporate governance statement on page 35 of this report. The charter for the audit and risk committee is available on the Senex website.

Senex risk management framework



Principal risks and uncertainties

Principal risks and uncertainties

Strategic risks	Description	Management strategies for FY15 and beyond
Access to infrastructure	<p>The sale of Senex's oil and gas products is dependent on securing access to transportation and processing infrastructure on reasonable commercial terms. Access arrangements depend on the existence of, proximity to and capacity of pipelines and processing facilities and Senex's ability to negotiate access to this infrastructure at an acceptable price.</p> <p>Senex currently markets the majority of its product through the existing SACB JV infrastructure in the Cooper-Eromanga Basin.</p>	<p>Senex continuously monitors critical infrastructure capacity and actively manages access arrangements across its portfolio of assets in the Cooper, Eromanga and Surat Basins.</p> <p>Senex's commercial partnerships with major players in the Australian oil and gas industry, such as SACB JV participants Origin, Beach Energy Limited (Beach) and Santos, help ensure Senex has continued access to critical infrastructure.</p> <p>As part of its longer term planning processes, Senex carefully monitors market economics, examines future capacity requirements and explores alternative routes to market.</p>
Access to funding	<p>Senex's ability to explore for and develop oil and gas reserves is dependent on its ability to generate and otherwise access capital to fund these activities.</p>	<p>The Board reviews and approves the allocation of cash resources via the annual budget. The Board also considers longer term cash forecasts to ensure sufficient funds to meet the Company's goals.</p> <p>During FY15, the Board will continue to assess funding needs and manage capital efficiently, including determining the appropriate mix of debt and equity to achieve the Company's business objectives.</p>
Exploration and development risks	<p>Senex's future value depends on its ability to find and develop economically recoverable oil, gas and associated liquids. Through this process, the business is exposed to a wide variety of risks, including failure to locate hydrocarbons, changes to reserve estimates, variable quality and quantity of hydrocarbons, weather impacts, facility or equipment malfunctions, lack of access to appropriate skills or equipment, regulatory delays, safety or environmental issues and cost overruns.</p>	<p>Senex is focused on lowering its exploration risk by applying disciplined capital allocation processes and best-in-class technologies and processes. This is managed by having a balanced investment program covering exploration and development activities, and investing in technologies such as 3D seismic.</p> <p>Senex manages the safety, efficiency and effectiveness of its processes through an integrated management system. The Company aims to continuously improve the quality of its operations through rigorous review and enhancement of this system.</p> <p>Senex also carries appropriate insurance relevant to the risks inherent in its operations. However not all risks can be insured and insurance policies may not be sufficient to cover all liabilities.</p>

Operating risks	Description	Management strategies for FY15 and beyond
Estimation of reserves	<p>Estimating oil and gas reserves involves subjective judgements and determinations based on geological, technical, contractual and economic information. It is not an exact calculation. Estimates may change as a result of production or drilling activities or changes in economic factors, such as pricing assumptions.</p>	<p>Senex employs appropriate internal expertise to determine its oil and gas reserves and resources. Senex also engages an independent third party to assess its internal reserves estimates on an annual basis.</p>

Principal risks and uncertainties

Operating risks	Description	Management strategies for FY15 and beyond
Tenure security	<p>Senex's petroleum licences are subject to regulatory approval. Government authorities generally require licence holders to undertake exploration commitments and failure to meet these obligations could result in forfeiture. Exploration licences are also subject to partial or full relinquishment after stipulated periods if no alternative licence application is made, resulting in a potential reduction in Senex's overall tenure position. Production licences are required for successful oil and gas wells and there can be no guarantees as to when or whether such permits will be granted.</p>	<p>Senex uses compliance tracking software to track all of its tenure commitments. This system is used to inform the compilation of the Company's annual capital budget to ensure commitments are met.</p> <p>During FY14, Senex negotiated a landmark tenure arrangement with the South Australian Government (the PRL Scheme) specifically designed to reduce the risk of loss of tenure. The arrangement enables Senex to manage its expenditure commitments across its entire portfolio of acreage rather than individually in each tenement, thus reducing the impact of commitments on the Company's ability to pursue the most prospective opportunities in its portfolio. Senex continues to work with its joint venture partners to implement this scheme.</p> <p>Where required, Senex will relinquish tenements or blocks that offer the least prospectivity across its acreage.</p>
Health, safety and environmental matters	<p>Exploration, development and production of oil and gas involve risks which may impact the health and safety of personnel, the community and the environment. Failure to manage these risks could result in injury or loss of life, damage or destruction of property, and damage to the environment. Losses or liabilities arising from such incidents could significantly impact Senex's financial results.</p>	<p>Senex complies with all safety, environmental and other regulatory requirements across its tenements and has an active tracking and auditing process in place. The Company also maintains a suite of safety and environmental management policies, processes and procedures and strict reporting requirements in respect of any incidents, hazards or near misses. This system extends to its contractors and suppliers, and Senex is implementing an active contractor management strategy to ensure compliance.</p>
Community and stakeholder relations	<p>Senex relies on the continued support of the community in which it operates. This includes local landholders, native title owners, governments and regulatory bodies and a number of other stakeholders that have an interest in Senex's current and future operations. Sustainable management of the interests of these groups is a critical part of Senex's operations and is integral to our ability to carry out exploration and production activities in the areas in which we operate.</p>	<p>Senex has a team responsible for community and stakeholder relations and continuously seeks opportunities to actively engage with stakeholder groups.</p>
Joint venture risks	<p>Joint ventures are common in the oil and gas industry and Senex participates in a number of joint venture operations (both operated and non-operated) with a variety of partners across its portfolio.</p> <p>Failing to adequately manage joint venture relationships may affect Senex's ability to execute its plans in a timely and cost effective manner.</p>	<p>Joint venture agreements are in place across all joint operations that Senex participates in. Senex strives to maintain close working relationships with its partners, and actively seeks to drive ongoing improvement in its communication with and management of joint ventures.</p>

Principal risks and uncertainties

Operating risks	Description	Management strategies for FY15 and beyond
Seasonal conditions	Senex operations are exposed to natural events, such as floods, which are beyond its control but capable of significantly disrupting and delaying Senex's operations. Natural events could hinder Senex's ability to pursue operational activities. In particular, Senex's oil operations in the Cooper-Eromanga Basin are subject to the impact of localised rain on access roads, where oil is trucked to market.	<p>Senex's exploration and development program is focused on diversifying the company's revenue base across the Cooper-Eromanga Basin to minimise localised impact of seasonal conditions.</p> <p>On the western flank, Senex has participated in the construction of two oil trunklines to carry oil production to the Moomba processing facility. These pipelines enable Senex to produce and deliver oil from these fields in all weather conditions.</p> <p>Senex regularly reviews its operations to identify localised risks and implements operational strategies as appropriate.</p>

External risks	Description	Management strategies for FY15 and beyond
Exposure to oil and gas pricing	<p>Volatile oil and gas prices make it difficult to predict future price movements with certainty. Declines in oil or gas prices could have an adverse effect on Senex.</p> <p>The economics of Senex's prospective gas assets will be determined by the future market for LNG and domestic gas. LNG prices can vary significantly depending on oil prices, exchange rates, worldwide supply and demand and the terms under which LNG off-take arrangements are agreed. The prices required to achieve adequate returns on Senex's gas assets will vary depending on well costs and flow rates achieved on each project.</p>	<p>Senex does not currently hedge its oil price exposure. On a regular basis, management monitors and reviews consensus crude oil price forward curves and Senex's underlying operating cost structure to identify any related exposure.</p> <p>Management will seek to implement favourable gas sales agreements to support the future development of both its conventional and unconventional gas fields as soon as reasonably practical following positive exploration and appraisal results.</p> <p>During FY14, Senex entered into a two year gas sales agreement with the SACB JV for gas produced from the Hornet gas field during the testing phase.</p>
Exposure to exchange rate fluctuations	Senex's oil revenue is denominated in USD. The majority of Senex's other income and expenditure is denominated in Australian dollars (AUD). This exposes Senex to fluctuations and volatility in the AUD/USD exchange rate.	<p>Senex does not currently hedge its USD exposure.</p> <p>Senex derives approximately 90% of its revenue in USD and these funds are generally held in USD denominated bank accounts. Where possible payments are made in USD or USD is converted at prevailing AUD spot rates.</p>
Changes to law, regulations or Government policy	Changes in law and regulations or government policy may adversely affect Senex's business. Examples include changes to tax law, strategic cropping, native title, land access or overlapping tenement arrangements or the introduction of legislation that restricts or inhibits exploration and production, in particular in respect of hydraulic fracture stimulation.	<p>Senex continuously monitors the regulatory environment in which it operates and actively seeks to contribute to policy development with relevant stakeholders. This includes working with both the Queensland and South Australian governments on industry strategies that impact the Company.</p> <p>Senex also seeks to educate broader stakeholder groups about the environmental impact and economic and other benefits of the resources industry in both Queensland and South Australia.</p>

Production and sales



Senex achieved record production, sales and revenue from its oil business in South Australia's Cooper-Eromanga Basin in FY14.

Production

Net oil production increased to 1.38 million barrels in FY14, up 10% on the previous year's result of 1.25 million barrels. This was slightly below Senex's full year production guidance of 1.4 to 1.6 million barrels issued in July 2013 primarily due to delays in the commencement of the near field exploration program on the western flank. Once western flank drilling commenced at Spitfire and Mustang oil fields in the March quarter of FY14, daily production increased rapidly, resulting in a record fourth quarter result of 0.43 million barrels.

Senex's production base diversified significantly over the 12 months, with continuing strong production from Growler oil field supplemented by other western flank fields and non-western flank production contributing more than 30% of total net production by 30 June 2014.

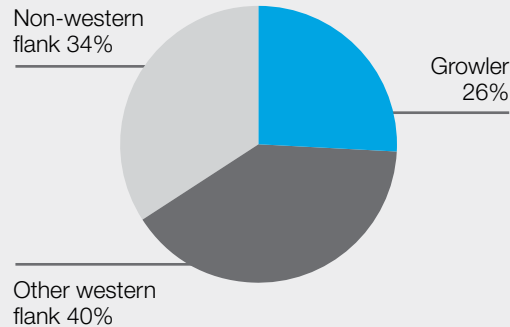
In FY15, Senex expects to produce 1.4 million barrels of oil equivalent before any production associated with exploration success.

Sales and revenue

Oil sales increased by 11.6% year on year to 1.35 million barrels (FY13: 1.21 million barrels). The full year result for oil revenue of \$170.9 million represents a 24.5% increase on the FY13 result of \$137.3 million. This result was underpinned by a strong USD Brent oil price and a favourable AUD/USD exchange rate, which delivered an average oil price for the year of \$127 per barrel (FY13: \$113 per barrel).

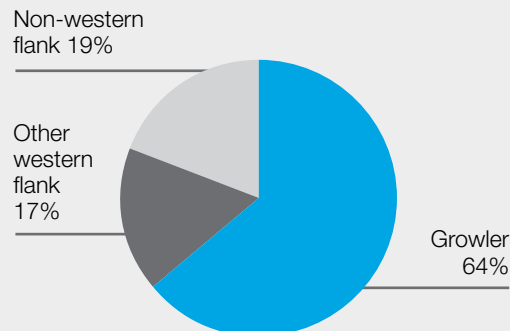
Balancing Cooper-Eromanga Basin production

June quarter FY14



FY14 production: 1.38 mmbbls

June quarter FY13



FY13 production: 1.25 mmbbls



Reserves and resources statement

In FY14, Senex achieved record growth in 2P oil reserves as a result of its successful 30-well exploration, appraisal and development drilling campaign.

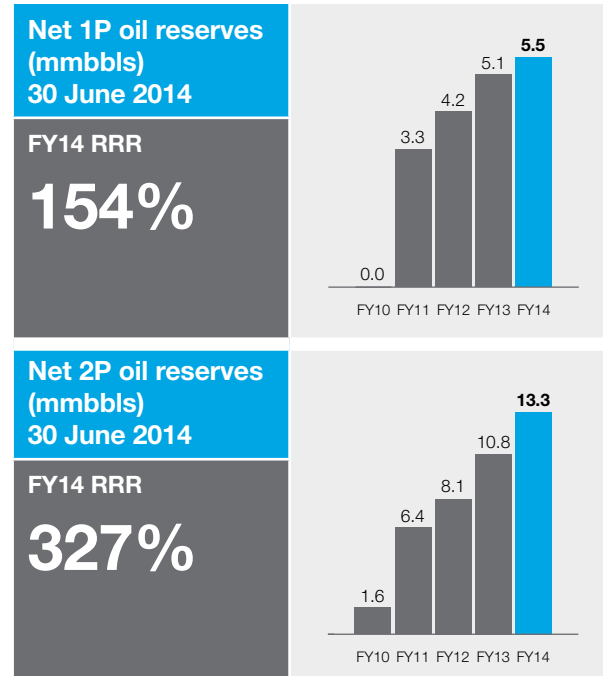
Senex's annual review of its Cooper-Eromanga oil business delivered net increases in 1P and 2P reserves for the year ended 30 June 2014, continuing a four-year trend of strong reserves growth.

Highlights

- 2P reserves replacement ratio (RRR) of 327%.
- Oil reserves upgraded at Growler, Spitfire and Mustang oil fields on the western flank.
- Reserves additions achieved at Worrior oil field following discovery of oil in the Patchawarra Formation.
- Approximately 30% of net 2P reserves attributed to non-western flank assets.

There was no change to Senex gas reserves or resources in FY14.

Four year oil reserves growth



Reserves and resources held at 30 June 2014

All projects by product		Gas PJ	Oil mmbbls	Total mmboe
1P	Developed	-	5.5	5.5
	Undeveloped	-	-	-
	Developed and undeveloped	-	5.5	5.5
Proportion of total 1P reserves that are unconventional				0%
2P	Developed	-	5.5	5.5
	Undeveloped	156.6	7.8	34.4
	Developed and undeveloped	156.6	13.3	39.9
Proportion of total 2P reserves that are unconventional				67%
Best estimate (2C) contingent resources		2,130.3	3.8	369.7

All products by region		Cooper-Eromanga Basin ¹ mmboe	Surat Basin ² mmboe	Total mmboe
1P	Developed	5.5	-	5.5
	Undeveloped	-	-	-
	Developed and undeveloped	5.5	-	5.5
2P	Developed	5.5	-	5.5
	Undeveloped	7.8	26.6	34.4
	Developed and undeveloped	13.3	26.6	39.9
Best estimate (2C) contingent resources		328.8	40.9	369.7

¹ All reserves in the Cooper-Eromanga Basin are attributable to oil.

² All reserves in the Surat Basin are attributable to gas.

Reserves and resources statement

Proved developed and undeveloped reserves annual reconciliation by product	Gas PJ	Oil mmbbls	Total mmboe
30 June 2013	-	5.1	5.1
Revision to previous estimates	-	1.6	1.6
Extensions and discoveries	-	0.5	0.5
Acquisitions and divestments	-	(0.3)	(0.3)
Annual production	-	(1.4)	(1.4)
30 June 2014	-	5.5	5.5

Proved plus probable developed and undeveloped reserves annual reconciliation by product	Gas PJ	Oil mmbbls	Total mmboe
30 June 2013	156.6	10.8	37.4
Revision to previous estimates	-	(2.3)	(2.3)
Extensions and discoveries	-	6.8	6.8
Acquisitions and divestments	-	(0.6)	(0.6)
Annual production	-	(1.4)	(1.4)
30 June 2014	156.6	13.3	39.9

Proved developed and undeveloped reserves annual reconciliation by region	Cooper-Eromanga Basin mmboe	Surat Basin mmboe	Total mmboe
30 June 2013	5.1	-	5.1
Revision to previous estimates	1.6	-	1.6
Extensions and discoveries	0.5	-	0.5
Acquisitions and divestments	(0.3)	-	(0.3)
Annual production	(1.4)	-	(1.4)
30 June 2014	5.5	-	5.5

Proved plus probable developed and undeveloped reserves annual reconciliation by region	Cooper-Eromanga Basin mmboe	Surat Basin mmboe	Total mmboe
30 June 2013	10.8	26.6	37.4
Revision to previous estimates	(2.3)	-	(2.3)
Extensions and discoveries	6.8	-	6.8
Acquisitions and divestments	(0.6)	-	(0.6)
Annual production	(1.4)	-	(1.4)
30 June 2014	13.3	26.6	39.9

2C contingent resources annual reconciliation by region	Cooper-Eromanga Basin mmboe	Surat Basin mmboe	Total mmboe
30 June 2013	325.0	40.9	365.9
Revision to previous estimates	-	-	-
Extensions and discoveries	3.8	-	3.8
Acquisitions and divestments	-	-	-
Annual production	-	-	-
30 June 2014	328.8	40.9	369.7

Reserves and resources statement

2C contingent resources annual reconciliation by product	Gas PJ	Oil mmbbls	Total mmboe
30 June 2013	2,130.3	-	365.9
Revision to previous estimates	-	-	-
Extensions and discoveries	-	3.8	3.8
Acquisitions and divestments	-	-	-
Annual production	-	-	-
30 June 2014	2,130.3	3.8	369.7

Governance arrangements and internal controls

Senex estimates and reports its petroleum reserves and resources in accordance with the definitions and guidelines of the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers (SPE PRMS).

All estimates of petroleum reserves reported by Senex are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator. To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed and quality controlled by senior professional production, reservoir, petrophysical and geological staff at Senex. Access to the substantiated data is then restricted to authorised staff members. During each petroleum reserves review, this data is updated, analysed and checked against the previous year's data.

Senex engages the services of DeGolyer and MacNaughton (D&M) and MHA Petroleum Consultants LLC (MHA) to independently assess the data and assess reserves and resources prior to Senex reporting any updated estimates.

Senex reviews and updates its oil reserves position on an annual basis and reports the updated estimates as of 30 June each year. Senex reviews and updates its gas reserves position as frequently as required by the magnitude of the petroleum reserves and changes indicated by new data.

Qualified petroleum reserves and resources evaluator statement

This reserves and resources statement is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resources evaluators who are full time employees of Senex:

- Mr James Crowley BSc (Hons) is a qualified petroleum reserves and resources evaluator, and a member of the Society of Petroleum Engineers. Mr Crowley is Exploration Technical Authority and Acting Executive General Manager Exploration and New Ventures.
- Dr Steven Scott BSc (Hons), PhD is a qualified petroleum reserves and resources evaluator, and a member of the American Association of Petroleum Geologists and a certified petroleum geologist (P.G. 6218). Dr Scott is General Manager Coal Seam Gas.

Mr Crowley and Dr Scott have approved this statement as a whole and have provided their written consent to the form and context in which the estimated reserves, resources and supporting information are presented.

Scope and method

Aggregation method: The method of aggregation used in calculating estimated reserves and resources was the arithmetic summation by category of reserves. As a result of the arithmetic aggregation of the field totals, the aggregate 1P estimate may be very conservative and the aggregate 3P estimate very optimistic, as the arithmetic method does not account for 'portfolio effects'.

Evaluation dates:

Cooper-Eromanga Basin oil reserves	30 June 2014
Cooper-Eromanga Basin oil contingent resources	31 October 2013
Cooper-Eromanga Basin gas contingent resources	30 June 2013
Surat Basin gas reserves and resources (east)	22 February 2013
Surat Basin gas reserves and resources (west)	24 September 2012

Gas conversion: In converting petajoules to mmboe, Senex has applied the following conversion rates:
 Surat Basin gas: 1 mmboe = 5.880 PJ
 Cooper Basin gas: 1 mmboe = 5.815 PJ

Method: The deterministic method was used to prepare the estimates of reserves and resources in this statement.

Ownership: Unless otherwise stated, all references to reserves and resources in this statement relate to Senex's economic interest in those reserves and resources.

Reference points: Cooper-Eromanga Basin: Central processing plant at Moomba, South Australia.
 Surat Basin: Wallumbilla gas hub, approximately 45 kilometres south east of Roma, Queensland.

Reserves replacement ratio: Calculated as the summation of the estimated reserves additions and revisions divided by estimated production for the period 1 July 2013 to 30 June 2014, before acquisitions and divestments.

Undeveloped reserves: There are material concentrations of undeveloped petroleum reserves that have remained undeveloped for more than 5 years in relation to the Surat Basin. These undeveloped petroleum reserves have remained undeveloped due to the unavailability of third party LNG facilities and associated infrastructure, which had been committed at the time the petroleum reserves were first reported. These petroleum reserves will be developed as this infrastructure becomes available.

Units: Information about units of measure included in this reserves and resources statement is provided in the glossary on page 127 of this annual report.

Sustainable development

The recently unveiled *Growth Acceleration Strategy* is predicated on sustainable development. In order to achieve the growth objectives, Senex must strive to be an industry leader in the way it interacts with the people and environments associated with its operations. It means protecting and supporting people, encouraging health and wellbeing, minimising environmental impacts and giving shareholders and other stakeholders confidence that the business is in a safe pair of hands. The commitment to sustainable development also enhances Senex's reputation as a desirable employer, a good neighbour and an attractive investment proposition.

Senex is committed to incrementally improving the scope of reporting associated with sustainable development initiatives that address ESG risks. For FY14, the Company has expanded the amount of performance data included in relation to social and environmental performance. Information about the corporate governance of the business has also expanded to provide a greater level of disclosure on governance processes (refer pages 32 to 35 of this annual report).

FY14 highlights

- Safety performance improved 25% on the FY13 result with the total recordable injury frequency rate reducing to 6.46.
- Three-year partnership agreed between Senex and the Royal Flying Doctor Service Central Operations.
- The core values of *Delivery, Ownership, Collaboration* and *Integrity*, underpinned by safe working practices, were integrated into performance appraisal process for all employees.
- Learning and development policy rolled out for Senex employees.
- Gender diversity within the Senex team increased with women representing 28% of the workforce and 24% of management positions held by women.
- Compensation agreements were agreed with a number of key landholders in the South Australian Cooper-Eromanga Basin and Queensland Surat Basin.
- Environmental incident reporting improved with severity trending down from previous years.

FY15 priorities

- Continue to focus on improving contractor management systems given that six of seven recordable incidents for FY14 were third party contractor related.
- Continue to develop the Senex integrated management system to ensure it focuses the business on safety and efficiency, and meets applicable design standards for safety, environment and quality.
- Formalise succession planning for critical business units and continue to develop plans to manage emerging talent.
- Support the development of curriculum for the Onshore Petroleum Centre of Excellence (refer p.21).
- Identify opportunities to minimise water use, detect and minimise greenhouse emissions and improve energy efficiency across the Company's areas of operation.
- Work closely with landholders, traditional owners, other concerned stakeholders and regulators to ensure we prevent – or otherwise minimise and remediate – disturbance to land as a result of our activities.

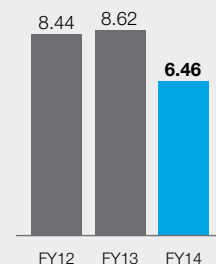
Performance data for FY14

Safety

Total recordable injury frequency rate¹

Change from FY13

Down
25%

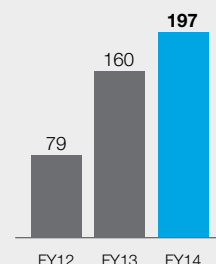


People

Number of employees

Change from FY13

Up
23%

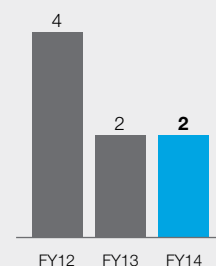


Environment

Non-compliances (high)

Change from FY13

No change



¹ Number of recordable injuries per million hours worked

Sustainable development

Social performance data for FY14

SOCIAL	FY14	FY13	FY12	Change from FY13
Safety				
Lost time injury frequency rate ¹	0.92	2.87	0.00	Down 68%
Recordable incidents	7	9	4	Down 28%
Exposure hours (employees plus contractors)	1,083,180	1,043,528	398,551	Up 4%
Health and safety audits ²	19	12	6	Up 58%
People				
Employee promotions	15	9	1	Up 67%
Employee turnover	13%	13%	9%	No change
Women in the workforce	28%	27%	26%	Up by 1%

¹ Number of lost time injuries per million hours worked

² Health and safety audits comprise a mixture of management system audits and safety-focused site inspections

Social

Safety

During FY14, Senex's focus on safety intensified through an active program of health, safety and environment audits of Senex operations. It also expanded to encompass all stakeholders who live and work in the oil and gas provinces of outback Australia.

Audits

Senex conducted 19 audits of its sites in the year, including detailed site reviews of the Company's main operational bases in the Cooper-Eromanga Basin: Growler, Snatcher, Warrior, Acrasia and Mirage. The audits focus on assessment of the Company's level of compliance with the Senex integrated management system and the applicable regulatory requirements. The results of the audits were used to implement corrective action and/or improve the management system.

Performance

Company safety performance improved during the year, with the total recordable injury frequency rate and lost time injury frequency rate improving. However, six of the seven recordable injuries for the year related to third party contractors, highlighting that further work is required to improve the Senex third party contractor management process and ensure that the ongoing risk to personnel is as low as reasonably practical (ALARP).

Partnerships

During the year, Senex formed a valuable partnership with the Royal Flying Doctor Service to support the vital health infrastructure they provide in Senex's areas of operation. In addition, Senex took the lead in establishing an industry-funded 24-hour helicopter evacuation capability for the Cooper Basin, which commenced operation in June 2014.

CASE STUDY

Partnership with the Royal Flying Doctor Service

In November 2013, Senex announced a significant partnership with the Royal Flying Doctor Service Central Operations (RFDS), which included a pledge of \$300,000 over three years to help keep one of the Flying Doctor's 'flying intensive care units' in the sky. This was in line with Senex's commitment to ensure the health and safety of everyone who lives and works in the growing oil and gas provinces of outback Australia.

In an extension of normal corporate support, both organisations recognised the opportunity to go beyond the usual cash contribution and collaborate to enhance safety cultures within on-ground oil and gas operations and surrounding outback and pastoral communities.

In FY14, the partnership delivered tangible benefits to Senex and its emergency response capability. In January 2014, the RFDS reviewed Senex's Emergency Response Plan and identified a critical improvement. As a result, the emergency response procedure has been altered to make the RFDS' Port Augusta Aeromedical Base the first point of contact in any emergency. This is a significant improvement to the process as Port Augusta is the primary emergency and logistics coordination point for its South Australian operations and is staffed 24 hours a day, seven days a week. This means that Senex personnel and contractors will speak to an experienced Doctor as soon as the first call is made.

In FY15, the partnership will focus on the development of a unique program of workforce emergency medical response training and enhanced health service delivery that will benefit the wider community in the region.

Sustainable development

People

Demographics

The Senex team grew by 23% to 197 employees in FY14. The average age of Senex employees was 39 and most employees are full time.

Diversity

Fostering a diverse workforce is integral to maintaining a competitive advantage. Recruiting people with diverse cultural and ethnic backgrounds and diverse gender allows Senex to build a strong and inclusive workforce to ensure our current and future business success.

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

At 30 June 2014, women represented 28% of the workforce and 24% of management positions were held by women. Senex has a female independent Non-executive Director and a female alternative Non-executive Director as members of the Board.

Progress against FY14 diversity objectives is set out in the table below:

FY14 objective	FY14 progress
Ensure that in the interview process for each executive position there is at least one female on the interview panel	The recruitment process for executive roles has included at least one female on the panel.
Consider diversity when reviewing Board succession plans with the aim of improving gender representation and diversity	In May 2014, the Board appointed Debbie Goodin as an independent Non-executive Director.
Wherever there is a vacancy at Board and senior management level, the Company seeks to find a person with the most appropriate qualifications and experience to fulfil the role given the need to balance a range of criteria that is required for an effective Board and management team	Vacancies at Board level are recruited through the use of independent recruitment agents. Senior management level roles are recruited to specific role specifications with consideration to team dynamics.
Review remuneration, recruitment and selection practices to ensure they are free from gender bias	A review of remuneration and recruitment processes was undertaken by Senex HR. The selection of new employees is stringently based on qualifications and experience relevant to the role.

In FY14, the Board adopted several additional measurable objectives in relation to gender diversity (and other workplace objectives) at Senex. Performance against these objectives will be assessed in FY15. These measurable objectives include:

FY15 objectives (in addition to continuance of FY14 objectives)	Performance measures
Increase the number of graduate and vacation employment positions available and ensure that women are provided with opportunities to participate.	Assess the number of positions held by graduates/students annually over a 3 year period. Measure the number of male and female applicants applied, shortlisted and successful for the position annually over a 3 year period.
Provide employees returning to the workplace after extended periods of leave an induction process, which helps fast track them back into the business (eg. employees on parental leave and long term personal carer's leave).	Record number of employees accessing parental or personal carers leave Senex can measure the number of employees returning to the business. Measure flexible working arrangements agreed and retention after periods of 12 and 24 months following such arrangements.

Sustainable development

Health

Senex implemented a range of programs in FY14 focused on improving employee health and wellbeing and creating a satisfying work environment. The Company's Health and Wellbeing Program was expanded to offer skin checks, discounted gym membership and annual flu vaccinations. As part of the program, Senex also offers employees up to \$295 per year towards a health and wellbeing activity of their choice, including purchase of sporting equipment, relaxation and meditation classes and participation in team or individual sports.

Senex employees and their families participated in charity runs and walks throughout the year. The initiative provided corporate support to worthwhile charities including breast cancer research and stroke prevention and treatment, and encourages employees to spend active time with their families.

Values

In FY14, the Senex core values of *Delivery*, *Ownership*, *Collaboration* and *Integrity*, underpinned by safety, were incorporated into the performance review process for all employees to drive behaviours that foster a high performance culture within the business.

Recognition

In FY14, Senex established a formal process for recognising behaviours that reflect the Company's core values. The Living the Values awards commenced in July 2013 and coincided with quarterly 'Town Hall' gatherings for Senex staff during the year. Over the year, the Company's leadership team selected 16 employees as values award recipients from more than 53 staff nominations. In FY15, Senex will roll out an on-the-spot recognition program that provides an immediate, informal mechanism for rewarding valuable behaviour.

Learning

The Senex Learning and Development framework was finalised and rolled out in FY14. The framework recognises

the importance of investing in the development of people to ensure Senex has an effective and competent workforce. The framework provides a multifaceted approach to learning and professional development that encompasses:

- Leveraging internal expertise through the use of mentors
- Developing technical career ladders
- Identifying critical external training and
- Supporting employees through formal Study Assistance processes.

Senex's major educational initiative in FY14 was the decision to become a founding member of the Onshore Petroleum Centre of Excellence (refer case study).

Community

Areas of interest

Activities mainly centred on the sparsely populated South Australian Cooper-Eromanga Basin where Senex operates a growing oil business and is exploring for new oil and gas resources. A second area of focus was the Queensland Surat Basin and, in particular, its western permits near the township of Roma, where Senex undertook a core hole program in FY14.

Landholder relations

In FY14, Senex negotiated compensation agreements with a number of landholders affected by its activities in South Australia's Cooper-Eromanga Basin and Queensland's Surat Basin. In addition to compensation agreements, Senex entered into commercial agreements with some pastoralists that allow access to and use of water produced as part of the oil production process for cattle grazing. These agreements offer mutually beneficial outcomes for Senex and local landholders. Water that meets the applicable Australian standard for stock water is used to allow grazing in areas that were previously only suitable after rain. Other agreements have provided landholders with access to water bores drilled as part of Senex operations.

CASE STUDY

Onshore Petroleum Centre of Excellence

In FY14, Senex became a founding member of the Onshore Petroleum Centre of Excellence, a South Australian Government initiative designed to establish a state-of-the-art training hub at the refurbished TAFESA Tonsley Centre in Adelaide. South Australian Treasurer the Honourable Tom Koutsantonis launched the initiative in June 2014.

The training facility will provide a fully immersive simulated oil and gas production environment, as well as static equipment displays for demonstration and educational purposes. It will be used for technical training, including safety, environmental and sustainable operational principles and key maintenance activities.

For Senex, the facility is a vital educational initiative that will support the future growth of Australia's onshore oil and gas industry. Importantly, it will provide accreditation for the specialised skills associated with the onshore oil and gas industry and create a logical entry point for people interested in pursuing a career in the petroleum industry.

As a founding member, Senex is assisting with the development of curriculum for the centre. A pilot program that was initiated in the last quarter of FY14 will be rolled out during FY15 to existing oil and gas workers, including Senex employees. During the year, Senex will support the development of national certificates in oil and gas operations (Cert II and Cert III).

Sustainable development

Indigenous relations

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

In Queensland, representatives of the Bidjara, Gunggari and Mandandanji people conducted work area clearances for the Company as part of a four core hole program in the Senex-operated western permits in the Surat Basin, north of Roma.

Community relations

Throughout the year, Senex continued its focus on ensuring meaningful engagement and achieving positive outcomes for key stakeholders and local communities associated with the Company's operations. In FY14, Senex supported local communities in the Cooper-Eromanga and Surat Basins by contributing to the development of vital local infrastructure. This included:

- Road construction, upgrades and maintenance
- Support for the Royal Flying Doctor Service
- Leading the establishment of a 24 hour emergency helicopter evacuation capability and
- Providing equipment for rural fire fighting

In addition, the Company implemented the Senex Gifting Program to enable Senex employees to nominate non-profit groups and community organisations (particularly communities associated with Senex operations) for a charitable donation or sponsorship. The program is aimed at serving and strengthening local communities. In FY14, Senex supported a wide variety of community events and charities including camp drafts, animal rescue centres, regional show societies and organisations that support isolated communities.

Environment

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

Compliance

Senex's Environment Team conducted 62 environmental inspections of wells and facilities during FY14. The inspections assessed Senex's compliance against relevant legislation, regulations, licence conditions and the relevant Statement of Environmental Objectives (SEO).

Performance across all Senex operations are ranked using indicators of High, Medium or Low and actioned accordingly. Inspections in FY14 identified two non-compliances ranked High against the SEO which were immediately actioned and three medium to low ranked incidents.

During the year, regulatory authorities conducted several inspections of Senex operations, including seismic survey activities, and one environmental improvement notice was issued. All improvement items were immediately actioned.

Environmental incidents

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

During the year, 12 spills occurred outside of purpose built containment facilities requiring activation of the Senex Spill Response Plan and implementation of remediation measures. While this represents an increase in the number of spills compared with FY13, a positive trend is observed in the severity of spills (i.e. low volume). The increase in the number of spills in FY14 is also a function of improvements to internal monitoring and reporting systems.

Environment performance data for FY14

ENVIRONMENT	FY14	FY13	FY12	Change from FY13
Compliance				
Environmental inspections	62	109	31	Down 43%
Environmental incidents				
Reportable incidents ¹	12	3	3	Up by 9
Greenhouse gas emissions				
Tonnes of carbon dioxide equivalent ²	-	26,258	<25,000	Up by 5%
Water management				
Water produced (ML) ³	1,572	1,161	1,084	Up by 35%
Water used (ML) ⁴	19.0	17.1	13.2	Up by 11%

¹ Reportable incidents in FY14 encompass a greater number of incidents of lesser severity than previous years.

² Calculations for the FY14 reporting period will be completed in October 2014

³ Water produced as a by-product of hydrocarbon production, some of which is used for drilling and dust suppression

⁴ Water purchased or extracted from bores

Sustainable development

These reportable spills along with all other minor occurrences were reported to the South Australian Department of State Development (DSD) and investigated. Corrective actions were implemented to mitigate the identified deficiencies. No serious environmental incidents (as defined under Section 85(1) of the *Petroleum and Geothermal Energy Act 2000*) occurred during FY14.

Greenhouse gas emissions

Since FY10, Senex has reported greenhouse gas emissions annually under the *National Greenhouse and Energy Reporting Act 2007* (NGER). In FY12, Senex also began reporting to the National Pollutant Inventory (NPI).

Greenhouse gas emissions in all reporting periods prior to FY14 were well under the facility threshold of 25,000 tonnes of carbon dioxide equivalent. Calculations for the FY14 reporting period for both NGER and NPI will be completed in October 2014.

Land management

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

In FY14, Senex's oil production and oil and gas exploration activities were undertaken with minimal impact to the local environment. As part of its oil exploration program, Senex undertook low-impact 3D seismic surveys over more than 1,000 square kilometres of the South Australian Cooper-Eromanga Basin, some of which was adjacent to Coongie Lakes National Park. Senex also drilled 30 oil wells in the Cooper-Eromanga Basin with improvements achieved in terms of the size of well pads and rehabilitation of operational sites.

In FY15, Senex will drill more than 25 wells across its Cooper-Eromanga Basin acreage as part of a multi-year oil and gas exploration, appraisal and development program. Senex will undertake this work in accordance with its agreed Statements of Environmental Objectives and Environmental Impact Reports.

Water use

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

CASE STUDY

Weed and pest control initiative

Senex takes its weed control obligations seriously and strives to meet community and landholder expectations for the control and management of weeds within its operational areas.

In FY14, Senex sponsored and participated in a weed control program in the Cooper-Eromanga Basin to reduce the impact of weeds and pests on primary industries, conservation values and the natural environment.

The inspection and control program was a collaboration between the Senex Environment Team, the South Australian Department of Environment, Water and Natural Resources (DEWNR) and the South Australian Department of State Development, targeting a buffel grass infestation as this was a joint control priority for both Senex and DEWNR. An infestation of buffel grass at another location was also treated as this was a DEWNR priority.

Senex undertook a follow-up site visit of the buffel grass infestation to assess the control program's efficacy. Early positive results were evident where buffel grass had been treated with herbicide.

Senex will continue to monitor and control weeds within its operational areas and support DEWNR weed and pest control programs.

Oil business



Senex continued to grow its oil business in South Australia's Cooper-Eromanga Basin during FY14. For the fourth consecutive year, successful exploration, appraisal and development delivered improvements in production and 2P reserves, with a 2P reserves replacement ratio achieved for FY14 of 327%. An emphasis on exploration in southern and northern permits during the year diversified production significantly by the end of FY14, with non-western flank production contributing more than 30%.

Successful 30-well drilling campaign

During FY14, Senex drilled 30 oil wells in the South Australian Cooper-Eromanga Basin and continued its strong track record for effective exploration, appraisal and development, with 26 of the wells cased and suspended for future production or further testing. At the time of writing, 20 of those wells had either been placed on production or planning had commenced to place them on production. The remaining six wells will undergo further evaluation in line with Senex's operational philosophy of long term field exploitation and taking advantage of all research and development opportunities in a high oil price environment. A summary of the FY14 oil drilling campaign is outlined in the chart.

Western flank activities

Senex's operated oil fields on the western flank of the Cooper-Eromanga Basin contributed strongly to total production for FY14, particularly following successful appraisal at the Mustang and Spitfire oil fields in the latter half of the year. The FY14 June quarter result of 0.43 mmbbls was a new production record for the business.

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

Growler oil field continued to be Senex's best performing field in FY14. Reliance on the field decreased during the year as new wells were brought online in other fields on the western flank and in other regions. The Growler Bulk Storage Facility was upgraded during the year and the Growler-Lycium-Moomba pipeline continued to operate reliably, reducing costs and weather-related production delays.

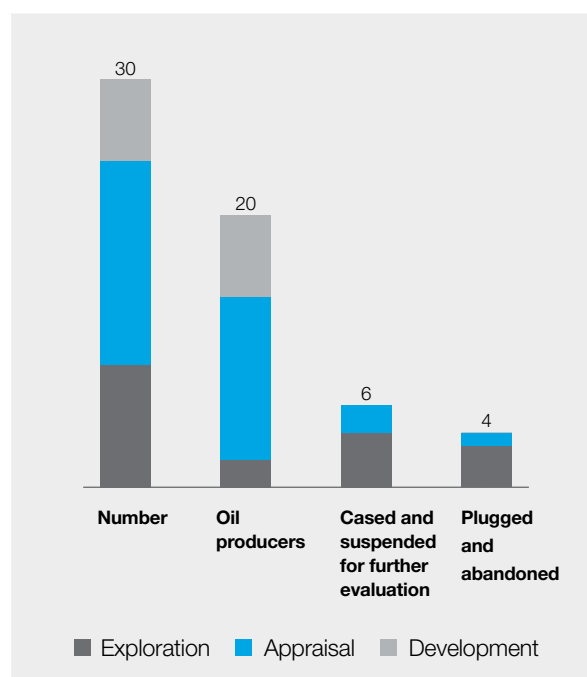
Spitfire oil field (PEL 104: Senex 60% and Operator)

Four appraisal and development wells were drilled at Spitfire oil field in FY14 to test the intra-Birkhead sand, which is the productive reservoir in the adjacent Growler oil field. All four wells were placed on production by 30 June 2014, after intersecting oil-bearing sands, as prognosed by analysis and interpretation of the reprocessed Mollichuta 3D seismic data. This recent drilling suggests a likely western extension of the field. The Aquillus 3D seismic data will be reprocessed, interpreted, and merged with the Mollichuta 3D seismic data to identify further well locations for the Spitfire field. Following appraisal success, Senex constructed and commissioned a flowline connecting Spitfire and Growler oil fields, replacing previous trucking operations.

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

Two appraisal wells were drilled at Mustang oil field during FY14 and the Mustang-2 well placed on production before the end of June after intersecting 6.4 metres of net pay in the Birkhead Formation. The Mustang-3 well confirmed the presence of good quality sands in the Birkhead Formation as predicted by 3D seismic data, however the sands were low to prognosis and below the oil water contact. The well was plugged and abandoned as a result.

Oil wells drilled in FY14



Oil business

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

Snatcher oil field contributed to net Senex production throughout FY14. One appraisal well was drilled at the field in FY14. The Snatcher-11 appraisal well was cased and suspended for future evaluation after intersecting a 4.5 metre oil-saturated interval in the mid-Birkhead Formation. Although the intersected reservoir is considered to be relatively poor quality, Senex will review reservoir data as part of its program of field exploitation in the Cooper-Eromanga Basin. During the year, Senex also commenced first phase trials of water injection to test the potential to increase total oil recovery from the field.

Northern activities

Acrasia oil field (PPL 203: Senex 100%)

Acrasia oil field was discovered in 2002 when Acrasia-1 intersected oil in the Birkhead, Hutton, Poolowanna and Tinchoo Formations. As a result of remapping in FY13, Senex identified opportunities to lift production by targeting unswept oil and additional reservoirs within these formations. Senex drilled three wells at Acrasia as part of the FY14 drilling campaign, with all wells cased, suspended and placed on production within the year. During drilling, the Acrasia-6 appraisal well intersected stacked oil pay with multiple oil water contacts and successfully discovered a new oil horizon in the upper Tinchoo sandstone.

Dundinna 3D seismic acquisition

In September 2013, Senex completed data acquisition on the Dundinna 3D seismic survey ahead of schedule and on budget. The 1,037 square kilometre survey covers six operated petroleum exploration licences in the north of South Australia's Cooper-Eromanga Basin. The area adjoins the 792 square kilometre Cordillo 3D seismic survey to the east and is on trend with the 316 square kilometre Lignum 3D seismic survey to the west, which were acquired in FY13. Together, these surveys will identify the next generation of leads, prospects and drill-ready targets for Senex's *Growth Acceleration Strategy*, reducing exploration risk through the application of innovative technology. Drilling from the Dundinna and Cordillo surveys will proceed in two phases, with a small phase one campaign targeting structural traps to provide additional well control for reduced risk in future drilling. This will also enable the identification of stratigraphic oil and gas prospects to be drilled in a larger follow-up campaign. The first well locations from the Cordillo and Dundinna survey will be drilled during FY15.

Southern activities

Burruna oil field (PPL 251, Senex 80%)

In August 2013, the Burruna-2 exploration well intersected 5.3 metres of net pay in the Namur Sandstone and produced 3,600 barrels of oil per day on flow test. The Burruna-3 appraisal well was drilled in November 2013 on the strength of this success and intersected approximately 3 metres of net oil pay in a previously untapped oil accumulation in the lower Birkhead Formation. Both wells were placed on production during FY14.

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

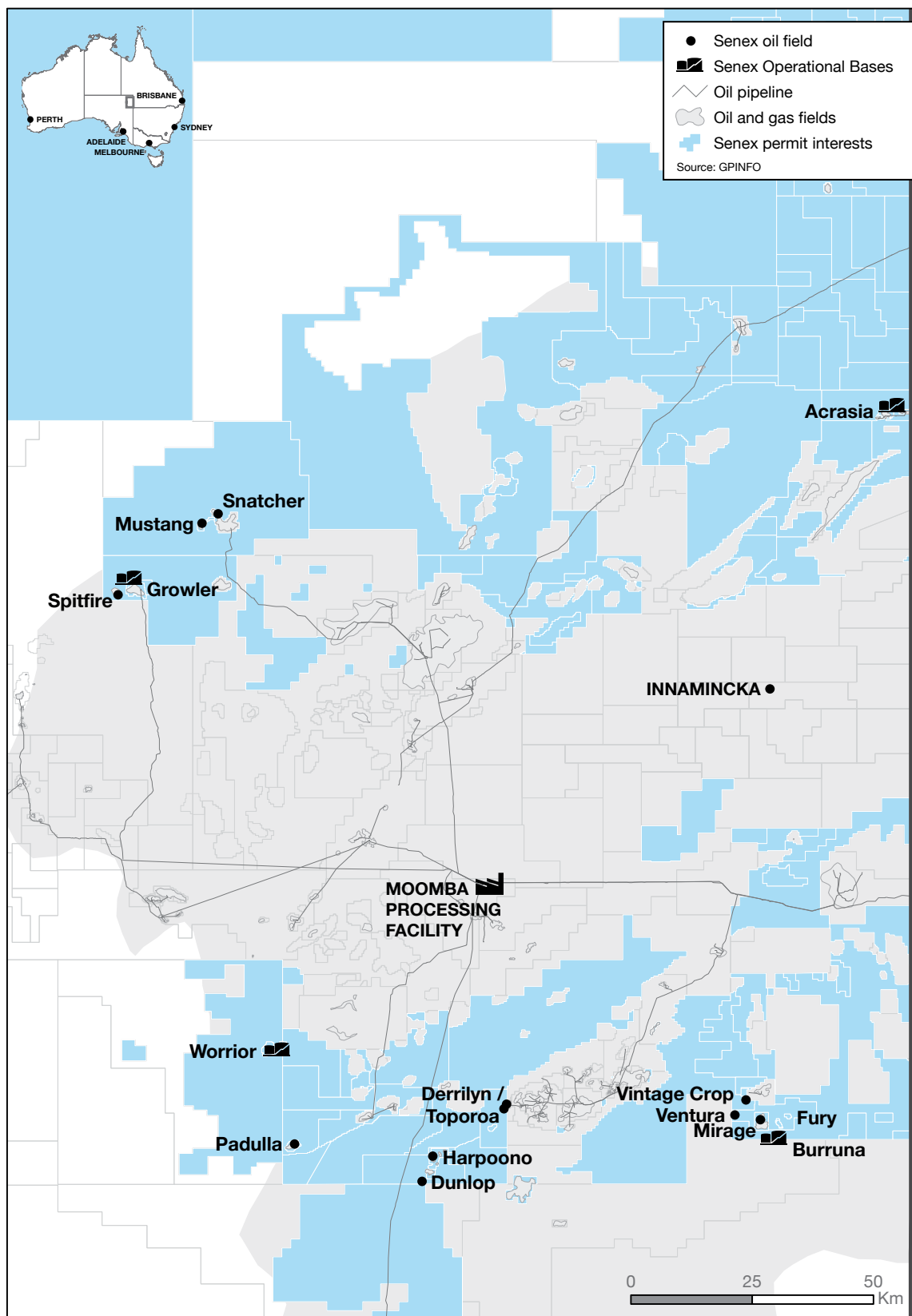
Early in FY14, Senex drilled the successful Worrior-8 development well and intersected net oil pay of up to 18 metres across the Murta Formation, McKinlay Member, Namur Sandstone and Patchawarra Formation. During flow testing, Worrior-8 flowed gas from the Patchawarra Formation at a rate of 0.7 million standard cubic feet per day and flowed oil at a stabilised rate of 670 barrels of oil per day. This was the first time oil had been produced from the Patchawarra Formation at Worrior oil field. In February 2014, the Worrior-10 appraisal well was cased and suspended after intersecting net oil pay in the Patchawarra Formation and the Murta Formation. An extended production test of the well is planned in early FY15.

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

Following the success of the Vintage Crop-2 appraisal well, Senex drilled three appraisal wells at the field in FY14 with all three wells cased and suspended as future oil producers. The Vintage Crop-3 well was placed on line within the year and Vintage Crop-4 is expected to commence production in early FY15. Vintage Crop-5 was cased and suspended for future evaluation.

Oil business

Senex oil assets in the South Australian Cooper-Eromanga Basin



Gas business



FY14 was a period of significant achievement for Senex in relation to the establishment of a high value, long-term Cooper-Eromanga Basin gas business.

Hornet gas sales agreement

On 3 March 2014, Senex announced a gas sales agreement (GSA) with the Santos-operated SACB JV for the supply of unprocessed raw gas over two years from the Hornet gas field in the southern Cooper-Eromanga Basin.

The GSA provides Senex the flexibility to monetise gas during the appraisal stage without the risk of penalties for non-delivery, with gas to be supplied on a discretionary basis from the Hornet gas field in PEL 115 (Senex 100%), commencing in the 2014 calendar year.

The raw gas comprises natural gas, condensate and LPG, and Senex will be paid for each component. Pricing for condensate and LPG will be linked to international product pricing, less transport and processing charges. Pricing for natural gas is confidential and cannot be disclosed.

Senex is currently constructing the facilities for water, condensate and gas separation equipment to enable raw gas sales from Hornet, connecting to the SACB JV network at Allambi gas field, approximately six kilometres away.

Unconventional gas farm-in

On 24 February 2014, Senex and Origin agreed to evaluate tight gas sands in two key areas of South Australia's Cooper-Eromanga Basin, involving a work program of up to \$252 million.

The two areas provide exposure to tight gas sands as well as shale and deep coal plays:

- Area A: 36% of total areas of PEL 516 and PEL 115 (Senex 100%), now PEL 637 and PRL 106
- Area B Deeps: 47% of total area of PEL 514, Deeps only (Senex 80% and operator), now PEL 638 – Deeps

The farm-in transactions were completed on 30 June 2014 once all conditions precedent were satisfied. As a result, the Senex-operated joint venture in each area has commenced the preparation of detailed work programs, targeting seismic acquisition in calendar year 2014 and the commencement of drilling in calendar year 2015.

Separately, Senex and Origin reached agreement with the third party in the Area B Deeps joint venture, Planet Gas Limited (Planet), for each of Senex and Origin to increase its interest in the Area B Deeps joint venture by funding Planet's share of the Stage 1 and Stage 2 work programs.

The expected spend, and resulting interests, of the parties through the two stage work programs in Area A and Area B Deeps are set out in the table below.

Unconventional gas transaction details

	AREA A	AREA B DEEPS	TOTAL (\$)
Petroleum exploration licence (PEL)	PEL 637 (excised from PEL 516) and PRL 106 (excised from PEL 115)	PEL 638 – Deeps (excised from PEL 514)	
Area	1,031 km ² (255,000 acres)	904 km ² (223,000 acres)	
Stage 1 work program	\$65 million	\$40 million	\$105 million
Funding and participating interest	Senex: Free carried (60% and operator) Origin: \$65 million (40%)	Senex: \$4 million ¹ (53.75% and operator) Origin: \$36 million (33.75%) Planet: Free carried (12.5%)	
Stage 2 work program	\$40 million	\$40 million	\$80 million
Funding and participating interest	Senex: Free carried (50% and operator) Origin: \$40 million (50%)	Senex: \$4 million ¹ (45% and operator) Origin: \$36 million (45%) Planet: Free carried (10%)	
Additional Area B work program Stage 1 and 2 work program (equity basis)	N/A	\$67 million	\$67 million
Total work program	\$105 million	\$147 million	\$252 million

¹ Senex's share of funding for Planet's share of Area B Deeps work programs.

Gas business

Work programs

The two-stage work program is focused on evaluating the potential of the Permian tight gas sands in the Cooper-Eromanga Basin.

The first stage will evaluate the potential of the tight gas sands and provide proof of concept. Work on significant seismic campaigns is expected to commence in the 2014 calendar year, and drilling is expected to begin in the first half of 2015.

The second stage will evaluate the commerciality of the gas resource by undertaking extended flow testing through separate pilot programs.

Area A

Area A comprises a 1,008 square kilometre portion of PEL 516 (now PEL 637) and a 23 square kilometre portion of PEL 115 (now PRL 106) in the southern South Australian Cooper-Eromanga Basin. This will allow operations to focus on the tight gas prospectivity of the Allunga, Skipton and Nappamerri troughs.

The Area A work programs will involve a 300 line kilometre 2D seismic survey, the drilling of up to eight exploration and appraisal wells, fracture stimulation and flow testing. The first well is expected to be drilled in the first half of calendar year 2015.

Area B Deeps

Area B comprises a 904 square kilometre portion of the Permian system of PEL 514 - Deeps (now PEL 638 - Deeps) in the Patchawarra Trough in the northern South Australian Cooper-Eromanga Basin. Senex retains its interests in the oil prone sequences above the Permian (Shallows). The Area B work programs will involve a 250 square kilometre 3D seismic survey, the drilling of up to seven exploration and appraisal wells, fracture stimulation and flow testing.

In Area B, the joint venture parties may elect to fund an additional work program, subject to operating committee approval, totalling \$67 million. This will involve additional exploration and appraisal work during both stages.

Surat Basin gas business

Senex holds interests in four strategically-located coal seam gas permits in Queensland's Surat Basin. The assets are perfectly positioned to supply growing gas demand on Australia's east coast, including the liquefied natural gas export facilities in Gladstone.

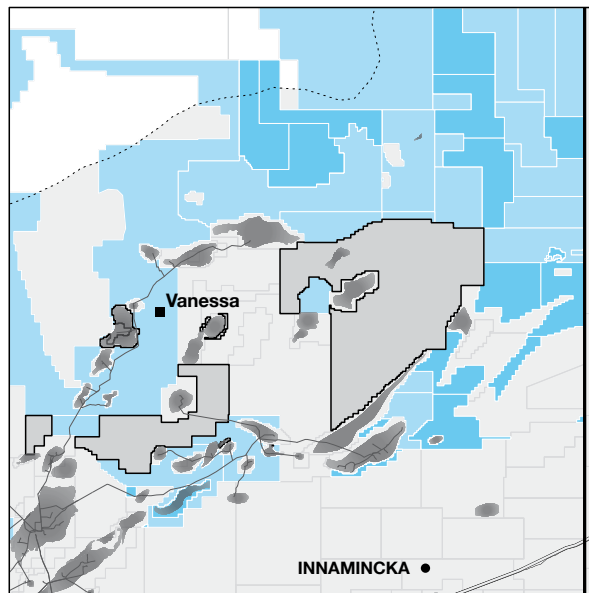
Don Juan Project (ATP 771P and ATP 593P: Senex 45% and Operator)

Senex operates two permits on the western Surat Basin, north west of Roma and close to gas compression infrastructure and water treatment facilities. The Company drilled four core holes in its western permits during FY14 that contributed field delineation data. Exploration data indicated good coal and carbonaceous shale thickness.

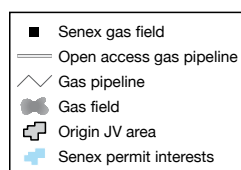
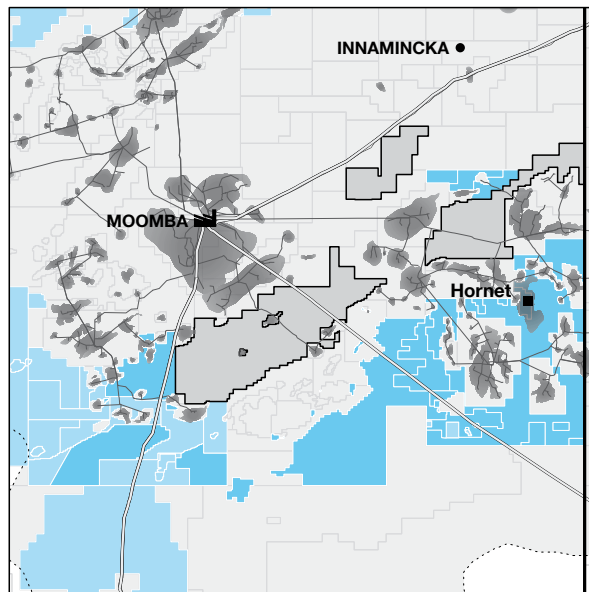
Eastern permits (PL 171: Senex 20% and ATP 574P: Senex 30%)

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

Origin Farmin – Area A



Origin Farmin – Area B Deeps





Tenement interests

Senex's portfolio of exploration, development and production assets at 30 June 2014

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint venturers ¹ (*Operator)
EXPLORATION			
Cooper-Eromanga Basin			
ATP 736P* - application	4,812	80	Bridgeport
ATP 737P* - application	622	80	Bridgeport
ATP 738P* - application	1,078	80	Bridgeport
ATP 794P (Barcoo Junction Prospect Area)	81	12	Bridgeport*
ATP 794P* (Springfield)	1,544	24	Bridgeport, Icon
ATP 794P* (Regleigh)	696	24	Bridgeport, Icon
ATP 794P (Barcoo)	2,632	35	Bridgeport*
PEL 87*	2,854	60	Beach
PEL 88*	1,634	100	
PEL 90* (Kiwi)	146	75	Cooper
PEL 93*	622	70	Cooper
PEL 94	900	15	Beach*, Strike
PEL 100*	297	55	Cooper, Santos
PEL 104*	518	60	Beach
PEL 110* ¹	728	60	Cooper, Orca
PEL 111*	776	60	Beach
PEL 182* ¹	1,744	57	Drillsearch
PEL 424*	6,137	60	Beach
PEL 514*	1,013	80	Planet Gas
PEL 516* (Mudlalee)	0.6	100	
PEL 516* (Remainder)	1,520	100	
PEL 516* (Shocking)	2	100	
PEL 636*	65	100	
PEL 637* ²	1,008	60	Origin
PEL 638* (Deeps) ³	904	53.8	Origin, Planet Gas
PEL 638* (Shallows)		80	Planet Gas
Surat Basin			
ATP 471P (Weribone)	12	20.65	AGL, Origin*
ATP 574P (Shallows)	231	30	BG Group*, CNOOC, Tokyo Gas
ATP 574P (Deeps)		30	BG Group*, CNOOC, Tokyo Gas
ATP 593P* (Don Juan CSG)	385	45	Arrow Energy
ATP 593P* (Deep)		24	Arrow Energy
ATP 771P* (Don Juan CSG)	538	45	Arrow Energy
ATP 771P* (Deep)		100	
Simpson/Eromanga/Pedirka Basins (Poolowanna Trough)			
PEL 288*	9,867	100	
PEL 289*	7,061	100	
PEL 290*	6,376	100	
PEL 331*	9,690	100	
GSEL 612*	2,490	100	
GSEL 613*	2,466	100	
GSEL 614*	2,463	100	
GSEL 615*	2,450	100	
GSEL 616*	2,345	100	
GSEL 617*	2,389	100	
GSEL 618*	2,328	100	
GSEL 619*	2,141	100	

Tenement interests

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint venturers ¹ (*Operator)
EXPLORATION (continued)			
Simpson/Eromanga/Pedirka Basins (Poolowanna Trough) (continued)			
GSEL 620*	2,121	100	
GSEL 621*	2,114	100	
GSEL 622*	2,470	100	
GSEL 623*	2,436	100	
GSEL 624*	2,298	100	
GSEL 625*	2,481	100	
Cooper-Eromanga Basin			
PPL 203 (Acrasia)*	2	100	
PPL 206 (Derrilyn) ⁴	1.4	35	Santos*
PPL 207 (Warrior)*	6	70	Cooper
PPL 208 (Derrilyn) ⁴	0.3	35	Santos*
PPL 209 (Harpoono)*	10	100	
PPL 211 (Reg Sprigg West)	0.1	25	Santos*, Beach, Delhi, Origin
PPL 213 (Mirage)*	10	100	
PPL 214 (Ventura)*	2	100	
PPL 215 (Toparoa) ⁴	0.9	2.33	Santos*, Bengal
PPL 217 (Arwon)*	0.8	100	
PPL 218 (Arwon East)*	0.6	100	
PPL 221 (Padulla)*	5	100	
PPL 240 (Snatcher)*	3	60	Beach
PPL 241 (Vintage Crop)*	0.5	100	
PPL 242 (Growler)*	8	60	Beach
PPL 243 (Mustang)*	3	60	Beach
PPL 251 (Burrana)*	1	80	Orca
PRL 15*	7	60	Beach
PRL 16*	3	100	
PRL 50*	98	100	
PRL 51*	99	100	
PRL 52*	97	100	
PRL 53*	100	100	
PRL 54*	96	100	
PRL 55*	100	100	
PRL 56*	99	100	
PRL 57*	99	100	
PRL 58*	99	100	
PRL 59*	99	100	
PRL 60*	100	100	
PRL 61*	99	100	
PRL 62*	99	100	
PRL 63*	94	100	
PRL 64*	98	100	
PRL 65*	98	100	
PRL 66*	96	100	
PRL 67*	97	100	
PRL 68*	99	100	
PRL 69*	94	100	
PRL 70*	77	100	
PRL 71*	76	100	
PRL 72*	73	100	
PRL 73*	94	100	
PRL 74*	83	100	
PRL 75*	49	100	

Tenement interests

Permit (*Operated by Senex)	Area (km ²)	Interest (%)	Joint venturers ¹ (*Operator)
PRODUCTION (continued)			
Cooper-Eromanga Basin (continued)			
PRL 76*	85	100	
PRL 77*	77	100	
PRL 78*	98	100	
PRL 79*	97	100	
PRL 80*	60	100	
PRL 81*	78	100	
PRL 82*	77	100	
PRL 83*	99	100	
PRL 84*	53	65	Bengal
PRL 105*	83	100	
PRL 106* ⁵	23	60	Origin
PRL 107*	94	100	
PRL 108*	42	50	Tellus
PRL 109*	93	50	Tellus
PRL 110*	84	50	Tellus
PRL 116*	64	100	
PRL 117* ¹	2	80	Orca
Bowen Basin			
PL 231*	180	40	Dome, Triangle
Surat Basin			
PL 171	175	20	BG Group*, CNOOC, Tokyo Gas
PLA 392 - application	22	30	BG Group*, CNOOC, Tokyo Gas
PLA 393 - application	43	30	BG Group*, CNOOC, Tokyo Gas
PCA 76 - application	161	30	BG Group*, CNOOC, Tokyo Gas
PCA 125 - application (East)*	154	100	
PCA 126 - application (West)*	154	100	
PCA 127 - application (Central)*	231	100	
GEO THERMAL			
GEL 378*	1,565	100	
GEL 382*	1,955	100	
GEL 386*	1,976	100	
GELA 393* - application	496	100	
GELA 394* - application	496	100	
GELA 395* - application	496	100	
GELA 396* - application	496	100	
GELA 397* - application	495	100	
GELA 398* - application	495	100	
GELA 399* - application	495	100	
GELA 400* - application	495	100	
GELA 401* - application	494	100	
GELA 402* - application	494	100	
GELA 403* - application	494	100	
GELA 404* - application	494	100	
GELA 405* - application	383	100	
GELA 406* - application	383	100	
Total gross	82,762		
Total net Senex	70,248		

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

² On 24 February 2014, Senex entered into an agreement with Origin whereby Origin may earn up to a 50% interest in PEL 637. The farm-in agreement was completed on 30 June 2014, refer page 27 of this annual report.

³ On 24 February 2014, Senex entered into an agreement with Origin whereby Origin may earn up to a 45% interest in PEL 638 Deeps. The farm-in agreement was completed on 30 June 2014, refer page 27 of this annual report.

⁴ Santos PPL 206 forms part of the Derrilyn Unitisation Agreement with PPLs 208 and 215.

⁵ On 24 February 2014, Senex entered into an agreement with Origin whereby Origin may earn up to a 50% interest in PRL 106. The farm-in agreement was completed on 30 June 2014, refer page 27 of this annual report.

Corporate governance statement

The Board and management of Senex are committed to the creation of shareholder value and meeting the expectations of stakeholders for sound corporate governance. In FY14, the Company undertook a comprehensive review of its corporate governance policies.

As a result of the review, the Board adopted a new whistleblower policy, revised the privacy policy and adopted amendments to the other policies listed below. These amendments will enhance the Company's compliance with corporate governance practices and policies in the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) for FY15. Reporting against the 3rd Edition is not required for FY14.

During FY14, the Company's corporate governance practices and policies have accorded with those outlined in the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition) (ASX Guidelines), except as outlined below.

The following policies were in place during FY14:

- Code of conduct
- Conflicts of interest policy
- Diversity policy
- Disclosure and communications policy
- Privacy policy
- Risk management policy
- Remuneration policy
- Securities trading policy
- Whistleblower policy

The following corporate governance statement should be read in conjunction with the Directors' report on pages 39 to 67 and the remuneration report on pages 43 to 67 of this annual report.

Principle 1 – Lay solid foundations for management and oversight

Board responsibilities

To ensure that the Board is well equipped to discharge its responsibilities, it has adopted a formal charter. The charter defines the functions reserved for the Board and those delegated to management to facilitate accountability to Senex and its shareholders. A copy of the Board charter is available on the Senex website in the corporate governance section.

The Board has established two standing committees - the audit and risk committee and the remuneration and nominations committee. The composition, structure, purpose and responsibilities of those committees are described below. The Board may also delegate specific functions to ad-hoc committees from time to time on an 'as needs' basis. The Board charter also contains a procedure for the Directors to obtain independent professional advice at the expense of the Company.

Management performance

At the time of joining Senex, Directors and Senior Executives are provided with letters of appointment, together with key

Company documents and information setting out their terms of office, duties, rights and responsibilities, and entitlements on termination.

The Company undertakes an annual performance evaluation process for all Senior Executives and did so in FY14. The remuneration report at pages 43 to 67 of this annual report sets out details of the FY14 annual performance evaluation process undertaken by the Company for Senior Executives.

Principle 2 – Structure the Board to add value

Composition of the Board

The composition and operation of the Board is determined in accordance with the following key principles and guidelines:

- The Board, advised by the remuneration and nominations committee, determines the size and composition of the Board and each Board committee, subject to the terms of the Constitution.
- A director should have qualifications and experience relevant to the business needs and strategy of the Company.
- The Board should, where practical, comprise a majority of independent non-executive directors.
- The chairperson must be an independent non-executive director.
- The Board and each Board committee should meet regularly in a pre-arranged cycle and follow agreed meeting guidelines to ensure all directors are made aware of all agenda items and are provided with all necessary information to enable them to participate in informed discussion.

The Directors in office at the date of this statement are:

Name	Position
Denis F Patten	Chairman, Independent Non-executive Director
Ian R Davies	Managing Director and Chief Executive Officer
Ralph H Craven	Independent Non-executive Director
Timothy BI Crommelin	Non-executive Director
Debra L Goodin	Independent Non-executive Director
Benedict M McKeown	Non-executive Director
Yanina A Barilá	Alternate Director appointed by Mr McKeown and by Mr Crommelin

A table setting out the number and type (e.g. audit and risk committee, remuneration and nominations committee) of Board committee meetings and the level of attendance by committee members for FY14 is set out in the Directors' report at page 42 of this annual report.

Corporate governance statement

Independence

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

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

- is a substantial shareholder of Senex or an officer of, or otherwise associated directly with, a substantial shareholder of Senex
- is employed, or has previously been employed, in an executive capacity by Senex or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board
- has within the last three years been a principal of a material professional advisor or a material consultant to Senex or another Group member, or an employee materially associated with the service provided
- is a material supplier or customer of Senex or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer and
- has a material contractual relationship with Senex or another Group member other than as a director.

Senex did not comply with recommendation 2.1 of the ASX Guidelines during FY14 as a majority of the Board is not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1. Notwithstanding this, the appointment of Ms Goodin earlier this year is a step closer to compliance and consistent with the Board's objectives to appoint exceptional people who can add value to Senex and competently oversee and guide its strategic direction.

Further, the Board believes that the individuals on the Board can and do make quality, independent judgements in the best interest of Senex and other stakeholders. The Board regularly assesses the independence of each Non-executive Director.

The independent Directors at the date of this report are Mr Patten (Chairman), Dr Craven and Ms Goodin. The roles of Chairman and Managing Director are exercised by different individuals.

Mr Davies is the Managing Director and Chief Executive Officer. Mr McKeown is a Partner with The Sentient Group which is a substantial shareholder in the Company. Mr Crommelin is the Executive Chairman of Morgans Financial Limited, a material professional advisor to Senex. As a result of these relationships, these three Directors are not considered to be independent.

The Directors will continue to review the composition of the Board as Senex grows, and appoint independent directors with the requisite skills as appropriate. Details of each Director's skills, experience and expertise relevant to the position of Director are detailed on pages xx to xx of this annual report.

Remuneration and nominations committee

The Board has a remuneration and nominations committee, which has three primary functions:

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

The remuneration and nominations committee has a charter which sets out its roles and responsibilities, composition and structure and can be found on the Senex website in the corporate governance section.

Director performance review and evaluation

It is the policy of the Board to ensure that the directors are equipped with the knowledge and information they need to discharge their responsibilities effectively. Performance of Directors is continually monitored by the Chairman and Board. In FY14, the Board has taken steps, through the remuneration and nominations committee, to consider a formal performance review of the directors, the Board as a whole and each Board committee with a view to implementing this process in FY15. The Chairman also speaks to each Director on an individual basis regarding their role as a Director.

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

A Director whose performance is unsatisfactory may be asked to retire. The Board has not formally documented the results of performance evaluations to date.

Principle 3 – Promote ethical and responsible decision-making

Code of conduct

Senex has a code of conduct that sets out standards of behaviour expected of its Directors and employees and those the Company contracts to do work for it. The code of conduct is available on the Senex website in the corporate governance section. The Senex code of conduct was updated in FY14 to reflect changes arising from the recently released 3rd Edition of the ASX Corporate Governance Council's Principles and Recommendations and also as a result of the growth in size and complexity of the business.

Corporate governance statement

Diversity

Senex has a diversity policy which aims to create workplace culture that attracts and retains well-qualified, diverse and motivated people. In FY14, the Board adopted changes to the diversity policy as part of its review of the Company's corporate governance policies and procedures and in light of the 3rd Edition of the ASX Corporate Governance Council's Principles and Recommendations. A copy of the Company's diversity policy is available on the Senex website in the corporate governance section.

The Board is committed to managing and promoting a culture of diversity in the workplace. A description of the Company's performance against the diversity objectives set last year and details of several additional objectives approved by the Board in FY14 for achievement in FY15 can be found in the sustainable development section on page 20 of this annual report. The sustainable development section also contains details of the proportion of women employed by Senex and the proportion of women in senior management positions.

Securities dealings and disclosures

Senex has a securities trading policy that regulates dealing in its securities by directors, executives and employees (personnel) and their associates. The Board restricts personnel from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security price. Personnel are required to ensure that their associates comply with the same restrictions under the policy.

The policy prohibits personnel from dealing in any securities, not just Senex securities, if they are in possession of price sensitive information not available to the market. The *Corporations Act 2001* (Corporations Act) also prohibits the purchase or sale of securities whilst a person is in possession of inside information.

In addition to the overriding prohibition on dealing when a person is in possession of inside information, personnel and their associated parties are prohibited from dealing in the Company's securities during certain blackout periods determined and advised to personnel by the Company Secretary, Chief Executive Officer or Chairman of Senex, as follows:

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

The policy also prohibits short term trading. A copy of the securities trading policy is available on the Senex website.

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

Certain personnel, including all directors, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and other executives reporting directly to the Chief Executive Officer are designated personnel under the policy, and are subject to additional restrictions. Designated personnel are required to obtain approval from the Company Secretary, Chief Executive Officer or Chair before any dealing in Senex securities and to notify the Company Secretary of any completed dealing.

Principle 4 – Safeguard integrity in financial reporting

Audit and risk committee

The audit and risk committee comprises four non-executive directors, of whom three are independent.

The Chairman of the Board cannot chair the audit and risk committee. The Chairman of the audit and risk committee, Dr Craven, is an independent Non-executive Director. All members of the committee are financially literate and the committee possesses sufficient financial expertise and knowledge of the industry in which Senex operates.

It is the responsibility of the audit and risk committee to ensure that an effective internal control framework exists within Senex. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The audit and risk committee charter setting out its role, responsibilities, composition and structure can be found on the Senex website.

Principle 5 – Make timely and balanced disclosure

Senex has adopted policies and procedures to ensure compliance with its continuous disclosure obligations, and to ensure accountability at senior management level for that compliance. The Senex disclosure and communications policy sets out the framework for Senex to ensure timely and balanced disclosure.

The Company is committed to providing timely, full and accurate disclosure and to keeping the market informed through quarterly releases detailing exploration, development and production, and through annual and half-year reports to shareholders. The disclosure and communications policy is available on the Senex website.

All material matters are disclosed to the ASX immediately (and subsequently to the media, where relevant), as required by the ASX Listing Rules. All material investor presentations are released to the ASX and are posted on the Senex website. Shareholders can subscribe to a free email notification service and receive notice of any announcement released by the Company.

Corporate governance statement

Principle 6 – Respect the rights of shareholders

Senex respects the rights of its shareholders and has adopted policies to facilitate the effective exercise of those rights through participation at general meetings and by providing information to shareholders about the Company and its operations.

Senex is committed to providing a high standard of communication to shareholders and other stakeholders so that they have all available information reasonably required to make informed assessments of the Company's value and prospects.

Senex's disclosure and communications policy sets out the Company's commitment to promote effective communication with shareholders and encourage their participation at shareholders' meetings. The disclosure and communications policy is available on the Company's website.

Principle 7 – Recognise and manage risk

Risk assessment and management

Senex recognises that effective risk management is central to continued growth and success and has established a sound system of risk oversight, management and internal control.

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

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

The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risk are identified, assessed effectively and efficiently managed and monitored to enable achievement of Senex's business objectives. Shareholders and investors are also directed to the principal risks and uncertainties section at pages 10 to 13 and also the sustainable development section at pages 18 to 23 of this annual report which provide a description and analysis of material sustainability risks relevant to Senex.

The Board has received assurance from the Managing Director and Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control which is operating effectively.

Principle 8 – Remunerate fairly and responsibly

Remuneration and nominations committee

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

It provides for fixed and performance based remuneration for employees, including directors, and includes a component of equity remuneration. The policy also contains provisions for the clawback of remuneration in certain circumstances.

The remuneration of Non-executive Directors is structured separately from that of the executive directors and Senior Executives.

The remuneration report at pages 43 to 67 of this annual report sets out details of the Company's policies and practices for remunerating directors (executive and non-executive), key management personnel and employees.

Senex has a remuneration and nominations committee, which comprises all of the Non-executive Directors and is chaired by Mr Patten who is the Chairman of the Board. The charter for the remuneration and nominations committee can be found on the Senex website in the corporate governance section.

Board of directors

Denis F Patten Chairman

Denis was appointed as Chairman of Senex in March 2008. His career in the energy and resources industry spans more than 40 years and has included major resource developments in Australia and internationally. He has three decades of experience in oil and gas exploration, development and production and was a founding director of Queensland Gas Company Limited, retiring from the Board in 2007. Denis has held senior executive positions with ASEA Australia, CMPS&F Pty Ltd, PT CMP Indonesia and a number of major Australian onshore oil and gas drilling companies. Denis was a Non-executive Director of Orca Energy Limited from March 2012 until June 2013. He chairs the Senex remuneration and nominations committee and is a member of the audit and risk committee.

Ian R Davies Managing Director and Chief Executive Officer

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

Ian was appointed as Managing Director in June 2010. He has a proven track record in delivering rapid business growth and a deep knowledge of the commercial imperatives underpinning successful companies. Ian joined Senex from QGC (a BG Group business), where he had been a key member of the senior management team since joining as Chief Financial Officer in 2007. Previously, Ian was an investment banker in Melbourne with Austock Corporate Finance and in London with Barclays Capital. He commenced his career in the Energy and Mining Division of PricewaterhouseCoopers (pwc) in Brisbane. In October 2013, Ian was named Business Person of the Year at the Brisbane Lord Mayor's Business Awards.

Ralph H Craven Non-executive Director

BE PhD FIEAust FIPENZ FAICD CPEng

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. Ralph is a Non-executive Director of a number of listed and unlisted companies including Invin Ltd (ASX: IVX), AusNet Services Ltd (ASX: AST), Mitchell Services Ltd (ASX: MSV), and Windlab Ltd. His previous roles include Chairman and Non-executive Director of Ergon Energy Corporation Limited, Chairman of Tully Sugar Limited and Deputy Chairman of coal seam gas company Arrow Energy Limited. Ralph chairs the Senex audit and risk committee and is a member of the remuneration and nominations committee.

Timothy BI Crommelin Non-executive Director

Bcom, ASIA, FAICD

Tim joined the Senex Board in October 2010. He has over 40 years' experience in stockbroking and deep understanding of corporate finance, risk management and mergers and acquisitions. He is Executive Chairman of Morgans Financial Limited, Non-executive Chairman of ASX listed AP Eagers Limited and previously served as Deputy Chairman of CS Energy Limited and Queensland Gas Company Limited. His other directorships include Australian Cancer Research Foundation and Abney Hotels Limited. Tim is Chairman of the Investment Advisory Committee to the ANU Superannuation Funds, a member of The University of Queensland's Governing Senate and former member of Brisbane Grammar School's Board of Trustees. Tim is a member of the Senex audit and risk committee and the remuneration and nominations committee.

Debra L Goodin Non-executive Director

BEcon, FCA, MAICD

Debbie joined the Senex Board in May 2014. She has more than 20 years' senior management experience with professional services firms, government authorities and ASX listed companies across a broad range of industries and service areas. Her executive experience in finance, operations, corporate strategy and mergers and acquisitions included service as Chief Operating Officer for an Australian and New Zealand subsidiary of Downer EDI Limited, and as Acting Chief Financial Officer and Head of Mergers and Acquisitions, and then Global Head of Operations, at Coffey International Limited where she led geosciences, project management and international development businesses. Debbie is an experienced company director and audit committee chair. She is currently a Non-executive Director of Adelaide based Beyond Bank Australia and Victorian government owned City West Water and a member of the Finance Committee for Melbourne's Royal Women's Hospital. Debbie is a member of the Senex audit and risk committee and the remuneration and nominations committee.

Board of directors

Benedict M McKeown **Non-executive Director**

Beng (Mining Engineering), MBA, CENG, MEI, MIMMM

Ben joined the Senex Board in December 2008. He is a Chartered Engineer with more than 25 years' experience in the petroleum and mining sectors, including technical and commercial roles with BP and Total. During the past 14 years, Ben has been involved in private equity investments primarily in the energy and mining sectors. He is currently a partner with The Sentient Group, an independent private equity investment firm specialising in the global resources industry, whose funds are shareholders in Senex. Ben serves on a number of Boards in the natural resources sector. He is Chairman of Ferrous Resources Ltd and Chairman of Jordan Energy and Mining Ltd. He was previously Chairman of Rincon Lithium Ltd. Ben is a member of the Senex remuneration and nominations committee.

Yanina A Barilá **Alternate Non-executive Director**

BAcc, Mfin

Yanina was appointed as an Alternate Director for Ben McKeown in March 2011 and subsequently also appointed as an Alternate Director for Tim Crommelin in July 2014. She is an investment manager with The Sentient Group and brings international experience in the review and evaluation of mining and energy projects. Yanina's areas of expertise include financial modelling and equity research. Before joining Sentient in 2009, she was based in Buenos Aires and previously worked with Irevna, a subsidiary of Standard and Poor's, Thomson-Reuters, and Ernst & Young. Yanina is also an alternate director of ASX-listed Silver City Minerals and MBD Energy as well as a director of TSX.V-listed Tinka Resources. During the financial year, she was a director of TSX.V-listed Darwin Resources. Yanina is an alternate member of both the Senex remuneration and nominations committee and the audit and risk committee.

Executive committee

Francis L Connolly

Legal Counsel and Corporate Secretary

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

Frank joined Senex in early 2011 from the Australian Securities and Investments Commission (ASIC) where he was a Senior Manager in the Emerging, Mining and Resources team. In his role at Senex, Frank is responsible for managing corporate risk, ensuring compliance with corporate obligations and providing the corporate secretariat for the Board. Over a career spanning 30 years, Frank has held a number of senior executive roles and brings extensive knowledge in the areas of company law, corporate governance, investment banking and corporate finance. Previous roles include Chief Financial Officer and Head of Corporate Finance for Viento Group, Director of Corporate Finance for Ord Minnett and Partner of national law firm Corrs Chambers Westgarth.

Andrew (James) Crowley

Exploration Technical Authority and Acting Executive General Manager Exploration and New Ventures

BSc (Hons) Geology

James joined Senex in September 2012 and assumed the role of Exploration Technical Authority in August 2014. James is also currently acting in the role of Executive General Manager Exploration and New Ventures. In this role, James is responsible for delivering new reserves in oil and gas, achieving success with the unconventional gas business and securing attractive new venture opportunities. His career in the oil and gas industry spans 28 years and includes the successful identification and development of onshore and offshore oil and gas prospects in diverse geological settings. Before joining Senex, James was Exploration Manager New Ventures with Origin Energy Limited. In this role, he oversaw the evaluation of tight sand and shale gas prospectivity in Australia and New Zealand. Previously, James was with Apache Corporation for 18 years where he held senior executive roles in Egypt and the North Sea. His experience during this time included the discovery of new fields and the exploitation of mature oil fields to deliver significant increases in daily oil production and reserves.

Andrew J Price

Chief Financial Officer

BCom, HDipAcc, CA, CA (SA)

Andrew joined Senex as Chief Financial Officer in September 2012. In this role, he is responsible for overseeing the company's financial position, promoting financial and economic discipline and building strong commercial relationships. Andrew has a wealth of experience in the energy and resources sectors, and was previously Business Development Manager for Anglo American plc, responsible for global growth. Before joining Anglo American, Andrew spent almost 10 years with pwc in its Transaction Advisory and Project Finance Advisory businesses. He is a Chartered Accountant and holds a Bachelor of Commerce from Rhodes University.

Gary Proctor

Executive General Manager Safety, People and Systems

Gary joined Senex in November 2012 and assumed his current role in August 2014. In this role, Gary is responsible for safeguarding people, the environment and the company's license to operate. He has considerable experience in developing and implementing management systems and risk management frameworks within the oil and gas industry both in Australia and overseas. He also has extensive experience in the drilling industry both in Australia and overseas working in the offshore and land based drilling environments. Gary joined Senex from International Safety and Risk Management, where he was a key member of the senior management team. Before this, Gary was an independent oilfield risk consultant for six years and the HSSE Manager Western Hemisphere for Pride International based in Houston, Texas.

Craig Stellan

Chief Operating Officer

BEng (Hons) Electrical and Electronic

Craig joined Senex in August 2014 as Chief Operating Officer. In this role, Craig is responsible for all of Senex's operations in South Australia's Cooper-Eromanga Basin, including maximising the recovery of discovered oil, driving operational excellence and efficiency and building a gas operating capability. Craig has extensive senior executive experience in Australia's oil and gas industry. Before joining Senex, Craig was with Santos Limited for eight years and fulfilled a number of key downstream technical and upstream management roles. Most recently, he was General Manager Upstream South Australia, responsible for the company's upstream assets in the Cooper-Eromanga Basin. Craig holds a Bachelor of Engineering (Electrical/Electronic) with Honours from Adelaide University.

Julie A Whitcombe

Executive General Manager Strategic Planning

BME (First Class Hons), MBA, CA (Distinction)

Julie joined Senex in late 2010 and held a number of senior executive roles in the company before assuming her current role in August 2014. As Executive General Manager Strategic Planning, Julie is responsible for optimising the asset portfolio and longer term planning, driving capital allocation discipline and managing stakeholder communications. Her dual qualifications in Mining Engineering and Accounting give her unique insights into the operational requirements of a resource development company. Julie has broad experience in finance and corporate advisory in the resources sector, having spent seven years with pwc in its Transactions team in Brisbane and in Aberdeen, Scotland. During her time with pwc, Julie worked across a wide range of high profile transactions in the oil, gas and coal industries, for clients including QGC, Santos and Rio Tinto. Prior to joining pwc, she worked as a management consultant for AT Kearney.

Directors' report and remuneration report

Your Directors submit their annual report for the year ended 30 June 2014.

The annual report covers Senex Energy Limited (the Company, the parent entity or Senex) and its controlled entities / subsidiaries (collectively known as the Group).

Principal activities

The principal activities during the year of entities within the Group were oil and gas exploration and production. There have been no significant changes in the nature of these activities during the financial year. The Group's presentation currency is Australian dollars (\$).

Directors

The Directors who served at any time during or since the end of the financial year until the date of this report are:

Denis F Patten
 Ian R Davies
 Ralph H Craven
 Timothy BI Crommelin
 Benedict M McKeown
 Debra L Goodin (appointed 26 May 2014)
 Yanina A Barilá (alternate for Mr McKeown since 4 March 2011; appointed alternate for Mr Crommelin 21 July 2014)

Details of the Directors' qualifications and experience are set out on page 36 of this annual report.

Interests in the shares, options and performance rights of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares, options and performance rights of the Company were as follows:

Class of security	Ordinary shares, fully paid	Unlisted options	Employee performance rights
Denis F Patten	1,819,616	-	-
Ian R Davies	1,830,953	5,333,000	4,308,594
Ralph H Craven	200,000	-	-
Timothy BI Crommelin	3,546,812	-	-
Debra L Goodin	-	-	-
Benedict M McKeown*	-	-	-
Yanina A Barilá*	-	-	-

* Mr McKeown and Ms Barilá are executives of the Sentient Group which held relevant interests in 188,212,276 fully paid shares (16.39% of issued shares) at the date of this report.

Secretary

Mr Francis L Connolly is the Group Secretary. Details of his qualifications and experience are set out on page 38 of this annual report.

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

Dividends

No dividends have been paid or declared by Senex since the end of the previous financial year and no dividends have been paid or declared to the Company by any controlled entity during the year or to the date of this report. The balance of the franking account at the end of the period was \$6,100,000 (2013: \$6,100,000).

Directors' report and remuneration report

Operating and financial review

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

The Group's total revenue for the year was \$183,772,000 (2013: \$148,950,000). The Group's net profit for the year was \$37,895,000 (2013: \$61,004,000).

A detailed operating and financial review is included on pages 1 to 35 of this annual report. Detailed information on Senex's business strategies and prospects is provided on pages 6 to 9. Material business risks are discussed on pages 10 to 13 of this annual report.

Ordinary fully paid shares issued during the year

	Parent Entity			
	2014		2013	
	Number of shares	\$'000	Number of shares	\$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,140,804,837	450,064	1,032,094,191	374,251
Issues of share during the period:				
Equity raising	-	-	104,111,540	77,043
Exercise of unlisted options	2,935,000	902	1,930,000	568
Performance rights (nil consideration)	2,604,080	-	2,669,106	-
Transaction costs on shares issued (net of tax)		-		(1,798)
Balance at the end of the period	1,146,343,917	450,966	1,140,804,837	450,064

Significant changes in the state of affairs

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

Significant events after the reporting date

Offer of Employee Incentive Plan Rights

On 18 August 2014, the Company offered 3,049,293 FY14 EIP rights to 170 eligible employees under the Senex Employee Incentive Plan (EIP) in recognition of their performance in FY14. The offers will be open for acceptance until 1 September 2014 and it is expected that FY14 EIP rights will be granted to accepting offerees within the week after that date.

Office Lease

The Group entered into new leases for the three floors currently leased for head office premises in Brisbane. All lease arrangements will terminate on 30 June 2019, with a five year extension option.

Other

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

Directors' report and remuneration report

Likely developments and expected results

During the next financial year, the Group will continue to focus on its key projects. Further information on the likely developments and expected results are included in the review of operations on pages 1 to 35 of this annual report.

Environmental regulation and performance

The Group's operations are subject to environmental regulation under Commonwealth and State environmental regulation. These regulations cover the entity's exploration, development and production activities. Compliance with the applicable environmental regulatory requirements is defined within the framework of the environmental management system. Compliance performance is monitored on a regular basis via the conduct of environmental audits by regulatory authorities, independent consultants and by Senex. No significant environmental breaches or infringements have been notified by any government agency in FY14.

A summary of Senex's environmental activities and performance is included on pages 22 and 23 of this annual report.

Share options

Unissued shares

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

Type of security	Number	Exercise price (\$)	Expiry date
Unlisted options	667,000	0.400	1 July 2015
Unlisted options	666,000	0.400	1 July 2016
Unlisted options	1,200,000	0.255	9 September 2015
Unlisted options	800,000	0.255	19 July 2016
Unlisted options	1,000,000	0.255	19 July 2017
Unlisted options	1,000,000	0.255	19 July 2018
Vesting date			
FY13 EIP rights	1,219,332 ¹	-	1 July 2015
FY13 LTI rights	5,436,103	-	1 July 2015
FY14 STI rights	1,125,339 ²	-	1 July 2015
FY14 LTI rights	2,763,179	-	1 July 2016

¹ 16,804 FY13 EIP rights vested on 1 July 2014.

² 1,892,366 FY14 STI rights lapsed on 22 August 2014.

Options issued from 1 July 2013 to the date of this report

There were no options issued in FY14. Option holders do not have any right, by virtue of the option, to participate in any share issue of Senex or any related body corporate.

Performance rights issued from 1 July 2013 to the date of this report

On 30 September 2013, Senex issued 2,470,890 FY13 EIP rights to employees under the Senex EIP in recognition of their performance in FY13. Tranche 1 (1,235,474) of those rights vested immediately on grant. Tranche 2 (1,235,416) of those rights were granted subject to a vesting condition that required the holder to be a Senex employee on 1 July 2015. The Board exercised a "good leaver" discretion to vest 16,804 Tranche 2 rights on 1 July 2014. The remaining 1,219,332 Tranche 2 rights are still subject to vesting on 1 July 2015.

On 20 December 2013, Senex issued 3,017,705 FY14 STI rights and 2,763,179 FY14 LTI rights to senior employees (including the CEO). The performance conditions and vesting conditions applying to those rights are described on pages 43 to 67.

There was no change in FY14 in the 5,436,103 FY13 LTI rights issued in FY13 that are subject to performance and vesting conditions until 1 July 2015.

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

Directors' report and remuneration report

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

The following are details of the 2,935,000 shares issued to holders of Senex employee options on exercise of their options and 2,604,080 shares issued to holders of Senex employee performance rights on the vesting of their rights in FY14.

Date issued	Event	Number of shares	Issue price per share (\$)
26 July 2013	rights vested	133,333	-
26 July 2013	rights vested	372,180	-
13 September 2013	options exercised	600,000	0.255
13 September 2013	rights vested	100,000	-
30 September 2013	rights vested	1,998,567	-
16 January 2014	options exercised	1,000,000	0.255
4 March 2014	options exercised	50,000	0.370
23 May 2014	options exercised	25,000	0.370
12 June 2014	options exercised	30,000	0.370
16 June 2014	options exercised	25,000	0.370
18 June 2014	options exercised	500,000	0.370
23 June 2014	options exercised	75,000	0.370
26 June 2014	options exercised	500,000	0.370
30 June 2014	options exercised	130,000	0.370

Indemnification and insurance of Directors and officers

In FY14, Senex incurred a premium of \$46,956 (FY13: \$45,687) to insure Directors and officers of the Group. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group. It is not possible to apportion the premium between amounts relating to insurance against legal costs and amounts relating to insurance against other liabilities.

Directors' meetings

The numbers of meetings of Senex's Board of Directors and of each Board Committee held in FY14, and the number of meetings attended by each Director were:

	Meetings of committees					
	Board meetings		Audit and Risk		Remuneration and Nominations	
	A	B	A	B	A	B
Denis F Patten	9	9	4	4	6	6
Ian R Davies	9	9	2	*	1	*
Ralph H Craven	8	9	4	4	5	6
Timothy BI Crommelin	8	9	3	4	5	6
Debra L Goodin	1	1	0	0	1	1
Benedict M McKeown	8	9	3	*	6	6
Yanina A Barilá	6	9	4	*	5	6

A = Number of meetings attended

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

* = Not a member of the relevant Committee

Non-audit services

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

Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 68 of this annual report.

Indemnification of auditors

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

Rounding

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

Directors' report and remuneration report

Remuneration report (audited)

The Directors of Senex Energy Limited present this remuneration report for the consolidated entity for the year ended 30 June 2014 (FY14). The information provided in this report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth) (Corporations Act) and forms part of the Directors' report.

It outlines Senex's key remuneration activities in FY14 and remuneration information pertaining to the Company's Directors, Chief Executive Officer and Managing Director (CEO) and Senior Executives other than the CEO who are the key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act and the Accounting Standards.

At the 2013 annual general meeting, the Company's remuneration report for FY13 was approved without dissent on a show of hands, and 99% of the proxies were voted in favour.

2013/14 Remuneration snapshot

Fixed remuneration	<ul style="list-style-type: none"> As foreshadowed in the FY13 Remuneration Report, the CEO's total fixed remuneration (TFR) increased from the fixed amount of \$550,000 per annum set in 2011 to \$850,000 per annum for FY14. The same seven individuals served as Senior Executives throughout FY14 and the average TFR of this group increased by 9.9% from \$362,143 to \$397,857 per annum in FY14 in order to offer remuneration that was competitive with companies with operations and assets of comparable size and complexity. The Board intends to offer the CEO and the Senior Executives no overall increase in TFR, STI or LTI for FY15. Following market salary benchmarking, the average TFR of the Company's workforce, apart from the Senior Executives, was 5.1% higher than it was in FY13.
STI program changes from previous year	<ul style="list-style-type: none"> Senex offered STI to the CEO and Senior Executives for FY14 consisting of a cash bonus payable in August 2014 for 50% of the STI award (if any) determined by the Board, and vesting of contingent performance rights (FY14 STI rights) granted for the other 50%, subject to 12 month deferral, (i.e. not vesting until 1 July 2015). The STI was offered in four components, with each component subject to a 12 month performance condition. In FY13 Senex awarded STI to the CEO and Senior Executives as a cash bonus on the basis of similar 12 month performance conditions.
Short term incentive (STI)	<ul style="list-style-type: none"> The Board awarded to the CEO 47.5% of his maximum STI for the year (representing an uplift of 47.5% of his TFR for the year) and awarded to the Senior Executives an average of 33.7% of their maximum STI (representing an uplift of 33.1% of the average TFR of that group for the year). The Board's determination of STI awards for the CEO and Senior Executives was based on the outcome of the FY14 STI performance conditions.
Long term incentive (LTI)	<ul style="list-style-type: none"> As in FY13, LTI for the CEO and Senior Executives for FY14 was a grant of performance rights (FY14 LTI rights) subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2013 to 30 June 2016 with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the executive to be an employee of Senex group on 1 July 2016. No LTI rights granted in FY13 or FY14 vested in FY14.

Directors' report and remuneration report

LTI program changes from previous year

- The rules of the Plan were amended so that, in the event of a change of control (for example, a takeover):
 - All unvested FY14 rights that are subject only to a service condition will vest immediately on change of control.
 - All unvested FY14 rights 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 rights will vest immediately on change of control.
 - The Board has an overriding discretion to vest or increase vesting of unvested FY14 rights in the event of change of control.
- In the event that any measure of the Company's performance against a performance condition is subsequently discovered to have been misstated, the Board will have a right at its discretion to clawback out of any unvested rights granted in or after FY14 that a Senior Executive holds the number of rights (if any) that vested incorrectly in reliance on the misstated level of performance.

Non-executive Directors

- Fees paid to Non-executive Directors increased in FY14 in line with advice from the Board's remuneration consultant and following shareholder approval in 2013 to increase the maximum aggregate annual remuneration allowance for Non-executive Directors.
- The Board appointed an additional independent Non-executive Director in FY14, and is considering the appointment of one more director.

Directors' report and remuneration report

Realised remuneration

The following table shows the remuneration actually realised by the CEO and Senior Executives (who were KMP at 30 June 2014) in respect of performance in FY14 and LTI from prior years that was actually received in FY14. This is additional and different to the disclosures required by the Corporations Act and Accounting Standards, particularly in relation to LTI. Total remuneration amounts determined in accordance with the requirements of the Corporations Act are set out in Tables 12 and 13 on pages 58 and 59 of this annual report.

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

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

Table 1: Realised remuneration (non-IFRS)

	Year	TFR ¹ \$	STI ² \$	LTI ³ \$	Other ⁴ \$	Total \$
Ian R Davies ⁵	2014	850,000	201,875	-	23,671	1,075,546
	2013	550,000	225,000	-	19,498	794,498
Andrew J Price	2014	410,000	66,625	-	10,726	487,351
	2013	321,040	157,208	-	10,793	489,041
Julie A Whitcombe ⁶	2014	206,845	41,003	196,482	5,346	449,676
	2013	270,304	117,600	173,988	13,948	575,840
Francis L Connolly	2014	395,000	64,188	162,572	10,693	632,453
	2013	351,129	171,500	143,960	13,949	680,538
Andrew J Crowley	2014	420,000	68,250	-	11,293	499,543
	2013	158,938	91,875	-	6,040	256,853
Darren B Stevenson	2014	395,000	64,188	-	11,293	470,481
	2013	254,530	122,500	-	8,917	385,947
Susan L Mallan ⁷	2014	257,613	41,869	-	5,646	305,128
	2013	347,430	183,750	-	13,948	545,128
Gary J Proctor	2014	395,000	64,188	-	11,293	470,481
	2013	252,689	122,500	-	8,801	383,990
Total	2014	3,329,458	612,186	359,054	89,961	4,390,659
	2013	2,506,060	1,191,933	317,948	95,894	4,111,835

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

² STI represents the amount of the cash bonus that was paid in August 2014 for FY14 performance, which represents 50% of the STI awarded for the year; the other 50% is in the form of FY14 STI rights which are subject to vesting on 1 July 2015

³ The figures in the LTI column are based on the pre-tax vested value of performance rights or the pre-tax value of options exercised in the year measured by the difference between the share price on the date of exercise less the exercise price. The figures relate to performance rights granted to Mrs Whitcombe and Mr Connolly in prior years that vested in FY14. For the value of share-based payments calculated in accordance with the Accounting Standards see Table 13 on page 59.

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

⁵ Mr Davies was awarded 47.5% of a maximum STI bonus of \$850,000 (i.e. \$404,750) for FY14. 50% of the bonus was paid in cash in August 2014; the other 50% will be provided in Senex shares, for which he holds 371,094 FY14 STI rights which are subject to vesting on 1 July 2015. Total realised remuneration for Mr Davies for FY13 reflected the structure of his employment agreement, whereby his TFR and STI were capped at levels agreed in July 2011. The Board renegotiated an employment agreement with the CEO to offer market comparable levels of TFR, STI and LTI for FY14. Mr Davies exercised 667,000 options on 1 July 2014. These are not included above as they will form part of his realised remuneration in FY15.

⁶ Mrs Whitcombe was on maternity leave from 8 July 2013 to 31 December 2013 inclusive.

⁷ Mrs Mallan was on maternity leave from 13 May 2013 to 08 November 2013 inclusive.

Directors' report and remuneration report

Remuneration philosophy

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

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

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

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

Senex Employee Incentive Plan

In FY13, the Company adopted the Senex Employee Incentive Plan (EIP) to help achieve the remuneration policy goals by:

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

Every permanent salaried employee of Senex (other than a member of KMP) who completed employment probation in FY14 was eligible to participate in the EIP for FY14. On the basis of the corporate performance rating determined by the Board for FY14, and the employee's individual performance rating, each eligible employee has been offered performance rights under the Senex employee performance rights plan which convert into Senex shares on vesting.

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

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

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

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

The Board set, and management disclosed to all Senex staff, the FY14 EIP corporate performance targets, shown in Table 2:

Table 2: FY14 EIP corporate performance targets

Safety	Strive for zero ¹
Oil production	1.6 million barrels ²
Addition of 2P oil reserves	Increase by 6 million barrels ³
Total shareholder return	20% TSR ⁴

¹ The Board will determine the Company's safety performance with regard to the APPEA Safety Performance Guidelines, focusing on no lost time injuries, contractor management and improvement on FY13 TRIFR.

² Net to Senex.

³ Net to Senex, but before production and divestments.

⁴ Growth in Senex share price for FY14 plus dividends.

Directors' report and remuneration report

The Board determined that the corporate performance rating of the Company for FY14 was 70%, reflecting the fact that:

- Senex achieved oil production of 1.38 mmbbls, and that substantially satisfied the lower end of market guidance (1.4 mmbbls – 1.6 mmbbls).
- Senex achieved 4.5mmbbl addition of 2P reserves of oil, and that was 12.5% more than the lower end of market guidance (4.0 mmbbls – 6.0 mmbbls).
- Senex significantly improved its safety performance (TRIFR for FY14 was 25% lower than TRIFR for FY13).
- Senex achieved 32.5% TSR which was 62.5% above the 20% TSR target.

Figure 1 on page 53 shows the Company's share price performance, and the performance of the S&P/ASX 200 index, over the five year period FY10 to FY14.

Accordingly, 170 Senex employees have been offered 3,049,293 performance rights (in total) under the EIP for FY14, 50% of which will vest immediately on grant and the other 50% of which will vest on 1 July 2016, subject to the employee being a Senex employee at that time.

The number of performance rights (if any) that each eligible employee was offered for FY14 performance was determined by:

Corporate performance rating for FY14 (%)	x	Individual performance rating for FY14 (%)	x	Individual remuneration for eligible period (\$)	x	Employee's eligible service period for FY14 (out of 365 days) (%)
÷ participation price (\$)						

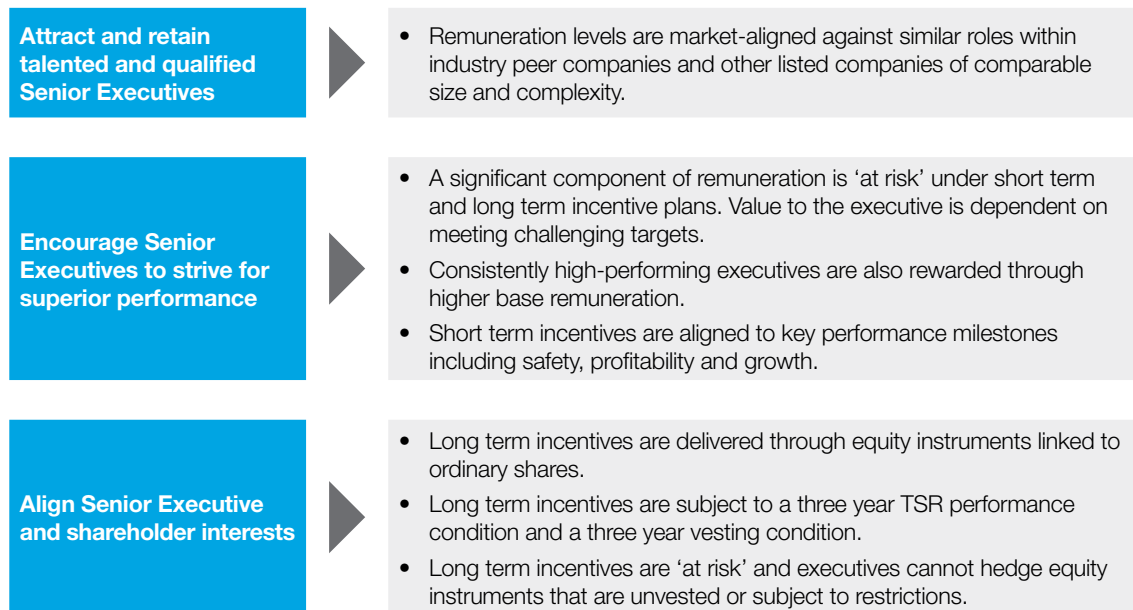
The participation price for performance rights offered under the EIP for FY14 was the 20-day VWAP to 30 June 2014, which was \$0.721 per share.

Directors' report and remuneration report

Remuneration framework

Framework for CEO and Senior Executive remuneration

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



Framework for Non-executive Director remuneration

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



Directors' report and remuneration report

Remuneration governance

Remuneration and nominations committee

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

The committee has three primary functions:

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

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

In FY14, all Non-executive Directors were members of the committee, with Senex Chairman, Mr Denis Patten, serving as its Chair. The CEO attends parts of committee meetings that do not involve discussion of his own arrangements. Other Senior Executives may also attend committee meetings to provide management support.

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

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

External advisors and remuneration advice

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

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

In FY14 the committee engaged Remuneration Strategies Group Pty Ltd (RSG) in accordance with the Board approved protocol to provide remuneration recommendations in relation to the KMP for the consolidated entity for FY15. Table 3 shows the fees payable to RSG in FY14.

Table 3: Remuneration consultants

Remuneration consultant	Advice and/or service provided	Fees
Remuneration Strategies Group Pty Ltd	Remuneration recommendations	\$17,500

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

- The Board approved RSG as an external remuneration consultant under paragraph 206K(2)(a) of the Corporations Act to provide remuneration recommendations in relation to KMP of the Company.
- The terms of RSG's appointment included:
 - That the Board or Committee will from time to time commission specific projects related to KMP remuneration.
 - That RSG may only provide KMP remuneration recommendations to Non-executive Directors of Senex.
 - That interactions with employees of the Company should be limited to those necessary to conduct work approved by the Board and should be under the guidance of a Non-executive Director of Senex.
 - That if RSG is approached by a Senex executive or executives to perform work that will not give rise to KMP remuneration recommendations then RSG should ensure that the Board is aware of and accepts that it is reasonable for RSG to undertake that work and will not affect RSG's independence.

The Board is satisfied that the remuneration recommendations were made free from undue influence.

Directors' report and remuneration report

Link between performance and remuneration for CEO and Senior Executives

Short term incentives (STI)

Each year, Senex sets stretch performance targets for STI for the CEO and Senior Executives to be achieved within the year. These short term targets are chosen to encourage outcomes and behaviours that support the safe operation and delivery of the base business while pursuing long-term growth in shareholder value. Table 4 presents the targets used in FY14 to measure performance for the purposes of STI and the rationale for their selection.

Table 4: FY14 STI stretch targets

Strategic driver	STI stretch target	Rationale
Safety	Senex strives for zero as measured in FY14 by the total recordable injury frequency rate (TRIFR)	Safety was chosen as a measure as safety is paramount in all Senex operations and is key to the Company's licence to operate.
Production	Measured in FY14 by oil production of 1.6 million barrels net to Senex	Production of oil was chosen as it generates profitable and sustaining cashflow for Senex and provides a ready demonstration of the Company's value to investment markets.
Addition of 2P oil reserves	Measured in FY14 by an increase of 6.0 million barrels in proved and probable (2P) oil reserves net to Senex	Increase in 2P reserves of oil was chosen as it is the key metric of value created by the Company's investment in exploration and appraisal activities, and because 2P reserves provide assurance that the Company can continue to generate sustaining cashflow from production of oil in future years.
Cost of production	Reduction of the operational costs under the Company's control for production of oil in FY14 for all production from oilfields operated by the Company, below a target that was expressed as a cost per barrel at budget reference conditions	Reducing costs of production is key to the economics of the expanding scale of the Company's operations and a tangible demonstration of operating efficiency.

Long term incentives (LTI)

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

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

Vesting on change of control

On 26 August 2013, the Board amended the terms of the Senex Performance Rights Plan so that for any future grant of rights, in the event of change of control of the Company:

- All unvested rights that are subject only to a service condition will vest immediately on change of control.
- All unvested rights 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 rights will vest immediately on change of control.
- The Board has an overriding discretion to vest or increase vesting of unvested rights in the event of change of control.

Clawback

Since 26 August 2013, where the Company has offered contingent rights to the CEO or a Senior Executive subject to satisfaction of a performance condition, the offer has included a term that, in the event that any measure of the Company's performance against a key performance condition is subsequently discovered to have been misstated, the Board will have a right at its discretion to clawback out of any unvested performance rights subsequently held by that executive the number of rights (if any) that vested incorrectly in reliance on the misstated level of performance.

Directors' report and remuneration report

Performance evaluation for CEO and Senior Executives

The Board conducted performance evaluation of the CEO in FY14, and the CEO (in consultation with the human resources team and the remuneration and nominations committee) conducted performance evaluation of each Senior Executive. The performance evaluation of each Senior Executive involved obtaining feedback from employees in the executive's business unit and the executive's peers as well as an assessment of the individual executive's performance against agreed measures, an examination of their effectiveness in their given role, identification of areas of potential improvement and assessment as to whether expectations of the CEO, shareholders and other stakeholders had been met by the individual.

FY14 Performance measures, targets and potential remuneration uplift

FY14 STI for CEO

The first three performance conditions for the CEO's FY14 STI, as shown in Table 4 above, were the same as the first three corporate performance targets for the EIP in FY14:

- Safety Strive for zero
- Oil production 1.6 million barrels
- Addition of 2P oil reserves Increase by 6 million barrels

The fourth performance condition for the CEO's FY14 STI was reduction of the operational costs under the Company's control for oil production.

Details of the performance conditions for the CEO's FY14 STI were disclosed in Schedule 1 to the notice of meeting and explanatory memorandum for the 2013 AGM, for the purpose of obtaining shareholder approval for the equity component of his FY14 STI, and the weighting of each performance condition was also disclosed:

FY14 performance condition	% of maximum FY14 STI	Potential uplift as % of FY14 TFR
Safety	15%	15%
Oil production	35%	35%
2P oil reserves	30%	30%
Cost of oil production	20%	20%
Total	100% (Maximum FY14 STI)	100% (Uplift of FY14 TFR)

FY14 STI for Senior Executives

The first three stretch level performance targets for the Senior Executives' FY14 STI were also the same as the first three performance conditions for the CEO's FY14 STI and the first three FY14 EIP corporate performance targets.

The fourth stretch level performance target for the Senior Executives' FY14 STI was the same as the fourth performance condition for the CEO's FY14 STI:

Component	Note	Base level	Stretch level
Safety % of FY14 TFR	1	strive for zero 5% *	strive for zero 10% *
Oil production % of FY14 TFR	2	> 1.4 mmbbls 12.5% *	> 1.6 mmbbls 25% *
Addition of 2P oil reserves % of FY14 TFR	3	> 4 mmbbls 10% *	> 6 mmbbls 20% *
Cost of oil production % of FY14 TFR	4	< a stated A\$ figure/bbl equiv 7.5% *	< a stated A\$ figure/bbl equiv 15% *
STI offered as % of FY14 TFR		35% *	70% *

* subject to individual performance multiplier

¹ The Board measures corporate performance against the "strive for zero" TRIFR safety objective at its discretion and determined the level of corporate performance for FY14 (on a scale from zero to 100%) in July 2014. TRIFR is the Total Recordable Injury Frequency Rate calculated in accordance with the APPEA Incident Reporting Guidelines, as Total Recordable Injuries per million man-hours worked in the financial year in the Company's operations:

$$\text{TRIFR} = \frac{(\text{Fatalities} + \text{lost time injuries} + \text{restricted work injuries} + \text{medical treatment injuries}) \times \text{one million}}{\text{Hours worked}}$$

Directors' report and remuneration report

- ² The measure of production is all production of oil net to Senex in FY14.
- ³ The measure of addition of reserves is all additions of 2P reserves of oil net to Senex in FY14 before production and divestments.
- ⁴ Cost of oil production measured at budget assumptions.
- ⁵ Where the achievement of any STI measure is between base and stretch performance levels, earning of that component of FY14 STI, and vesting of that component of FY14 STI rights, is pro rata between those levels.
- ⁶ Where the achievement of any STI measure is below base level, earning of that component of FY14 STI, and vesting of that component of FY14 STI rights, is at the Board's discretion, and employee has no entitlement.
- ⁷ Employee's individual performance multiplier applies to the % of FY14 TFR that is awarded for each component.

The award offered for achieving the stretch level outcome of each component of FY14 STI for the Senior Executives was double the award offered for achieving the base level outcome.

Individual performance rating for Senior Executives

Each Senior Executive also received an individual performance rating for FY14, and that rating resulted in an individual performance multiple applying to the % of FY14 TFR that was awarded to the Senior Executive for each component:

Individual performance rating	Individual performance multiple
Meets expectations	1.0 x
Exceeds expectations	1.2 x
Outstanding	1.4 x

Accordingly, the maximum FY14 STI for the Senior Executives offered each of them potential uplift of up to 98% of their FY14 TFR.

FY14 Performance

STI

In FY14:

- Senex achieved 1.38 mmbbbls, which substantially satisfied the lower end of market guidance for oil production (1.4 mmbbbls – 1.6 mmbbbls).
- Senex achieved 4.5 mmbbbls of 2P oil reserves additions, and that was within the range of market guidance (4.0 mmbbbls – 6.0 mmbbbls).
- Senex significantly improved its safety performance (TRIFR for FY14 was 25% lower than TRIFR for FY13).
- Senex did not achieve the targeted reduction of operational costs for production of oil.

This resulted in:

- a corporate performance rating of 46.4% for the Senior Executives' FY14 STI (representing an uplift of 32.5% of their FY14 TFR for corporate performance) and
- at the Board's discretion, a performance rating of 47.5% for the CEO, resulting in an award of 47.5% of his FY14 STI (representing an uplift of 47.5% of his FY14 TFR).

Table 5 details the components of STI for Senior Executives awarded for FY14 performance.

Table 5: FY14 STI performance, award recommendation and TFR uplift for Senior Executives

Performance measure	% uplift of TFR offered for stretch performance		Performance score (out of 100%)		% uplift of TFR awarded
Safety	10%	X	75%	=	7.5%
Oil production	25%	X	50%	=	12.5%
Addition of 2P oil reserves	20%	X	62.5%	=	12.5%
Cost of production	15%	X	0%	=	0%
Overall	70%		46.4%		32.5%

Directors' report and remuneration report

LTI

The LTI for the CEO and Senior Executives for FY14 was a grant of performance rights subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2013 to 30 June 2016, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the executive to be an employee of the Group on 1 July 2016. No LTI rights granted in FY14 vested in FY14.

The potential remuneration uplift (value of FY14 LTI rights at grant date as a percentage of FY14 TFR) offered to the CEO in FY14 is explained on page 54.

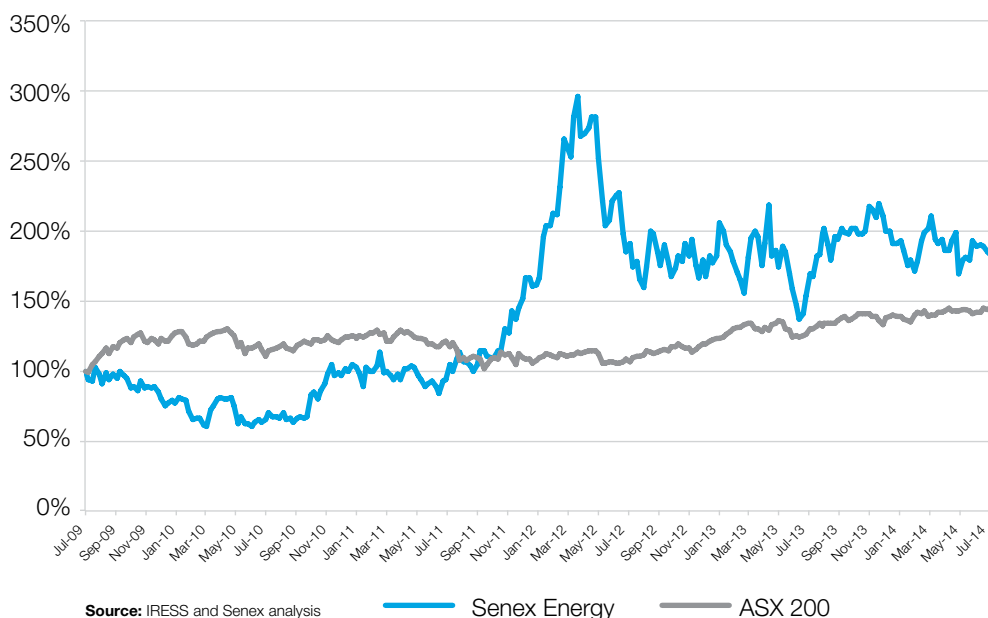
Table 6 illustrates the potential remuneration uplift (value of FY14 LTI rights at grant date as a percentage of FY14 TFR) offered to the Senior Executives in FY14 for achieving LTI performance targets.

Table 6: LTI remuneration measures, targets and potential uplift offered to Senior Executives in FY14

LTI performance measures	Below Target		Target		Stretch	
Senex compound annual growth rate in absolute TSR	< 10% pa	10% pa	> 10% and < 15%	15% pa	> 15% and < 20% pa	> 20%
TSR over three year measurement period	< 33.1%	33.1%	> 33.1% and < 52.1%	52.1%	> 52.1% and < 72.8%	72.8%
Value of potential uplift as % of FY14 TFR	0%	5.7%	Pro-rata	20%	Pro-rata	40%

Figure 1: Relative share price performance since 1 July 2009

Figure 1 shows the Company's share price performance, and the performance of the S&P/ASX 200 index, over the five year period FY10 to FY14.



Directors' report and remuneration report

CEO remuneration

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

Overview of earnings

Fixed remuneration

What was the increase in the CEO's TFR?	As foreshadowed in the 2013 remuneration report, the CEO's TFR increased from the fixed amount of \$550,000 per annum set in 2011 to \$850,000 per annum for FY14.
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Short term incentives

What was the maximum STI that the CEO could achieve in FY14?	The maximum STI that the CEO could achieve in FY14 was a 100% uplift of his FY14 TFR (\$850,000), with 50% of any FY14 STI (a maximum of \$425,000) to be paid in August 2014, and the other 50% provided by vesting contingent performance rights granted as part of FY14 STI (FY14 STI rights), subject to 12 month deferral (i.e. not vesting until 1 July 2015).
How much STI did the CEO receive for FY14 performance?	The Board awarded to the CEO 47.5% of his maximum STI for FY14. The award consisted of a cash payment of \$201,875 (before tax) in August 2014, representing 50% of the STI award, and a determination that 371,094 of his FY14 STI rights will vest on 1 July 2015, subject to satisfaction of the vesting condition. The other 410,156 of his FY14 STI rights lapsed.
How is overall performance assessed for STI purposes?	<p>There were four performance measures for STI for the CEO and Senior Executives in FY14.</p> <ul style="list-style-type: none"> Senex achieved 1.38 mmbbls, which substantially satisfied the lower end of market guidance for oil production (1.4 mmbbls – 1.6 mmbbls). Senex achieved 4.5 mmbbls of 2P oil reserves additions, and that was within the range of market guidance (4.0 mmbbls – 6.0 mmbbls). Senex significantly improved its safety performance (TRIFR for FY14 was 25% lower than TRIFR for FY13). Senex did not achieve the targeted reduction of operational costs for production of oil. <p>This resulted in an STI award, at the Board's discretion, of 47.5% of maximum for the CEO.</p>

Long term incentives

How much annual LTI was granted to the CEO in FY14?	Senex granted 937,500 contingent performance rights to the CEO as his LTI for FY14 (FY14 LTI rights). These rights are the maximum LTI that the CEO can earn for FY14, representing at grant date an uplift of 60% of the CEO's FY14 TFR. The number of FY14 LTI Rights granted was calculated by dividing the maximum LTI that the Company offered the CEO for FY14 (60% of his \$850,000 FY TFR, or \$510,000) by the participation price for FY14 LTI Rights, which was \$0.544 per share (the 20 day VWAP of Senex shares traded on ASX up to 30 June 2013).
What are the applicable performance conditions?	The FY14 LTI rights are subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2013 to 30 June 2016, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the CEO to be an employee of the Group on the vesting date, 1 July 2016.
What proportion of prior year LTI grants vested in FY14?	1,000,000 options, being 25% of the options granted to the CEO as his LTI for FY11 and 667,000 options, being 33.3% of the options granted to the CEO as his LTI for FY12, vested in FY14. The CEO did not exercise any of these options in FY14.

Outlook

Will the CEO's remuneration increase in FY15?	As foreshadowed in the 2013 remuneration report, the Board renegotiated the CEO's employment agreement from 1 July 2013, and following the annual review of his performance and remuneration in FY14, the Board intends to offer him no increase in TFR, STI or LTI for FY15. The Board believes that those levels are market comparable.
What is the outlook for the CEO's remuneration beyond FY14?	The Board expects to review the CEO's remuneration annually in accordance with the key objectives of Senex's remuneration policy for the remuneration of the CEO.

Directors' report and remuneration report

At risk remuneration

For FY14, 61.5% of the CEO's total potential remuneration was at risk, being subject to performance conditions (38.5% for short term performance, 23.1% for long term performance) and vesting conditions (19.3% vesting 1 July 2015, 23.0% vesting 1 July 2016).

This is a much higher proportion of 'at risk' remuneration relative to other Senior Executives because the Board considers that the CEO has greater scope to personally influence the Company's performance.

Table 7: Relative weightings of remuneration components for CEO¹

	Fixed remuneration	Maximum potential STI	Maximum potential LTI valued at grant date
FY14	38.5%	38.5%	23.0%
FY13	17.1%	9.3%	73.6%
FY12	47.0%	25.6%	27.4%

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

Employment agreement and termination entitlements

As foreshadowed in the 2013 remuneration report, Senex renegotiated Mr Davies employment agreement as CEO in FY14 to offer market comparable levels of fixed remuneration, short-term incentive remuneration and long-term incentive remuneration for FY14 and an evergreen contract subject to annual review for each year ending 30 June. The Company entered into a new employment contract with Mr Davies on 16 October 2013 replacing all previous employment contract arrangements. Under the new contract the Company provides (and the Board reviews annually) an annual remuneration package consisting of:

- TFR for each performance year, including salary and superannuation, which is not at-risk; plus
- An offer of STI for each performance year; plus
- An offer of LTI for each performance year.

The termination provisions in Mr Davies' agreement are shown in Table 8.

Table 8: Termination provisions for the CEO

	Notice period	Payment in lieu of notice
Employer-initiated termination	6 months	6 months
Termination for serious misconduct	None	None
Employee-initiated termination	6 months	6 months

Directors' report and remuneration report

Senior Executive remuneration

Overview of earnings

Fixed remuneration

What was the increase in fixed remuneration for Senior Executives in FY14?	The average TFR of Senior Executives increased by 9.9% from \$362,143 to \$397,857. The same seven individuals served as Senior Executives throughout FY14.
How were remuneration increases determined?	The Non-executive Directors directly engaged and received independent external advice on the remuneration package for each Senior Executive, which was benchmarked against the remuneration paid to the incumbents of similar positions at a comparative group of nine ASX listed companies identified as the most comparable peers of Senex in the oil and gas sector. Where comparative group samples were insufficient to produce robust results, the comparative group was supplemented with broad market data from the resources sector or, where appropriate, from other industries. This advice was received and considered by the Committee and the Board without management present.

Short term incentives

What was the maximum STI that the Senior Executives could achieve in FY14?	The FY14 STI offered each Senior Executive an uplift of up to 98% of their FY14 TFR.
How were STI payments calculated?	For a Senior Executive to achieve their maximum STI for FY14, the CEO had to determine that their personal performance rating for FY14 was "outstanding" (for maximum personal performance multiplier of 1.4x) and the Board had to determine that all four performance conditions for FY14 STI were achieved at stretch level (for a maximum 70% uplift of FY14 TFR).
How was performance assessed for STI purposes?	The performance measures for STI for the Senior Executives were the same as the four performance measures for STI for the CEO in FY14.
How much STI did Senior Executives receive for FY14 performance?	<ul style="list-style-type: none"> Senex achieved 1.38 mmbbls, which substantially satisfied the lower end of market guidance for oil production (1.4 mmbbls – 1.6 mmbbls). Senex achieved 4.5 mmbbls of 2P oil reserves additions, and that was within the range of market guidance (4.0 mmbbls – 6.0 mmbbls). Senex significantly improved its safety performance (TRIFR for FY14 was 25% lower than TRIFR for FY13). Senex did not achieve the targeted reduction of operational costs for production of oil. <p>This resulted in a corporate performance rating of 46.4% for the Senior Executives' FY14 STI (representing an uplift of 32.5% of their FY14 TFR for corporate performance). After application of individual performance multiples, the Senior Executives received total STI of \$820,618 for FY14, representing 33.7% of their maximum FY14 STI. The award consisted of cash payments totaling \$410,309 (before tax) in August 2014, representing 50% of the total STI award, and a determination that 754,245 of their FY14 STI rights will vest on 1 July 2015, subject to satisfaction of the vesting condition. The other 1,482,210 FY14 STI rights granted to the Senior Executives lapsed. Details of the cash payment, FY14 STI rights to vest and FY14 STI rights to lapse for each individual Senior Executive are disclosed in Tables 13 and 14 on pages 59 and 61 respectively.</p>
What proportion of prior year STI grants vested in FY14?	<p>30% of FY12 rights lapsed in FY13 due to the Board's determination in FY13 that only 70% of the applicable performance targets had been achieved. Of the remaining 70%, one third (23.3%) vested in FY13, another one third vested in FY14, and the remaining one third are due to vest in FY15. The vesting condition applicable to those rights requires the executive to be an employee of the Group on the vesting date.</p> <p>None of the FY11 rights lapsed due to failure to achieve performance conditions. The Board determined that the performance conditions for FY11 rights were achieved in full, and the third (and final) tranche of FY11 rights vested in FY14.</p>

Long term incentives

How much annual LTI was granted in FY14?	The LTI for each Senior Executive was a grant of contingent performance rights (FY14 LTI rights). The number of the FY14 LTI rights granted was calculated by dividing the maximum LTI that the Company offered Senior Executives for FY14 (40% of their FY14 TFR) by the participation price for FY14 LTI rights, which was \$0.544 per share (the 20 day VWAP of Senex shares traded on ASX up to the end of June 2013).
What are the applicable performance conditions?	The FY14 LTI rights are subject to a three year TSR performance condition and a three year vesting condition. The performance condition is absolute TSR from 30 June 2013 to 30 June 2016, with achievement of a stretch target of 20% per annum compound growth required for 100% vesting. The vesting condition requires the executive to be an employee of the Group on 1 July 2016.

Directors' report and remuneration report

Outlook

Will the Senior Executives remuneration increase in FY15?	Senex offers levels of fixed and total remuneration for Senior Executives to be competitive with industry peers and other listed companies of comparable size and complexity. Following a review of the Senior Executives performance and remuneration in FY14, the Board intends to offer them no overall increase in TFR STI or LTI for FY15. The Board believes that those levels are market comparable.
What is the outlook for the Senior Executives' remuneration beyond FY15?	The Board expects to review the Senior Executives' remuneration annually in accordance with the key objectives of Senex's remuneration policy for the remuneration of the Senior Executives.

At risk remuneration

In FY14, the 'at risk' portion of the remuneration of Senior Executives was 58% (compared to 58.4% in FY13).

Table 9: Relative weightings of remuneration components for Senior Executives¹

	Fixed remuneration	Maximum potential STI	Maximum potential LTI valued at grant date
FY14	42.0%	41.2%	16.8%
FY13	41.7%	29.2%	29.1%

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

Employment agreements and termination entitlements

The Company entered into employment agreements with the Senior Executives listed in Table 1 on page 45.

There is no fixed term of employment under any of the contracts and the applicable termination provisions are shown in Table 10.

Table 10 Termination provisions for Senior Executives

	Notice period	Payment in lieu of notice
Employer-initiated termination	2 months	2 months
Termination for serious misconduct	None	None
Employee-initiated termination	2 months	2 months

Non-executive Director remuneration

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

Maximum aggregate amount

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

Each year, the committee reviews the amount of the maximum aggregate annual remuneration approved by shareholders and the manner in which it is apportioned amongst Directors. The Board's current practice is to apportion a higher fee to the Chairman than to the other Non-executive Directors. Each Non-executive Director receives an additional fee for each Board sub-committee in which they participate, with a higher fee for the chair of each sub-committee and a fee of about half that amount for each other Non-executive Director participating in the sub-committee.

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

Directors' report and remuneration report

Remuneration

The remuneration of Non-executive Directors for FY14 and FY13 is detailed Table 12 below.

At the annual general meeting held on 20 November 2013, shareholders agreed to increase the maximum aggregate annual remuneration available to Non-executive Directors to \$950,000 per annum.

Fee structure

Table 11: Annual fees for Non-executive Directors in FY14¹

	Chair ²	Member
From 1 July 2013 to 30 June 2014:		
Board	\$220,000 pa	\$110,000 pa
Audit and risk committee	\$15,000 pa	\$7,500 pa
Remuneration and nominations committee	no additional fee	\$2,500 pa

¹ Fees are shown exclusive of superannuation contributions.

² The Chair of the Board is the Chair of the remuneration and nominations committee, in accordance with its charter. An independent Non-executive Director, other than the Chair of the Board, is the Chair of the audit and risk committee in accordance with its charter.

Superannuation and retirement benefits

In addition to the fees set out above, the Company makes superannuation contributions on behalf of Non-executive Directors in accordance with the Company's statutory superannuation obligations. Non-executive Directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

Detailed remuneration information

Table 12 presents summarised details of the remuneration for the CEO and Non-executive Directors in FY13 and FY14 as required under the Corporations Act.

Table 12: CEO and Non-executive Directors' FY13 and FY14 remuneration details

	Year	Short term		Post employment			% of total remuneration at risk subject to:		
		Salary & directors fees	Bonus	Non-monetary benefits*	Superannuation	Termination	Share-based payment ¹	Total	Performance Options
		\$	\$	\$	\$	\$	\$	\$	% %
Directors									
Denis F Patten	2014	220,000	-	6,565	17,917	-	-	244,482	- -
	2013	178,958	-	3,474	15,964	-	-	198,396	- -
Ian R Davies	2014	832,225	201,875	23,671	17,775	-	529,469	1,605,015	46% -
	2013	533,878	225,000	19,498	16,122	-	409,143	1,203,641	42% 10%
Ralph H Craven	2014	127,500	-	6,565	11,793	-	-	145,858	- -
	2013	99,167	-	3,474	8,925	-	-	111,566	- -
Timothy BI Crommelin	2014	120,000	-	6,565	11,099	-	-	137,664	- -
	2013	92,708	-	3,474	8,344	-	-	104,526	- -
Debra L Goodin	2014	11,806	-	6,565	1,092	-	-	19,463	- -
	2013	-	-	-	-	-	-	-	- -
Benedict M McKeown ²	2014	-	-	6,565	-	-	-	6,565	- -
	2013	-	-	3,474	-	-	-	3,474	- -
Yanina A Barilá ²	2014	-	-	6,565	-	-	-	6,565	- -
	2013	-	-	3,474	-	-	-	3,474	- -
Subtotal Directors	2014	1,311,531	201,875	63,061	59,677	-	529,469	2,165,613	- -
	2013	904,711	225,000	36,868	49,355	-	409,143	1,625,077	

¹ Share-based payments comprise equity-settled share options and performance rights. These amounts were calculated in accordance with AASB 2 Share-based payment. Share options are valued using the Black-Scholes option pricing model and performance rights are calculated using a Monte-Carlo valuation model. Although a value is ascribed and included in the total key management personnel compensation, it should be noted that the Directors and Senior Executives have not received this amount in cash.

² \$122,906 (\$98,987 in FY13) was paid to Sentient Asset Management Australia Pty Ltd for the provision of Directors' services.

* Amounts disclosed in non-monetary benefits include car parking, motor vehicle expenses and insurance premiums paid by the Group in respect of Directors' and officers' liability insurance contracts. The insurance premiums are allocated based on a pro-rata portion of the year for which each individual was employed.

Directors' report and remuneration report

Detailed remuneration information (continued)

Table 13 presents summarised details of the remuneration for Senior Executives in FY13 and FY14 as required under the Corporations Act.

Table 13: Senior Executives' FY13 and FY14 remuneration details

Executives	Year	Short term		Post employment			Share-based payment ¹	Total	% of total remuneration at risk subject to:	
		Salary & directors fees	Bonus	Non-monetary benefits*	Superannuation	Termination			Performance	Options
		\$	\$	\$	\$	\$	\$	\$	%	%
Andrew J Price ²	2014	392,225	66,625	10,726	17,775	-	113,218	600,569	30%	-
	2013	304,745	157,208	10,793	16,295	-	27,014	516,055	36%	-
Julie A Whitcombe ³	2014	193,483	41,003	5,346	13,362	-	166,444	419,638	49%	-
	2013	253,530	117,600	13,948	16,774	-	171,521	573,373	50%	-
Francis L Connolly	2014	377,225	64,188	10,693	17,775	-	201,865	671,746	40%	-
	2013	333,530	171,500	13,949	17,599	-	154,435	691,013	47%	-
Andrew J Crowley ⁴	2014	402,225	68,250	11,293	17,775	-	104,082	603,625	29%	-
	2013	149,387	91,875	6,040	9,551	-	37,553	294,406	44%	-
Darren B Stevenson ⁵	2014	377,225	64,188	11,293	17,775	-	104,095	574,576	29%	-
	2013	239,020	122,500	8,917	15,510	-	21,071	407,018	35%	-
Susan L Mallan ⁶	2014	242,098	41,869	5,646	15,515	-	85,762	390,890	33%	-
	2013	327,613	183,750	13,948	19,817	-	31,606	576,734	37%	-
Gary J Proctor ⁷	2014	377,225	64,188	11,293	17,775	-	114,630	585,111	31%	-
	2013	239,020	122,500	8,801	13,669	-	31,606	415,596	37%	-
Steven G Scott ⁸	2014	-	-	-	-	-	-	-	-	-
	2013	191,765	98,000	12,458	8,987	-	87,495	398,705	45%	2%
Timothy J Wyatt ⁹	2014	-	-	-	-	-	-	-	-	-
	2013	179,408	91,875	7,967	8,235	-	142,546	430,031	55%	-
Subtotal Executives	2014	2,361,707	410,311	66,290	117,751	-	890,096	3,851,833		
	2013	2,218,018	1,156,808	96,821	126,437	-	704,847	4,302,931		
Total - Directors and Executives	2014	3,673,238	612,186	129,351	177,428	-	1,419,565	6,011,767		
	2013	3,122,729	1,381,808	133,689	175,792	-	1,113,990	5,928,008		

¹ Share-based payments comprise equity-settled share options and performance rights. These amounts were calculated in accordance with AASB 2 Share-based payment. Share options are valued using the Black-Scholes option pricing model and performance rights are calculated using a Monte-Carlo valuation model. Although a value is ascribed and included in the total key management personnel compensation, it should be noted that the Directors and Executives have not received this amount in cash.

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

³ Mrs Whitcombe was Chief Financial Officer until 24 September 2012 when she was appointed as General Manager Planning. Mrs Whitcombe was on maternity leave from 8 July 2013 to 31 December 2013 inclusive.

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

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

⁶ Mrs Mallan was on maternity leave from 13 May 2013 to 8 November 2013 inclusive.

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

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

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

* Amounts disclosed in non-monetary benefits include car parking; motor vehicle expenses and insurance premiums paid by the Group in respect of Directors' and officers' liability insurance contracts. The insurance premiums are allocated based on a pro-rata portion of the year for which each individual was employed.

Directors' report and remuneration report

Contingent performance rights and options outcomes for CEO

The Company has offered unlisted options or contingent performance rights to Mr Davies as CEO each year since FY11 as part of his incentive remuneration, to provide him with additional incentive to develop the Group and create value for shareholders, and to retain his services for at least three years. The unlisted options or contingent performance rights form part of Mr Davies' remuneration package.

FY14 STI rights

As part of STI for FY14, the Company granted 781,250 unlisted contingent performance rights (FY14 STI rights) to Mr Davies on 1 July 2013. The number of FY14 STI rights granted was calculated by dividing 50% of the maximum STI that the Company offered Mr Davies for FY14 by the participation price for FY14 STI rights, which was \$0.544 per share (the 20 day VWAP of Senex shares traded on ASX up to the end of June 2013). The FY14 STI rights were in four components, with each component being subject to achievement of a performance condition related to a key performance indicator (KPI) for FY14. The Company was to pay and provide the maximum STI to Mr Davies if all KPIs for FY14 were achieved. As a result of failure to achieve performance conditions 410,156 (52.5%) of Mr Davies' FY14 STI rights lapsed, and 371,094 remain subject to a vesting condition that requires Mr Davies to be an employee on 1 July 2015. The FY14 STI rights were issued on 6 December 2013 with shareholder approval.

FY14 LTI rights

As LTI for FY14, the Company granted 937,500 unlisted contingent performance rights (FY14 LTI rights) to Mr Davies on 1 July 2013. The number of FY14 LTI rights granted was calculated by dividing the maximum LTI that the Company offered Mr Davies for FY14 by the participation price for FY14 LTI rights, which was \$0.544 per share, the 20 day VWAP of Senex shares traded on ASX up to the end of June 2013. The FY14 LTI rights are subject to a performance condition based on total shareholder return over the three years to 30 June 2016 and a vesting condition that requires Mr Davies to be an employee on 1 July 2016. The FY14 LTI rights were issued on 6 December 2013 with shareholder approval.

FY13 LTI rights

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

FY12 options

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

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

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

FY11 options

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

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

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

All unvested contingent performance rights issued to Mr Davies before FY14 will immediately vest in the event of change of control of the Company.

Contingent performance rights and options outcomes for Senior Executives

The Company has offered unlisted options or contingent performance rights to the persons acting as its Senior Executives each year since FY11 as part of their incentive remuneration, to provide them with additional incentive to develop the Group and create value for shareholders, and to retain their services for at least three years. The unlisted options or contingent performance rights form part of their remuneration package.

Directors' report and remuneration report

FY14 STI rights

As part of STI for FY14, the Company granted 2,236,455 unlisted contingent performance rights (FY14 STI rights) to Senior Executives on 1 July 2013. The number of the FY14 STI rights granted was calculated by dividing 50% of the maximum STI that the Company offered Senior Executives for FY14 by the participation price for FY14 STI rights, which was \$0.544 per share (the 20 day VWAP of Senex shares traded on ASX to 30 June 2013). The FY14 STI rights were in four components, with each component being subject to achievement of a performance condition. The Company was to pay and provide the maximum STI to a Senior Executive if all performance conditions for FY14 were achieved and the executive achieved an "outstanding" personal performance rating. As a result of failure to achieve performance conditions 1,482,210 (66.3%) of their FY14 STI rights lapsed, and 754,245 remain subject to a vesting condition that requires the Senior Executive to be an employee on 1 July 2015. The Senior Executives' FY14 STI rights were issued on 6 December 2013.

The numbers of FY14 STI rights granted to Senior Executives, the number that lapsed for failure to achieve performance conditions, and the number that remain subject to vesting on 1 July 2015 are listed in Table 14.

Table 14: FY14 STI rights granted to Senior Executives:

Holder	FY14 STI rights granted	FY14 STI rights lapsed	FY14 STI rights to vest 1 July 2015
Andrew J Price	369,301	246,829	122,472
Julie A Whitcombe	189,397	114,025	75,372
Francis L Connolly	355,790	237,798	117,992
Andrew J Crowley	378,309	252,849	125,460
Darren B Stevenson	355,790	237,798	117,992
Susan L Mallan	232,078	155,113	76,965
Gary J Proctor	355,790	237,798	117,992
Total	2,236,455	1,482,210	754,245

FY14 LTI rights

As LTI for FY14, the Company granted 1,825,679 unlisted contingent performance rights (FY14 LTI rights) to Senior Executives on 1 July 2013. The number of the FY14 LTI rights granted was calculated by dividing the maximum LTI that the Company offered Senior Executives for FY14 by the participation price for FY14 LTI rights, which was \$0.544 per share (the 20 day VWAP of Senex shares traded on ASX up to 30 June 2013). The FY14 LTI rights are subject to a performance condition based on total shareholder return over the three years to 30 June 2016 and a vesting condition that requires the Senior Executive to be an employee on 1 July 2016. The Senior Executives' FY14 LTI rights were issued on 6 December 2013.

The numbers of FY14 LTI rights granted to the Senior Executives are listed in Table 15.

Table 15: FY14 LTI rights granted to Senior Executives:

Holder	FY14 LTI rights
Andrew J Price	301,471
Julie A Whitcombe	154,610
Francis L Connolly	290,441
Andrew J Crowley	308,824
Darren B Stevenson	290,441
Susan L Mallan	189,451
Gary J Proctor	290,441
Total	1,825,679

Directors' report and remuneration report

FY13 LTI rights

In FY13, Senex granted 2,436,103 performance rights to Senior Executives (FY13 LTI rights) subject to a similar three year performance condition and three year vesting condition. The numbers of FY13 LTI rights granted to Senior Executives are listed in Table 16.

Table 16: FY13 LTI rights granted to Senior Executives:

Holder	Date of grant	FY13 LTI rights
Andrew J Price	1 September 2012	284,643
Julie A Whitcombe	1 July 2012	266,160
Francis L Connolly	1 July 2012	310,520
Andrew J Crowley	1 January 2013	166,350
Darren B Stevenson	1 November 2012	221,800
Susan L Mallan	1 July 2012	332,700
Gary J Proctor	1 November 2012	332,700
Steven G Scott	1 July 2012	354,880
Timothy J Wyatt	1 July 2012	166,350
Total		2,436,103

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

Apart from these, none of the FY13 LTI rights granted to Senior Executives have vested or lapsed. A Senior Executive's rights lapse if they cease to be an employee of the group before vesting. All unvested FY13 LTI rights will immediately vest in the event of change of control of the Company.

FY12 contingent performance rights for Senior Executives

In FY12, the Company granted Dr Scott, Mrs Whitcombe, Mr Connolly and Mr Wyatt contingent performance rights (FY12 rights) to vest in three tranches at 1 July in 2012, 2013 and 2014 respectively, subject to achievement of certain performance hurdles in FY12. The numbers of FY12 rights granted, lapsed and vested are shown in Table 17.

Table 17: FY12 rights granted to Senior Executives:

Holder	Rights granted 23/12/2011	Rights lapsed 20/07/2012	Rights vested 20/07/2012	Rights vested 01/07/2013	Rights vested 01/07/2014
Steven G Scott	862,200	258,660	201,180	201,180	201,180
Timothy J Wyatt	862,200	258,660	201,180	201,180	201,180
Julie A Whitcombe	732,900	219,870	171,010	171,010	171,010
Francis L Connolly	675,300	202,590	157,570	157,570	157,570
Total	3,132,600	939,780	730,940	730,940	730,940

FY11 contingent performance rights

In FY11, the Company granted Mrs Whitcombe and Mr Connolly contingent performance rights (FY11 rights) to vest in three tranches at 1 July in 2011, 2012 and 2013 respectively, subject to achievement of certain performance hurdles in FY11. The numbers of FY11 rights granted, lapsed and vested are shown in Table 18.

Table 18: FY11 rights granted to Senior Executives

Holder	Rights granted 01/12/2010	Rights lapsed 01/07/2011	Rights vested 01/07/2011	Rights vested 20/07/2012	Rights vested 01/07/2013
Julie A Whitcombe	300,000	-	100,000	100,000	100,000
Francis L Connolly	200,000	-	66,667	66,666	66,667
Total	500,000	-	166,667	166,666	166,667

Options

The Company did not grant options to KMP in FY14, FY13 or FY12, apart from the FY12 options granted to Mr Davies, as disclosed above.

Directors' report and remuneration report

Partly paid shares

The Company did not issue partly paid shares to KMP in FY14 or FY13.

Options and contingent performance rights

Grants

The value of contingent performance rights granted to KMP in FY14 is detailed in Table 19.

Table 19: Unlisted contingent performance rights granted in FY14 as part of remuneration

		Performance rights granted during the year		Fair value per right at grant date (\$)
	Grant date	Number	Value (\$)	
Directors				
Denis F Patten	-	-	-	-
Ian R Davies	1 July 2013	1,718,750	653,125	0.38
Timothy BI Crommelin	-	-	-	-
Ralph H Craven	-	-	-	-
Debra L Goodin	-	-	-	-
Benedict M McKeown	-	-	-	-
Yanina A Barilá	-	-	-	-
Executives				
Andrew J Price	1 July 2013	670,772	254,893	0.38
Julie A Whitcombe	1 July 2013	344,007	130,723	0.38
Francis L Connolly	1 July 2013	646,232	245,568	0.38
Andrew J Crowley	1 July 2013	687,132	261,110	0.38
Darren B Stevenson	1 July 2013	646,232	245,568	0.38
Susan L Mallan	1 July 2013	421,529	160,181	0.38
Gary J Proctor	1 July 2013	646,232	245,568	0.38
Total		5,780,885	2,196,736	

Vesting

The value of options and performance rights held by KMP that vested in FY14 is shown in Table 20.

Table 20: Options and performance rights vested in FY14

Name	Vesting date	Instrument	Number	Value at vesting
Ian R Davies	19 July 2013	FY11 options	1,000,000	\$470,000
	1 July 2013	FY12 options	666,000	\$216,450
Julie A Whitcombe	1 July 2013	FY11 contingent performance rights	100,000	\$72,500
	1 July 2013	FY12 contingent performance rights	171,010	\$123,982
Francis L Connolly	1 July 2013	FY11 contingent performance rights	66,667	\$48,334
	1 July 2013	FY12 contingent performance rights	157,570	\$114,238

No other options or contingent performance rights granted to KMP as part of remuneration vested in FY14.

Directors' report and remuneration report

Key management personnel

Option holdings of key management personnel

The numbers of options in the Company held during the financial year by each Director and Senior Executive of the Company, including their personally related entities, are set out in Table 21:

Table 21: Options held by KMP in FY14

Number of options	Balance as at 1 July 2013	Granted as compensation	Options exercised	Net change other	Balance as at 30 June 2014	Vested at 30 June 2014
Directors						
Denis F Patten	-	-	-	-	-	-
Ian R Davies ¹	6,000,000	-	-	-	6,000,000	6,000,000
Ralph H Craven	-	-	-	-	-	-
Timothy BI Crommelin	-	-	-	-	-	-
Debra L Goodin	-	-	-	-	-	-
Benedict M McKeown	-	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-	-
Executives						
Andrew J Price	-	-	-	-	-	-
Julie A Whitcombe	-	-	-	-	-	-
Francis L Connolly	-	-	-	-	-	-
Andrew J Crowley	-	-	-	-	-	-
Darren B Stevenson	-	-	-	-	-	-
Susan L Mallan	-	-	-	-	-	-
Gary J Proctor	-	-	-	-	-	-
Total	6,000,000	-	-	-	6,000,000	6,000,000

¹ On 1 July 2014, Mr Davies exercised 667,000 options. The exercise price paid per option was \$0.40.

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

There were no vested and unexercisable options at 30 June 2014.

Table 22: Options held by KMP in FY13

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

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

There were no vested and unexercisable options at 30 June 2013.

Directors' report and remuneration report

Performance rights holdings of key management personnel

The Company has offered unlisted options or contingent performance rights to the CEO and the Senior Executives each year since FY11 as part of their incentive remuneration, to provide them with additional incentive to develop the Group and create value for shareholders, and to retain their services for at least three years. The unlisted options or contingent performance rights form part of their remuneration package.

The numbers of performance rights in the Company held during the financial year by each Director and Senior Executive of the Company, including their personally related entities, are set out in Table 23:

Table 23: Performance rights held by KMP in FY14

Number of rights	Balance as at 1 July 2013	Granted as compensation	Vested and issued	Lapsed or expired	Net change other	Balance as at 30 June 2014
Directors						
Denis F Patten	-	-	-	-	-	-
Ian R Davies	3,000,000	1,718,750	-	-	-	4,718,750
Ralph H Craven	-	-	-	-	-	-
Timothy BI Crommelin	-	-	-	-	-	-
Debra L Goodin	-	-	-	-	-	-
Benedict M McKeown	-	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-	-
Executives						
Andrew J Price	284,643	670,772	-	-	-	955,415
Julie A Whitcombe	708,180	344,007	(271,010)	-	-	781,177
Francis L Connolly	692,326	646,231	(224,237)	-	-	1,114,320
Andrew J Crowley	166,350	687,133	-	-	-	853,483
Darren B Stevenson	221,800	646,231	-	-	-	868,031
Susan L Mallan	332,700	421,529	-	-	-	754,229
Gary J Proctor	332,700	646,231	-	-	-	978,931
Total	5,738,699	5,780,884	(495,247)	-	-	11,024,336

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

The balance of performance rights at 30 June 2014 had not vested.

Directors' report and remuneration report

Table 24: Performance rights held by KMP

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

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

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

Shareholdings of key management personnel

The numbers of shares in the Company held during the financial year by each Director and Senior Executive of the Company, including their personally related entities, are set out in Table 25:

Table 25: Ordinary fully paid shares held by KMP

Number of ordinary fully paid shares	Balance as at 1 July 2013	Granted as compensation	Options exercised	Net change other	Balance as at 30 June 2014
Directors					
Denis F Patten	1,819,616	-	-	-	1,819,616
Ian R Davies ¹	1,973,953	-	-	(810,000)	1,163,953
Ralph H Craven	160,000	-	-	40,000	200,000
Timothy BI Crommelin	3,546,812	-	-	-	3,546,812
Debra L Goodin	-	-	-	-	-
Benedict M McKeown	-	-	-	-	-
Yanina A Barilá	-	-	-	-	-
Executives					
Andrew J Price	22,000	-	-	-	22,000
Julie A Whitcombe	611,396	271,010	-	-	882,406
Francis L Connolly	845,748	224,237	-	-	1,069,985
Andrew J Crowley	83,000	-	-	-	83,000
Darren B Stevenson	-	13,876	-	-	13,876
Susan L Mallan	146,574	-	-	-	146,574
Gary J Proctor	16,333	-	-	-	16,333
Total	9,225,432	509,123	-	770,000	8,964,555

¹ On 1 July 2014 Mr Davies exercised 667,000 options.

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

Directors' report and remuneration report

Table 26: Ordinary fully paid shares held by KMP in FY13

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

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

Signed in accordance with a resolution of the Directors.



Denis F Patten
Chairman

Brisbane, Queensland
25 August 2014



Ian R Davies
Managing Director

Auditor's independence declaration



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

In relation to our audit of the financial report of Senex Energy Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Andrew Carrick
Partner
25 August 2014

Consolidated statement of financial position

as at 30 June 2014

		Consolidated	
	Note	As at 30 June 2014 \$'000	As at 30 June 2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	76,632	126,775
Prepayments	12	2,040	3,420
Trade and other receivables	13	33,089	52,689
Inventory	14	14,717	5,048
Total Current Assets		126,478	187,932
Non-current Assets			
Trade and other receivables	15	25	25
Available-for-sale assets	16	-	1,725
Property, plant and equipment	17	47,609	41,583
Intangibles	18	1,562	1,243
Exploration assets	19	237,913	166,117
Oil and gas properties	20	149,033	100,241
Total Non-current Assets		436,142	310,934
TOTAL ASSETS		562,620	498,866
LIABILITIES			
Current Liabilities			
Trade and other payables	21	35,822	31,736
Provisions	22	1,366	694
Total Current Liabilities		37,188	32,430
Non-current Liabilities			
Provisions	23	32,227	26,351
Deferred tax liabilities	8	10,681	-
Total Non-current Liabilities		42,908	26,351
TOTAL LIABILITIES		80,096	58,781
NET ASSETS		482,524	440,085
EQUITY			
Contributed equity	24	450,966	450,064
Reserves	25	11,652	8,010
Retained earnings	26	19,906	(17,989)
TOTAL EQUITY		482,524	440,085

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

Consolidated statement of comprehensive income

for the year ended 30 June 2014

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Revenue from sales	6(a)	170,862	137,287
Cost of sales	6(b)	(81,779)	(67,345)
Gross profit		89,083	69,942
Net gain on asset held for sale	6(c)	-	3,644
Other revenue	6(d)	12,860	11,663
Other income	6(e)	3,165	16,920
Oil and gas exploration expenses		(16,761)	(12,843)
General and administrative expenses	7(a)	(32,730)	(26,420)
Other operating expenses	7(b)	(5,982)	(83)
Finance expense		(1,059)	(1,428)
Profit / (loss) before tax		48,576	61,395
Income tax expense	8	(10,681)	(391)
Profit / (loss) after tax		37,895	61,004
Net profit for the period attributable to owners of the parent entity		37,895	61,004
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Movements in fair value of available-for-sale financial assets		-	1,266
Income tax effect		-	(380)
		-	886
Items that will not be subsequently reclassified to profit or loss		-	-
Total comprehensive income for the period attributable to owners of the parent entity		37,895	61,890
Earnings per share attributable to the ordinary equity holders of the parent entity:		cents	cents
Basic earnings per share	10	3.31	5.38
Diluted earnings per share	10	3.28	5.32

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

Consolidated statement of cash flows

for the year ended 30 June 2014

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		168,834	123,820
Payments to suppliers and employees		(21,929)	(17,684)
Payments for exploration expenditure		(16,700)	(9,304)
Payments for production expenditure		(57,846)	(54,867)
Interest received		2,208	4,960
Fees received for technical services		7,483	8,089
Other operating payments		(2,344)	-
Other receipts		1,283	681
Net cash flows from operating activities	27	80,989	55,695
Cash flows from investing activities			
Payments for oil and gas properties		(71,386)	(21,169)
Purchase of property, plant and equipment & intangibles		(13,124)	(28,887)
Purchase of available-for-sale financial assets		(14,482)	(11,078)
Payments for exploration assets		(68,987)	(87,240)
Proceeds from sale of investments		16,018	11,794
Proceeds from sale of fixed assets		-	5,850
Proceeds from sale of jointly controlled interest		20,000	-
Net cash flows used in investing activities		(131,961)	(130,730)
Cash flows from financing activities			
Proceeds from share issues		902	77,611
Payments of transaction costs for issue of shares		-	(2,568)
Net cash flows from financing activities		902	75,043
Net (decrease) / increase in cash and cash equivalents		(50,070)	8
Net foreign exchange differences		(73)	2,816
Cash and cash equivalents at the beginning of the year		126,775	123,951
Cash and cash equivalents at the end of the year	11	76,632	126,775

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 2014

The following table presents the Consolidated Statement of Changes in Equity for the year ended 30 June 2014:

	Contributed equity	Retained earnings	Consolidated Share based payments reserve	Other reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	450,064	(17,989)	8,193	(183)	440,085
Profit / (loss) for the year	-	37,895	-	-	37,895
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	37,895	-	-	37,895
Transactions with owners, recorded directly in equity:					
Shares issued	902	-	-	-	902
Transaction costs on share issue	-	-	-	-	-
Share based payments	-	-	3,642	-	3,642
Balance at 30 June 2014	450,966	19,906	11,835	(183)	482,524

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

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 1: CORPORATE INFORMATION

The financial statements of Senex Energy Limited and its controlled entities / subsidiaries (the Group) for the year ended 30 June 2014 were authorised for issue on 25 August 2014 in accordance with a resolution of the Directors.

Senex Energy Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX code: SXY).

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except available-for-sale investments, which have been measured at fair value. Senex Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are presented in Australian dollars (\$).

During the period, the Group established an Employee Share Trust (EST). The purpose of the EST is to acquire shares and/or subscribe for newly issued shares in Senex for past and future offers of Performance Rights and Unlisted Options for delivery to Senex employees under the Senex Employee Share Plans. The EST forms part of the Group and is wholly consolidated for financial statements.

(b) Compliance with IFRS

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 are:

- AASB10 Consolidated Financial Statements;
- AASB11 Joint Arrangements;
- AASB12 Disclosure of Interests in Other Entities;
- AASB13 Fair Value Measurement;
- AASB119 Employee Benefits;
- AASB2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities; and
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. These standards are summarised below. With the exception of IFRS15, the Group has assessed that these standards and interpretations are not expected to have any impact on the financial statements of the Group. The Group is in the process of assessing the impact, if any, of IFRS15.

Reference	Title (summarised)	Summary	Application date for Senex
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 July 2014

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

Reference	Title (summarised)	Summary	Application date for Senex
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> - The change attributable to changes in credit risk are presented in other comprehensive income (OCI). - The remaining change is presented in profit or loss. <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:</p> <ol style="list-style-type: none"> 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and 3. The mandatory effective date moved to 1 January 2017. 	1 July 2018
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets Standards - Offsetting Financial Assets and Financial Liabilities	<p>AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets.</p> <p>The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.</p>	1 July 2014

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

Reference	Title (summarised)	Summary	Application date for Senex
Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard:</p> <ul style="list-style-type: none"> - IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. - IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. - IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. - IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. - IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. 	1 July 2014
Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard:</p> <ul style="list-style-type: none"> • IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. • IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3. 	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 July 2014

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

Reference	Title (summarised)	Summary	Application date for Senex
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. The new standard is applicable to annual reporting periods beginning on or after 1 January 2015.	1 July 2014
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 July 2016
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programs (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Early application of this standard is permitted.	1 July 2017

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

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

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

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(e) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

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

(f) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An allowance for impairment is recognised when there is objective evidence that the Group will not be able to collect the receivable.

(i) Inventories

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

(j) Oil inventories

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments and other financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through the profit or loss

Financial assets classified as held-for-trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held-for-trading are recognised in profit or loss and the related assets are classified as current assets in the Statement of Financial Position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current.

Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as any of the preceding categories. After initial recognition at transaction date, available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

Available-for-sale assets are assessed at each reporting date for whether there is objective evidence that an investment is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

(l) Interest in joint operations

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

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

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

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

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(o) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Office equipment, furniture and fittings – over 2 to 5 years;
- Field-based facilities, plant and equipment – over 5 to 20 years; and
- Motor vehicles – over 5 years.

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

Derecognition

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

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

(p) Intangible assets

Software

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

(q) Oil and gas properties

Oil and gas properties are carried at cost and include capitalised project expenditure, development expenditure and costs associated with lease and well equipment.

The Group uses the units of production method to amortise costs carried forward in relation to its oil and gas properties. For this approach the calculations are based on Proved and Probable (2P) reserves as determined by the Group's reserves determination.

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the Statement of Comprehensive Income as an expense.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a straight line basis over its remaining useful life.

(s) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost. Due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions and employee leave benefits (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

Rehabilitation costs

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related asset. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised is amortised over the useful life of the related asset.

Costs incurred which relate to an existing condition caused by past operations, and which do not have a future economic benefit, are expensed. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service is recognised and measured as the fair value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Share-based payment transactions

Equity-settled transactions

The Group provides benefits to employees (including key management personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted or with reference to the value of the services received. The fair value is determined by reference to the current share price in relation to fully paid shares and with the use of various pricing models in relation to options or rights to acquire shares.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or services conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (a) the grant date fair value of the award, (b) the extent to which the vesting period has expired and (c) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share-based payment transactions (continued)

Equity-settled transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not met), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options and performance rights is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The Group recognises the fair value of cash-settled share-based payment transactions as an employee expense with the corresponding liability in employee benefits. The fair value of the liability is measured initially, and at the end of each reporting period until settled, at the fair value of the cash-settled share-based payment transaction, taking into consideration the terms and conditions on which the cash-settled share-based payment transactions were granted, and the extent to which the employees have rendered service to date.

(x) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of oil and gas

Revenue is recognised when the significant risks and rewards of ownership of the product have passed to the buyer and the amount of revenue can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the product to the customer. For oil sales this is generally when crude is delivered by truck or pipeline to the Moomba processing facility.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Technical service fees

Technical service fees represent charges for services provided to joint operations by Senex employees. Revenue is recognised in the period in which it is earned.

Flowline revenue

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

(y) Oil and gas exploration costs

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Oil and gas exploration costs (continued)

Each potential or recognised area of interest is reviewed at each reporting date to determine whether economic quantities of reserves have been found, or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Where a potential impairment is indicated, an assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to profit and loss.

(z) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Petroleum Resource Rent Tax (PRRT)

PRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Income tax and other taxes (continued)

Income tax consolidation legislation

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

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

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

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

(aa) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

(ac) Business combinations

Business combinations are accounted for by applying the acquisition method of accounting, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured on the basis of fair value at the date of acquisition.

Where the fair value of consideration paid for a business combination exceeds the fair value of the Group's share of the identifiable net assets acquired, the difference is treated as purchased goodwill. Where the fair value of the Group's share of the identifiable net assets acquired exceeds the cost of acquisition, the difference is immediately recognised in the Statement of Comprehensive Income as an expense.

Goodwill is not amortised, however its carrying amount is assessed annually against its recoverable amount. To the extent the carrying amount of goodwill exceeds the recoverable value of the assets, the goodwill is impaired and the impairment loss is charged to the profit or loss so as to reduce the carrying amount in the Statement of Financial Position to its recoverable amount.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) Business combinations (continued)

On the subsequent disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the profit or loss on disposal or termination.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

(ad) Derivative financial instruments

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gain or loss arising from changes in the fair value of derivatives is taken directly to profit or loss. The Group does not use hedge accounting.

(ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and cash equivalents, receivables and payables.

Risk measurement

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

	As at 30 June 2014		As at 30 June 2013	
	Amortised cost	Fair value	Amortised cost	Fair value
Financial Assets				
Cash and cash equivalents	76,632		126,775	
Trade and other receivables	33,114		52,714	
Available-for-sale assets*		-		1,725
	109,746	-	179,489	1,725
Financial Liabilities				
Trade and other payables	35,822		31,736	
	35,822		31,736	

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.

AASB7 Financial Instruments: Disclosures requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – the fair value is calculated using quoted market prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Level 1

The fair value of listed, available-for-sale assets has been determined directly by reference to published price quotations in an active market. Gains or losses on available-for-sale assets are recognised in equity. Available-for-sale assets are considered to be impaired when the fair value is significantly below cost or has been below cost for a prolonged period of time.

The Group does not have any level 2 or level 3 financial instruments as at 30 June 2013 or 30 June 2014.

Notes to the financial statements

for the year ended 30 June 2014

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

Risk exposures and management

The Group manages its exposure to key financial risks through the audit and risk committee and the Group's risk management framework. The primary function of the 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 and price risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign exchange risk and assessments of market forecasts for foreign exchange, commodity prices and others.

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

Market risk

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. The Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale. Funds are converted to Australian dollars on a regular basis to take advantage of the higher interest rates available compared to US Dollar (USD).

The Group constantly analyses its transactional currency exposures.

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	58,841	20,672
Trade and other receivables	23,553	29,729
Net exposure	82,394	50,401

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

	Consolidated Higher / (Lower)	
	2014	2013
	\$'000	\$'000
Judgements of reasonably possible movements		
Post tax gain / (loss)		
AUD / USD +10%	(5,768)	(3,528)
AUD / USD -10%	5,768	3,528

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

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

Commodity price risk

The Group's exposure to commodity price risk relates to the market price of oil and natural gas. Currently, the Group's exposure to this risk is not hedged. The Board will continue to monitor this risk and seek to mitigate it, if considered necessary.

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

	Change in year-end price	Effect on profit before tax	Effect on equity
	\$'000	\$'000	\$'000
2014			
Oil	+ 10%	2,882	2,018
	-10%	(2,882)	(2,018)

Notes to the financial statements

for the year ended 30 June 2014

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

Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost-effective manner.

It is the Group's policy to continually review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

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

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Financial liabilities			
6 months or less	21	35,822	31,736
		35,822	31,736

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

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Exploration and evaluation

The Group's accounting policy for exploration and evaluation is set out in note 2(y). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the Group's policy, management concludes that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to profit or loss.

Notes to the financial statements

for the year ended 30 June 2014

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using various pricing models as detailed in Note 30.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices, foreign exchange rates, operating costs and any future development costs necessary to produce reserves. Estimates of future commodity prices are based on market consensus prices where available. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax discount rate of 15.7% (2013: 18.1%).

Reserves estimates

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

Units of production method of depreciation and amortisation

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

Rehabilitation obligations

The Group estimates the future removal costs of oil and gas wells and production facilities at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal data, future environmental legislation, the extent of reclamation articles required, the engineering methodology for estimating future cost, future removal technologies in determining the removal cost, and a ten year government bond discount rate to determine the present value of these cash flows. For more detail regarding the policy in respect of the provision for rehabilitation, refer to note 2(u).

Recovery of deferred tax assets

The Group recognises deferred tax assets when it becomes probable that sufficient taxable income will be derived in future periods against which to offset these assets. At each reporting date, the Group assesses the level of expected future cash flows from the business and the probability associated with realising these cash flows, and makes an assessment of whether the deferred tax assets of the Group should be recognised.

Petroleum Resource Rent Tax (PRRT)

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

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

Notes to the financial statements

for the year ended 30 June 2014

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

Petroleum Resource Rent Tax (PRRT) (continued)

Under the PRRT, Senex Energy Limited and its controlled entities impacted by the PRRT regime are eligible for a starting base deduction for projects existing at 1 May 2010, assuming a valid starting base return is lodged. The due date for lodgement of starting base returns for Senex Energy Limited and its controlled entities impacted by the PRRT regime was 1 June 2014, and these returns were duly lodged. Senex Energy Limited and its controlled entities impacted by the PRRT regime have included future augmentation on expenditure categories, including starting bases, in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements in relation to PRRT. As a result, no PRRT deferred tax asset has been recognised in the financial statements for the period ended 30 June 2014. If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$89,851,000 would have been recognised in the financial statements at 30 June 2014 (2013: \$108,379,000).

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

Acquisition and disposal of tenement interests

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

NOTE 5: OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments identified by management are based on the geographical location of the resources which correspond to the Group's strategy. Discrete financial information for each of these segments is reported to the executive management team on at least a monthly basis.

Geographical segments

Cooper/Eromanga Basins

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

Surat/Bowen Basins

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

Major customers

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

Accounting policies

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

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 5: OPERATING SEGMENTS (continued)

Accounting policies (continued)

The following tables present the revenue and profit information for reportable segments for the years ended 30 June 2014 and 30 June 2013:

	Surat/Bowen Basin		Consolidated Cooper/Eromanga Basins		Total	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Oil sales	-	-	170,862	137,287	170,862	137,287
Technical service fees	412	428	6,802	4,696	7,214	5,124
Flowline revenue	-	-	3,968	1,118	3,968	1,118
Total segment revenue	412	428	181,632	143,101	182,044	143,529
<i>Unallocated item:</i>						
Interest income					1,678	5,421
Total revenue per statement of comprehensive income					183,722	148,950

	Surat/Bowen Basin		Consolidated Cooper/Eromanga Basins		Total	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Results						
Segment profit / (loss)	1,387	(1,258)	75,140	63,527	76,527	62,269
Reconciliation of segment net profit / (loss) after tax to net profit / (loss) from continuing operations before tax						
<i>Unallocated items:</i>						
Interest income					1,678	5,421
Other income					3,165	21,682
Finance expense					(64)	2,816
Corporate expenses					(32,730)	(30,793)
Net profit / (loss) before tax per the statement of comprehensive income					48,576	61,395

Notes to the financial statements

for the year ended 30 June 2014

NOTE 5: OPERATING SEGMENTS (continued)

Accounting policies (continued)

Segment assets and segment liabilities at 30 June 2014 and 30 June 2013 are as follows:

	Surat/Bowen Basin		Consolidated Cooper/Eromanga Basins		Total	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Segment assets						
Segment operating assets	13,198	9,498	463,399	355,978	476,597	365,476
Available-for-sale assets					-	1,725
Unallocated assets ¹					86,023	131,665
Total assets per the statement of financial position					562,620	498,866
Segment liabilities	2,339	3,113	54,313	48,776	56,652	51,889
Unallocated liabilities ²					23,444	6,892
Total liabilities per the statement of financial position					80,096	58,781
Additions and acquisitions of non current assets (other than financial assets and deferred tax assets):						
Property, plant and equipment and intangibles	-	-	7,454	14,649	7,454	14,649
Exploration assets	4,172	523	83,403	95,274	87,575	95,797
Oil and gas properties	-	-	54,886	24,597	54,886	24,597
	4,172	523	145,743	134,520	149,915	135,043
Unallocated additions ³					5,047	5,481
Total Additions					154,962	140,524

¹ The unallocated assets include cash and cash equivalents of \$76,632,000 (2013: \$126,775,000), accrued interest on term deposits of \$27,000 (2013: \$557,000), prepayments of \$7,000 (2013: \$937,000), receivables of \$38,000 (2013: \$53,000) and property, plant, equipment and intangibles of \$9,319,000 (2013: \$3,343,000).

² The unallocated liabilities include trade and other payables of \$10,985,000 (2013: \$6,032,000), deferred tax liabilities of \$10,681,000 (2013: nil) and provisions of \$1,778,000 (2013: \$860,000).

³ The unallocated additions include chargeable plant and equipment \$1,516,000 (2013: \$512,000), corporate office furniture and computer equipment \$523,000 (2013: \$1,161,000), motor vehicles \$165,000 (2013: \$86,000), intangibles \$554,000 (2013: \$1,433,000) and other corporate assets under construction \$2,289,000 (2013: \$2,289,000).

Notes to the financial statements

for the year ended 30 June 2014

NOTE 6: REVENUE

	Consolidated	
	2014	2013
	\$'000	\$'000
(a) Revenue from sales		
Oil sales	170,862	137,287
	170,862	137,287
(b) Cost of sales		
Operating costs	(57,075)	(49,023)
Amortisation of oil and gas properties	(21,873)	(16,882)
Depreciation of facilities	(2,831)	(1,440)
	(81,779)	(67,345)
(c) Net gain on asset held for sale		
Property, plant and equipment held for sale	-	3,644
Income tax effect	-	-
	-	3,644
(d) Other revenue		
Technical service fees	7,214	5,124
Interest income	1,678	5,421
Flowline revenue	3,968	1,118
	12,860	11,663
(e) Other income		
Net gain on sale of fixed assets	-	15,675
Net gain on sale of investments	1,882	564
Other income	1,283	681
	3,165	16,920

Notes to the financial statements

for the year ended 30 June 2014

NOTE 7: EXPENSES

Note	Consolidated	
	2014 \$'000	2013 \$'000
(a) General and administrative expenses		
Employee expenses	(19,767)	(18,827)
Public company and office administration expenses	(2,236)	(2,175)
Travel and insurance	(821)	(1,049)
Consultants, accounting and legal fees	(6,929)	(3,155)
Depreciation, amortisation and write-offs	(2,720)	(1,513)
Impairment of available-for-sale asset	-	(2,300)
Other expenses	(257)	2,599
	(32,730)	(26,420)
(b) Other operating expenses		
Flowline operating costs	(645)	(129)
Rig standby costs	(4,736)	-
Joint operations recharges	(601)	46
	(5,982)	(83)
(c) Depreciation, amortisation and write-offs		
<i>Included in cost of sales:</i>		
Amortisation of oil and gas properties	20 (21,873)	(16,882)
Amortisation of facilities	17 (2,831)	(1,440)
	(24,704)	(18,322)
<i>Not included in cost of sales:</i>		
Depreciation expense	17 (1,349)	(626)
Amortisation of intangibles	18 (1,018)	(382)
Write off fixed assets	17 (51)	(505)
Write off inventory	(302)	-
	(2,720)	(1,513)
(d) Impairment		
<i>Reclassified from other comprehensive income</i>		
Listed shares carried at fair value	-	(886)
<i>Not reclassified from other comprehensive income</i>		
Listed shares carried at fair value	-	(1,414)
	-	(2,300)
(e) Employee costs		
Wages, salaries and bonuses	(31,179)	(23,586)
Share based payments	(3,641)	(2,441)
Employee admin expenses	(3,280)	(3,380)
	(38,100)	(29,407)
(f) Rental expense relating to operating leases		
<i>Included in general and administrative expenses:</i>		
Operating lease expenses	(1,448)	(1,166)
	(1,448)	(1,166)
(g) Net foreign exchange gain/(loss) recognised in profit before income tax for the year		
<i>Included in general and administrative expenses:</i>		
Foreign exchange gain/(loss)	(73)	2,816
	(73)	2,816

Notes to the financial statements

for the year ended 30 June 2014

NOTE 8: INCOME TAX

Income tax expense

The major components of income tax expense are:

Income statement

Current income tax

Current income tax benefit

Adjustments in respect of current income tax of previous years

Deferred income tax

Relating to origination and reversal of temporary differences

Unrecognised tax losses brought to account

Income tax expense reported in the

Statement of Comprehensive Income

Consolidated	
2014	2013
\$'000	\$'000
-	-
-	-
(11,550)	(14,113)
869	13,722
(10,681)	(391)

Amounts charged or credited directly to equity

Consolidated	
2014	2013
\$'000	\$'000
-	(380)
-	771
-	391

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

Reconciliation between the tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Accounting profit before income tax	48,576	61,395
At the Group's statutory income tax rate of 30% (2013: 30%)	(14,573)	(18,419)
Share-based payments	1,006	(732)
Impairment	-	(690)
Research and development benefit	1,485	6,177
Other	515	(449)
Utilisation and recognition of deferred tax on losses	869	13,722
Over/(Under) provision in the prior year	17	-
Income tax expense reported in the Statement of Comprehensive Income	(10,681)	(391)

Notes to the financial statements

for the year ended 30 June 2014

NOTE 8: INCOME TAX (continued)

Recognised deferred tax assets and liabilities

Deferred income tax at reporting date relates to the following:

	Consolidated			
	Statement of Financial Position		Statement of Comprehensive Income	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Deferred tax assets / (liabilities)				
Receivables	-	(5,355)	5,355	(5,355)
Property, plant and equipment, intangibles, exploration and evaluation and oil and gas properties	(73,480)	(54,126)	(19,354)	(25,267)
Trade and other payables	1,093	(132)	1,225	(388)
Provisions	10,078	8,102	1,976	2,532
Income tax losses	49,165	50,493	(1,328)	19,699
Other	2,463	1,887	576	(351)
Deferred tax losses not brought to account as realisation is not regarded as probable	-	(869)	869	8,739
Net deferred income tax asset / (liability) recognised	(10,681)	-	(10,681)	(391)

Income tax losses

At 30 June 2014, the Group had \$163,884,000 (2013: \$168,312,000) of carry-forward tax losses and offsets that are available for use in Australia. The Group has recognised deferred tax assets arising from these tax losses and offsets of \$49,165,000 (2013: \$50,493,000) that are available for offset against future taxable profits of the income tax consolidated group, subject to the relevant tax loss recoupment requirements being met.

Unrecognised temporary differences – Petroleum Resource Rent Tax (PRRT)

The PRRT legislation provides for Senex Energy Limited and its controlled entities impacted by the PRRT regime to adopt a starting base for projects existing at 1 May 2010, which is deductible in determining any future taxable profit. Senex Energy Limited and its controlled entities impacted by the PRRT regime have included future augmentation on PRRT expenditure categories, including starting bases, in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements for the period ended 30 June 2014. As a result, no deferred tax asset has been recognised in the financial statements for PRRT purposes for the period ended 30 June 2014.

The total of unrecognised temporary differences in respect of PRRT for existing projects is \$320,898,000 (2013: \$387,067,000). If future augmentation had not been included in the forecast of future taxable profits, a deferred tax asset of \$89,851,000 (2013: \$108,379,000) may have been recognised in the financial statements at 30 June 2014. This is calculated at 28% of these unrecognised temporary differences, recognising the deductibility of PRRT for income tax purposes. The PRRT-only impact of these unrecognised temporary differences at 40% is \$128,359,000 (2013: \$154,827,000).

Senex Energy Limited and its controlled entities impacted by the PRRT regime also have a number of exploration permits which will not be subject to PRRT until they meet the definition of a production licence for PRRT purposes. Carry forward PRRT expenditures exist for these exploration permits which may give rise to a deferred tax asset should assessable receipts be generated from the tenement area in the future. A deferred tax asset has not been recognised in relation to the temporary differences for the exploration permits as its realisation is not regarded as probable at 30 June 2014. The total amount of unrecognised temporary differences in relation to PRRT for the exploration permits is \$132,028,000 (2013: \$171,367,000).

Notes to the financial statements

for the year ended 30 June 2014

NOTE 9: AUDITORS' REMUNERATION

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

Amounts received or due and receivable by Ernst & Young (Australia) for the following:

Audit or review of the financial report of the Group
Other assurance services

Consolidated	
2014	2013
\$	\$
185,506	264,090
37,500	35,000
223,006	299,090

NOTE 10: EARNINGS PER SHARE

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

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

Earnings used in calculating earnings / (loss) per share

For basic and diluted earnings per share:

Net profit / (loss) attributable to ordinary equity holders of the parent entity

Consolidated	
2014	2013
\$	\$
37,895	61,004

Weighted average number of shares

Weighted average number of ordinary shares for basic earnings per share
Effect of dilution - share options
Effect of dilution - performance rights

Weighted average number of ordinary shares adjusted for the effect of dilution

Consolidated	
2014	2013
Number	Number
1,143,837,116	1,134,792,989
2,082,791	5,303,522
7,967,344	5,888,889
1,153,887,251	1,145,985,400

Information on the classification of securities

Options

Options outstanding are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

Performance rights

Performance rights granted to employees are also considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 11: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2014 \$'000	2013 \$'000
Cash at bank and in hand	62,660	110,972
Cash advanced to joint operations	13,972	15,803
	76,632	126,775

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

NOTE 12: CURRENT ASSETS – PREPAYMENTS

	Consolidated	
	2014 \$'000	2013 \$'000
Prepayment of pipeline charges	2,033	2,483
Prepayments - other	7	937
	2,040	3,420

NOTE 13: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014 \$'000	2013 \$'000
Trade receivables ¹	30,812	30,054
Sundry receivables ²	672	21,108
Receivables for joint operations ³	1,605	1,527
	33,089	52,689

¹ These receivables relate to monies owing from oil sales, and are receivable 30 days from invoice date.

² These receivables are non-interest bearing, unsecured and expected to be repaid within the next 12 months. Prior year balance included \$20 million receivable for settlement of sale of interest in Cuisinier field, subsequently received in December 2013.

³ These receivables relate to the portion of trade receivables in joint operations which is attributable to the Group.

All balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due, and there is no history of counterparties defaulting on these receivables.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 14: CURRENT ASSETS – INVENTORY

	Consolidated	
	2014	2013
	\$'000	\$'000
Inventory		
Warehouse inventory	13,664	4,297
Oil inventory	1,053	751
	14,717	5,048

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Sundry receivables ¹	25	25

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

NOTE 16: NON-CURRENT ASSETS – AVAILABLE-FOR-SALE ASSETS

	Consolidated	
	2014	2013
	\$'000	\$'000
Listed shares		
Balance at the beginning of the period	1,725	2,760
Purchases	14,447	11,078
Revaluation	-	(1,035)
Disposals	(16,172)	(11,078)
Balance at the end of the period	-	1,725

Available-for-sale assets consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

The fair value of listed, available-for-sale assets has been determined directly by reference to published price quotations in an active market. Gains or losses on available-for-sale investments are recognised in equity. Available-for-sale assets are considered to be impaired when the fair value is significantly below cost or has been below cost for a prolonged period of time.

During the period, no impairment charge was recognised in relation to listed shares carried at fair value (2013: \$2,300,000).

Refer to note 7(d) for further detail.

Notes to the financial statements

for the year ended 30 June 2014

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

	Note	Property, Plant & Equipment \$'000	Consolidated Assets Under Construction \$'000	Total \$'000
At 30 June 2013				
Cost		36,135	8,011	44,146
Accumulated depreciation		(2,563)	-	(2,563)
Net book amount		33,572	8,011	41,583
Movements for the year ended 30 June 2014				
Opening net book amount		33,572	8,011	41,583
Additions		3,760	8,187	11,947
Disposals		(594)	-	(594)
Transfers		10,155	(11,251)	(1,096)
Write-offs	7(c)	-	(51)	(51)
Depreciation charge for the year	7(c)	(4,180)	-	(4,180)
Closing net book amount		42,713	4,896	47,609
At 30 June 2014				
Cost		48,996	4,896	53,892
Accumulated depreciation		(6,283)	-	(6,283)
Net book amount		42,713	4,896	47,609
At 30 June 2012				
Cost		4,777	21,504	26,281
Accumulated depreciation		(814)	-	(814)
Net book amount		3,963	21,504	25,467
Movements for the year ended 30 June 2013				
Opening net book amount		3,963	21,504	25,467
Additions		11,731	6,966	18,697
Disposals		-	-	-
Transfers		20,449	(20,459)	(10)
Write-offs		(505)	-	(505)
Depreciation charge for the year	7(c)	(2,066)	-	(2,066)
Closing net book amount		33,572	8,011	41,583
At 30 June 2013				
Cost		36,135	8,011	44,146
Accumulated depreciation		(2,563)	-	(2,563)
Net book amount		33,572	8,011	41,583

Notes to the financial statements

for the year ended 30 June 2014

NOTE 18: NON-CURRENT ASSETS – INTANGIBLES

Note	Consolidated	
	2014 \$'000	2013 \$'000
At the beginning of the year		
Cost	1,717	224
Accumulated amortisation	(474)	(41)
Net book amount	1,243	183
Movements for the year ended 30 June		
Opening net book amount	1,243	183
Additions	554	1,432
Transfers	783	10
Amortisation charge for the year	(1,018)	(382)
Closing net book amount	1,562	1,243
At 30 June		
Cost	3,462	1,717
Accumulated amortisation	(1,900)	(474)
Net book amount	1,562	1,243

NOTE 19: NON-CURRENT ASSETS – EXPLORATION ASSETS

	Consolidated	
	2014 \$'000	2013 \$'000
Exploration assets		
Balance at the beginning of the period, net of accumulated amortisation and impairment	166,117	74,309
Additions	74,148	92,011
Acquisition of additional interests	13,427	3,786
Transfers to development assets	(15,779)	(3,989)
Balance at the end of the period	237,913	166,117

Notes to the financial statements

for the year ended 30 June 2014

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

	Consolidated	
	2014 \$'000	2013 \$'000
Oil and gas properties		
Balance at the beginning of the period, net of accumulated amortisation and impairment	100,241	93,374
Additions	54,886	21,069
Purchase of additional interests	-	3,528
Transfers from exploration assets	15,779	3,989
Amortisation charge for the period	(21,873)	(16,882)
Disposal of interests (net)	-	(4,837)
Balance at the end of the period, net of accumulated amortisation and impairment	149,033	100,241
Balance at the beginning of the period		
Cost	137,107	113,753
Accumulated amortisation	(34,191)	(17,704)
Accumulated impairment, net of reversals	(2,675)	(2,675)
Net carrying amount	100,241	93,374
Balance at the end of the period		
Cost	207,772	137,107
Accumulated amortisation	(56,064)	(34,191)
Accumulated impairment, net of reversals	(2,675)	(2,675)
Net carrying amount	149,033	100,241

Impairment of oil and gas properties

At 30 June 2014, the Group reviewed the carrying value of its oil and gas properties for impairment. No indicators of impairment were identified. The value of the oil and gas properties was reviewed on a cash-generating unit basis and has resulted in no impairment expense or reversal of impairment expense (2013: \$nil). It is the Group's policy to use Proved and Probable (2P) reserves to assess the value of its oil and gas properties.

Events and circumstances that may lead to the recognition or reversal of impairment losses include changes in reserves estimates, budgeted revenue and expenses, estimated oil and gas prices and estimated foreign exchange rates.

NOTE 21: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2014 \$'000	2013 \$'000
Other creditors and accruals – unsecured ¹	11,803	10,200
Payables to joint operations creditors ²	24,019	21,536
	35,822	31,736

¹ Other creditors and accruals are non-interest bearing, unsecured and will be paid in the next 12 months.

² These payables relate to the portion of trade payables and accruals in joint operations which is attributable to the Group.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 22: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2014	2013
	\$'000	\$'000
Annual and long service leave	1,065	655
Lease incentives	301	39
	1,366	694

NOTE 23: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2014	2013
	\$'000	\$'000
Rehabilitation	31,815	26,185
Long service leave	412	166
	32,227	26,351

Movement in provisions

Movement in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Consolidated	
	2014	2013
	\$'000	\$'000
Rehabilitation		
Balance at the beginning of the year	26,185	18,066
Additional provision recognised during the year	6,767	8,419
Unwinding and discount rate adjustment	(1,137)	163
Disposals	-	(463)
Balance at the end of the year	31,815	26,185

Nature and timing of provisions

Rehabilitation

A provision for rehabilitation is recognised for costs such as reclamation, waste site closure and other costs associated with the restoration of an oil or gas site. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the rehabilitation provision, the Group has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such properties in the future. It is expected that rehabilitation costs for assets will be incurred at the end of the assets' useful lives. The assets' useful lives are currently estimated between four and nineteen years.

Long service leave

Refer to note 2(u) for the relevant accounting policy and note 4 for a discussion of the significant judgements, estimates and assumptions applied in the measurement of this provision.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 24: CONTRIBUTED EQUITY

	Parent Entity	
	2014 \$'000	2013 \$'000
1,146,343,917 ordinary fully paid shares (2013: 1,140,804,837)	450,966	450,064
Total issued capital	450,966	450,064

Ordinary fully paid shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Ordinary fully paid shares

	Parent Entity			
	2014		2013	
	Number of shares	\$'000	Number of shares	\$'000
Movement in ordinary fully paid shares on issue				
Balance at the beginning of the period	1,140,804,837	450,064	1,032,094,191	374,251
Issues of share during the period:				
Equity raising	-	-	104,111,540	77,043
Exercise of unlisted options	2,935,000	902	1,930,000	568
Performance rights (nil consideration)	2,604,080	-	2,669,106	-
Transaction costs on shares issued (net of tax)		-		(1,798)
Balance at the end of the period	1,146,343,917	450,966	1,140,804,837	450,064

1,335,000 ordinary fully paid shares were issued at a price of 37 cents each for the exercise of unlisted options during the year, raising \$493,950 before costs.

1,600,000 ordinary fully paid shares were issued at a price of 25.5 cents each for the exercise of unlisted options during the year, raising \$408,000 before costs.

2,604,080 ordinary fully paid shares were issued during the year as a result of the vesting of performance rights.

Options

Information relating to options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is set out in note 30.

Performance rights

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

Capital management

When managing capital (being total contributed equity of \$450,966,000 at 30 June 2014), management's objectives are to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders through capital growth.

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 25: RESERVES

Note	Consolidated	
	2014 \$'000	2013 \$'000
Share-based payments reserve		
Balance at the beginning of the year	8,193	5,752
Options and performance rights issued	3,642	2,441
Balance at the end of the year	11,835	8,193
Other reserve		
Balance at the beginning of the year	(183)	(183)
Balance at the end of the year	(183)	(183)
Net unrealised gain / (loss) reserve		
Balance at the beginning of the year	-	(886)
Net gain / (loss) recognised on re-measurement to fair value of available-for-sale investments	-	1,266
Tax effect on (net gain) / reversal of net gain recognised on re-measurement to fair value of available-for-sale investments	-	(380)
Balance at the end of the year	-	-
Total reserves	11,652	8,010

Nature and purpose of reserves

Share-based payments reserve

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

Other reserve

The other reserve is used to record differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

Net unrealised gain / (loss) reserve

This reserve is used to record movements in the fair value of available-for-sale assets.

NOTE 26: RETAINED EARNINGS

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at the beginning of the year	(17,989)	(78,993)
Net profit / (loss) attributable to ordinary equity holders of the parent entity	37,895	61,004
Balance at the end of the year	19,906	(17,989)

Notes to the financial statements

for the year ended 30 June 2014

NOTE 27: CONSOLIDATED STATEMENT OF CASH FLOWS RECONCILIATION

Note	Consolidated	
	2014 \$'000	2013 \$'000
Reconciliation of the net profit / (loss) after tax to net cash flows used in operations		
Net profit/(loss)	37,895	61,004
<i>Adjustments:</i>		
Depreciation, amortisation and impairment	27,071	19,330
(Gain) / loss on foreign exchange translation	73	(2,816)
(Gain) / loss on sale of assets	-	(19,319)
(Gain) / loss on sale of investments	(1,882)	(564)
Rehabilitation liability accretion	1,059	808
Share based payment	3,641	2,441
Impairment expenses	-	2,300
Write off fixed assets	51	505
Write off inventory	302	-
Interest expense	1	620
Rehabilitation expense	(87)	3,540
Income tax expense / (benefit)	8 10,681	391
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in prepayments	1,380	(907)
(Increase)/decrease in trade and other receivables	(1,367)	(12,617)
(Increase)/decrease in inventory	(2,176)	(2,841)
(Increase)/decrease in make good asset	(177)	-
Increase/(decrease) in trade and other payables	3,606	3,509
Increase/(decrease) in provisions	918	311
Net cash flows used in operating activities	80,989	55,695

NOTE 28: COMMITMENTS

Leasing commitments

These commitments represent payment due for lease premises under non-cancellable operating leases.

The Group has lease agreements for head office premises in Brisbane and office premises in Adelaide. The terms of the leases range between 3 to 5 years.

Future minimum payments under the non-cancellable leases as at 30 June 2014 are as follows:

	2014 \$'000	2013 \$'000
Corporate		
Minimum lease payments		
- not later than one year	1,454	1,395
- later than one year and not later than five years	2,239	3,693
	3,693	5,088

Notes to the financial statements

for the year ended 30 June 2014

NOTE 28: COMMITMENTS (continued)

Capital commitments

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

	Consolidated	
	2014 \$'000	2013 \$'000
Corporate		
- not later than one year	5,449	5,606
Joint operations		
- not later than one year	-	1,880
	5,449	7,486

Exploration and development commitments

Due to the nature of the Group's operations in exploration and evaluation of areas of interest, it is not possible to forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure. In order to maintain its interests in present permit areas, the Group must expend by 30 June 2015 approximately \$23,735,000 (2013: \$13,950,000). Expenditure beyond 30 June 2015 is expected to total approximately \$90,712,000 (2013: \$33,021,000) to maintain the same interests.

NOTE 29: CONTINGENCIES

Other contingencies

The Group is aware of native title claims made in respect of areas in Queensland in which the Group has an interest and recognises that there might be additional claims made in the future. A definitive assessment cannot be made at this time of what impact the current or future claims, if any, may have on the Group.

There were no other unrecorded contingent assets or liabilities in place for the Group at 30 June 2014.

NOTE 30: SHARE-BASED PAYMENTS

Equity-settled share-based payments

Employee share options and performance rights

Performance rights and options are issued to employees on a case by case basis at the Board's discretion and are assessed annually.

(a) Options

Options granted carry no dividend or voting rights. All options on issue have vested and are exercisable at any time up to their expiry. When exercised, each option is convertible into one ordinary share.

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

The exercise price of options is based on the Board's assessment of a price which will provide appropriate performance incentive to the holder of the options.

No options were granted during the year ended 30 June 2014 (2013: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.03 years (2013: 2.28 years).

Notes to the financial statements

for the year ended 30 June 2014

NOTE 30: SHARE-BASED PAYMENTS (continued)

The following table presents movements in options for the year ended 30 June 2014:

Grant date	Expiry date	Exercise price (cents)	Balance as at 1 July 2013	Options granted	Options exercised	Options forfeited	Balance as at 30 June 2014	Vested and exercisable as at 30 June 2014
5 August 2010	2 February 2014	25.5	1,600,000	-	(1,600,000)	-	-	-
6 July 2010	30 June 2014	37.0	1,230,000	-	(1,155,000)	(75,000)	-	-
1 July 2011	1 July 2014	40.0	667,000	-	-	-	667,000	667,000
9 September 2010	31 August 2014	27.0	-	-	-	-	-	-
1 July 2011	1 July 2015	40.0	667,000	-	-	-	667,000	667,000
9 September 2010	9 September 2015	25.5	1,200,000	-	-	-	1,200,000	1,200,000
1 July 2011	1 July 2016	40.0	666,000	-	-	-	666,000	666,000
9 September 2010	19 July 2016	25.5	800,000	-	-	-	800,000	800,000
9 September 2010	19 July 2017	25.5	1,000,000	-	-	-	1,000,000	1,000,000
9 September 2010	19 July 2018	25.5	1,000,000	-	-	-	1,000,000	1,000,000
8 November 2010	30 June 2014	37.0	180,000	-	(180,000)	-	-	-
Total			9,010,000	-	(2,935,000)	(75,000)	6,000,000	6,000,000
Weighted average exercise price			30.5	-	30.7	37.0	30.3	30.3

Notes to the financial statements

for the year ended 30 June 2014

NOTE 30: SHARE-BASED PAYMENTS (continued)

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

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

(b) Performance rights

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

The FY14 STI rights granted to the CEO and Senior Executives during the year ended 30 June 2014 were subject to performance conditions relating to safety, oil production, reserves growth, operating costs and individual performance in FY14 and vest on 1 July 2015 subject to employment status. These rights are valued with reference to employees' total fixed remuneration, estimated corporate performance percentage and average individual performance percentage.

The FY14 LTI performance rights granted to the CEO and Senior Executives during the year ended 30 June 2014 are subject to a performance condition relating to a target share price after a three year period, and vest after that period subject to employment status. These rights were valued using a monte carlo pricing model that takes into account grant date, share price at grant date, volatility of underlying share, dividend yield, expected term and the risk-free interest rate for the term of the right.

The FY13 EIP rights granted to employees under the EIP for the year ended 30 June 2013 were granted in recognition of corporate performance in the areas of safety, oil production and reserves growth and individual performance. The performance rights will vest on 1 July 2015 subject to employment status. These rights are valued with reference to employees' total fixed remuneration, estimated corporate performance percentage and average individual performance percentage.

The FY14 EIP performance rights to be granted to employees under the EIP for the year ended 30 June 2014 will be granted in recognition of corporate performance in the areas of safety, oil production, reserves growth, total shareholder return and individual performance. The performance rights will vest on 1 July 2016 subject to employment status. These rights are valued with reference to employees' total fixed remuneration, estimated corporate performance percentage and average individual performance percentage.

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

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

Notes to the financial statements

for the year ended 30 June 2014

NOTE 30: SHARE-BASED PAYMENTS (continued)

(b) Performance rights (continued)

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

	Grant date/ exercise date	Performance rights granted	Performance rights exercised/ lapsed	Total
Opening balance as at 1 July 2013				8,206,649
FY11 rights exercised	26 July 2013	-	(133,333)	(133,333)
FY12 rights exercised	26 July 2013	-	(372,180)	(372,180)
FY12 rights exercised	30 September 2013	-	(529,760)	(529,760)
FY11 rights exercised	30 September 2013	-	(233,333)	(233,333)
FY13 rights exercised	13 September 2013	-	(100,000)	(100,000)
FY13 rights granted	30 September 2013	2,470,890	-	2,470,890
FY13 rights exercised	30 September 2013	-	(1,235,474)	(1,235,474)
FY13 rights lapsed	30 September 2013	-	(300,000)	(300,000)
FY14 rights granted	20 December 2013	5,780,885	-	5,780,885
Closing balance as at 30 June 2014		8,251,775	(2,904,080)	13,554,344

The weighted average fair value of performance rights granted during the period was 38 cents.

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

Cash-settled share-based payments

There were no cash-settled share-based payments during the year ended 30 June 2014 (2013: \$nil).

Expenses arising from share-based payment transactions

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

	Consolidated	
	2014	2013
	\$	\$
Equity-settled share-based payments		
- Options	5,125	153,207
- Performance rights	3,636,334	2,287,945
	3,641,459	2,441,152

Notes to the financial statements

for the year ended 30 June 2014

NOTE 31: KEY MANAGEMENT PERSONNEL

Compensation of key management personnel

	Consolidated	
	2014	2013
	\$	\$
Short-term	4,414,775	4,638,226
Post employment	177,428	175,792
Share-based payment	1,419,565	1,113,990
	6,011,768	5,928,008

Options

Issue date	Expiry date	Exercise price	2014	2013
			Number outstanding	Number outstanding
2010	2015	0.255	1,200,000	1,200,000
2010	2016	0.255	800,000	800,000
2010	2017	0.255	1,000,000	1,000,000
2010	2018	0.255	1,000,000	1,000,000
2011	2014	0.40	667,000	667,000
2011	2015	0.40	667,000	667,000
2011	2016	0.40	666,000	666,000
			6,000,000	6,000,000

Performance rights

Issue date	2014	2013
	Number outstanding	Number outstanding
2010	-	166,667
2011	328,580	657,160
2012	4,914,873	4,914,874
2013	5,780,884	-
	11,024,337	5,738,701

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

Other transactions and balances with key management personnel

During FY14, the Group made payments of \$27,701 (2013: \$1,231,766) to Morgans Financial Limited, a company associated with Mr Crommelin. These services were not provided by Mr Crommelin as a director of the group. There were no other transactions with Key Management Personnel or their related parties during the current or prior year, other than those mentioned above.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 32: PARENT ENTITY INFORMATION

(a) Summary financial information

	Parent Entity	
	2014	2013
	\$'000	\$'000
Total current assets	238,620	257,607
Total non-current assets	127,590	113,549
TOTAL ASSETS	366,210	371,156
Total current liabilities	12,887	6,330
Total non-current liabilities	19,472	2,345
TOTAL LIABILITIES	32,359	8,675
NET ASSETS	333,851	362,481
EQUITY		
Contributed equity	450,966	450,318
Share based payments reserve	11,835	7,939
Other reserve	(183)	(183)
Retained earnings	(128,767)	(95,593)
TOTAL EQUITY	333,851	362,481
Net profit / (loss) of the parent entity	(33,144)	3,314
Other comprehensive income of the parent entity	-	886
Total comprehensive income / (loss) of the parent entity	(33,144)	4,200

(b) Guarantees entered into by the parent entity

There are cross guarantees provided as described in note 35.

No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee as the fair value of the guarantee is considered immaterial.

(c) Contingent assets and liabilities of the parent entity

There are no unrecorded contingent assets or liabilities in place for the parent entity at 30 June 2014 (2013: \$nil).

(d) Contractual commitments for capital acquisitions

The parent entity did not have any contractual commitments for capital acquisition at 30 June 2014 (2013: \$nil).

Notes to the financial statements

for the year ended 30 June 2014

NOTE 33: INTEREST IN JOINT OPERATIONS

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

EXPLORATION

Permits	Consolidated Working Interest	
	2014 Percentage %	2013 Percentage %
Cooper/Eromanga Basins		
ATP 560P* (Ueleven)	-	42.0%
ATP 736P* - application	80.0%	80.0%
ATP 737P* - application	80.0%	80.0%
ATP 738P* - application	80.0%	80.0%
ATP 794P (Barcoo Junction Prospect Area)	12.0%	12.0%
ATP 794P (Brightspot)	-	15.0%
ATP 794P (Springfield)	24.0%	24.0%
ATP 794P (Regleigh)	24.0%	24.0%
ATP 794P (Barcoo)	35.0%	35.0%
ATP 794P (Remainder)	-	60.0%
PEL 87*	60.0%	60.0%
PEL 90* (Kiwi)	75.0%	75.0%
PEL 93*	70.0%	70.0%
PEL 94	15.0%	15.0%
PEL 100*	55.0%	55.0%
PEL 104*	60.0%	60.0%
PEL 110	60.0%	60.0%
PEL 111*	60.0%	60.0%
PEL 113* (Murteree)	-	65.0%
PEL 115*	-	80.0%
PEL 182*	57.0%	52.5%
PEL 424*	60.0%	60.0%
PEL 514*	80.0%	-
PEL 514* (Northern)	-	50.0%
PEL 514* (Southern)	-	70.0%
PEL 637*	60.0%	-
PEL 638* (Deeps)	53.8%	-
PEL 638* (Shallows)	80.0%	-

Permits	Consolidated Working Interest	
	2014 Percentage %	2013 Percentage %
Surat Basin		
ATP 471P (Weribone)	20.7%	20.7%
ATP 574P (Shallows)	30.0%	30.0%
ATP 574P (Deeps)	30.0%	30.0%
ATP 593P* (Don Juan CSG)	45.0%	45.0%
ATP 593P* (Deep)	24.0%	24.0%
ATP 771P* (Don Juan CSG)	45.0%	45.0%

Notes to the financial statements

for the year ended 30 June 2014

NOTE 33: INTEREST IN JOINT OPERATIONS (continued)

PRODUCTION

Permits	Consolidated Working Interest	
	2014 Percentage %	2013 Percentage %
Cooper/Eromanga Basins		
Derrilyn PPL 206	35.0%	35.0%
Derrilyn PPL 208	35.0%	35.0%
Growler PPL 242*	60.0%	60.0%
Reg Sprigg West PPL 211	25.0%	25.0%
Snatcher PPL 240*	60.0%	60.0%
Toparoa PPL 215	2.3%	2.3%
Worrior PPL 207*	70.0%	70.0%
Mustang PPL 243*	60.0%	60.0%
Burrunga PPL 251*	80.0%	-
PRL 15*	60.0%	60.0%
PRL 84*	65.0%	-
PRL 106*	60.0%	-
PRL 108*	50.0%	-
PRL 109*	50.0%	-
PRL 110*	50.0%	-
PRL 117*	80.0%	-

Permits	Consolidated Working Interest	
	2014 Percentage %	2013 Percentage %
Bowen Basin		
PL 231*	40.0%	40.0%

Permits	Consolidated Working Interest	
	2014 Percentage %	2013 Percentage %
Surat Basin		
PL 171	20.0%	20.0%
PLA 392 - application	30.0%	30.0%
PLA 393 - application	30.0%	30.0%
PCA 76 - application	30.0%	30.0%

Notes to the financial statements

for the year ended 30 June 2014

NOTE 33: INTEREST IN JOINT OPERATIONS (continued)

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

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Current Assets			
Cash and cash equivalents	11	13,972	15,803
Trade and other receivables	13	1,605	1,527
Non-current Assets			
Property, plant and equipment		15,633	16,969
Exploration assets		133,040	71,710
Oil and gas properties		131,538	93,123
TOTAL ASSETS		295,788	199,132
Current Liabilities			
Trade and other payables	21	24,019	21,536
Non-current Liabilities			
Provision for rehabilitation		19,966	20,243
TOTAL LIABILITIES		43,985	41,779
NET ASSETS		251,803	157,353

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

	Consolidated	
	2014 \$'000	2013 \$'000
Revenue		
Oil sales	152,453	127,294
	152,453	127,294
Expenses		
Cost of sales	(64,121)	(61,306)
Oil and gas exploration expenses	(18,295)	(5,799)
	(82,416)	(67,105)

Notes to the financial statements

for the year ended 30 June 2014

NOTE 34: RELATED PARTY DISCLOSURE

Controlled entities / subsidiaries

The consolidated financial statements include the financial statements of Senex Energy Limited and its controlled entities listed in the following table:

Name	Country of incorporation	Equity interest %	
		2014	2013
Parent entity			
Senex Energy Limited	Australia		
Directly controlled by Senex Energy Limited			
Azeeza Pty Ltd	Australia	100	100
Victoria Oil Pty Ltd	Australia	100	100
Senex Weribone Pty Ltd	Australia	100	100
Permian Oil Pty Ltd	Australia	100	100
Victoria Oil Exploration (1977) Pty Ltd	Australia	100	100
Stuart Petroleum Pty Ltd	Australia	100	100
Senex Assets Pty Ltd	Australia	100	100
Senex Energy Employee Share Trust	Australia	100	-
Directly controlled by Stuart Petroleum Pty Ltd			
Stuart Petroleum Fuels Pty Ltd *	Australia	100	100
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	100	100
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	100	100
Anarion Petroleum Pty Ltd *	Australia	100	-

* These entities applied to be deregistered in the current financial year.

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 2014

NOTE 35: DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, Stuart Petroleum Pty Ltd is party to a deed of cross guarantee and has been granted relief from the Corporations Act 2001 requirement for preparation, audit and lodgement of financial statements, and director's reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The following companies are parties to the Deed and represent a 'closed group' for the purposes of the Class Order:

- Senex Energy Ltd
- Azeeza Pty Ltd
- Victoria Oil Pty Ltd
- Senex Weribone Pty Ltd
- Permian Oil Pty Ltd
- Victoria Oil Exploration (1977) Pty Ltd
- Stuart Petroleum Pty Ltd
- Stuart Petroleum Cooper Basin Oil Pty Ltd
- Stuart Petroleum Cooper Basin Gas Pty Ltd
- Senex Assets Pty Ltd

The deed of cross guarantee was executed on 26 June 2012, and amended on 20 February 2013. A deed revoking the deed of cross guarantee in respect of Stuart Petroleum Fuels Pty Ltd was executed on 21 March 2014.

As there are no other parties to the deed of cross guarantee that are controlled by the Company, the 'closed group' is the same as the 'extended group'.

Notes to the financial statements

for the year ended 30 June 2014

NOTE 35: DEED OF CROSS GUARANTEE (continued)

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

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

	2014 \$'000	2013 \$'000
Revenue	170,862	137,287
Cost of sales	(81,779)	(67,345)
Gross profit	89,083	69,942
Net gain on asset held for sale	-	3,644
Other revenue	12,860	11,663
Other income	3,165	16,920
Oil and gas exploration expenses	(16,761)	(12,843)
General and administrative expenses	(32,730)	(26,549)
Other operating expenses	(5,982)	46
Finance expense	(1,059)	(1,428)
Profit before tax	48,576	61,395
Income tax expense	(10,681)	(391)
Profit after tax	37,895	61,004
Net profit for the period attributable to owners of the parent entity	37,895	61,004
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Movements in fair value of available-for-sale financial assets	-	1,266
Income tax effect	-	(380)
	-	886
Items that will not be subsequently reclassified to profit or loss	-	-
Total comprehensive income for the period attributable to owners of the parent entity	37,895	61,890

Notes to the financial statements

for the year ended 30 June 2014

NOTE 35: DEED OF CROSS GUARANTEE (continued)

(b) Consolidated Statement of Financial Position

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

	As at 30 June 2014 \$'000	As at 30 June 2013 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	76,632	126,775
Prepayments	2,040	3,420
Trade and other receivables	33,089	52,689
Inventory	14,717	5,048
Total Current Assets	126,478	187,932
Non-current Assets		
Trade and other receivables	25	25
Available-for-sale assets	-	1,725
Property, plant and equipment	47,609	41,583
Intangibles	1,562	1,243
Exploration assets	237,913	166,117
Oil and gas properties	149,033	100,241
Total Non-current Assets	436,142	310,934
TOTAL ASSETS	562,620	498,866
LIABILITIES		
Current Liabilities		
Trade and other payables	35,822	31,736
Provisions	1,366	694
Total Current Liabilities	37,188	32,430
Non-current Liabilities		
Provisions	32,227	26,351
Deferred tax liabilities	10,681	-
Total Non-current Liabilities	42,908	26,351
TOTAL LIABILITIES	80,096	58,781
NET ASSETS	482,524	440,085
EQUITY		
Contributed equity	450,966	450,064
Reserves	11,652	8,010
Retained earnings	19,906	(17,989)
TOTAL EQUITY	482,524	440,085

Notes to the financial statements

for the year ended 30 June 2014

NOTE 36: EVENTS AFTER THE REPORTING DATE

Offer of Employee Incentive Plan Rights

On 18 August 2014, the Company offered 3,049,293 FY14 EIP rights to 170 eligible employees under the Senex Employee Incentive Plan (EIP) in recognition of their performance in FY14. The offers will be open for acceptance until 1 September 2014 and it is expected that FY14 EIP rights will be granted to accepting offerees within the week after that date.

Office Lease

The Group entered into new leases for the three floors currently leased for head office premises in Brisbane. All lease agreements will terminate on 30 June 2019, with a five year extension option.

Other

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

Directors' declaration

In accordance with a resolution of the directors of Senex Energy Limited, I state that:

- (1) In the opinion of the Directors:
- (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 35, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35.
- (2) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

On behalf of the Board



Denis F Patten
Chairman



Ian R Davies
Managing Director

Brisbane, Queensland
25 August 2014

Independent auditor's report



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Independent auditor's report to the members of Senex Energy Limited

Report on the financial report

We have audited the accompanying financial report of Senex Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Independent auditor's report



Opinion

In our opinion:

- a. the financial report of Senex Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Senex Energy Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Andrew Carrick
Partner
Brisbane
25 August 2014

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Shareholder statistics

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

- (a) A distribution schedule of the number of holders in each class of equity securities as at 8 August 2014:

Number of shares	Fully paid shares	Number of holders Unlisted options	Performance rights
1-1,000	1,303	-	-
1,001-5,000	4,198	-	23
5,001-10,000	2,487	-	51
10,001-100,000	5,351	-	43
100,001+	800	1	10
Total	14,139	1	127

- (b) The number of holders holding less than a marketable parcel of fully paid shares as at 8 August 2014 was 643 holders.

- (c) The names of the 20 largest holders of fully paid shares, the number of fully paid shares each holds and the percentage of capital each holds as at 8 August 2014:

No.	Name	Number	%
1	J P Morgan Nominees Australia Limited	141,928,324	12.36%
2	HSBC Custody Nominees (Australia) Limited	116,181,506	10.12%
3	Sentient Executive GP IV Limited	103,178,338	8.99%
4	Sentient Executive GP III Limited	85,033,938	7.41%
5	National Nominees Limited	53,229,015	4.64%
6	Australian Foundation Investment Company Limited	46,717,317	4.07%
7	Citicorp Nominees Pty Limited	32,579,123	2.84%
8	Mr Robert Bryan	30,000,000	2.61%
9	Elphinstone Holdings Pty Ltd	21,730,309	1.89%
10	BNP Paribas Noms Pty Ltd	13,980,612	1.22%
11	Bow Energy Limited	12,738,621	1.11%
12	Mirrabooka Investments Limited	7,000,000	0.61%
13	UBS Wealth Management Australia Nominees Pty Ltd	6,032,297	0.53%
14	Mr Dallas John William Allman & Mrs Judith Dawn Allman	5,000,000	0.44%
15	Citicorp Nominees Pty Limited	4,611,842	0.40%
16	Amcil Limited	4,400,000	0.38%
17	Mr Alan Robins & Mr Melville Robins & Mr Kevin Robins	3,800,000	0.33%
18	Mr Murray Shaw & Mr Benjamin Shaw & Ms Lee Anne Shaw	3,736,927	0.33%
19	AMP Life Limited	3,145,400	0.27%
20	Mr Andrew Trott Hopkins & Mrs Adrienne Janet Hopkins	2,910,000	0.25%

- (d) A substantial holder has given notice to the Company of its interest. The most recent notice that the Company received from the substantial holder was dated 28 September 2011. As at 8 August 2014 the name of the substantial holder and the number and percentage of equity securities in which the substantial holder and the substantial holder's associates had a relevant interest at 28 September 2011, as disclosed in the substantial holding notice dated 28 September 2011, were:

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

Shareholder statistics

(e) Directors' security holdings and relevant interests as at 8 August 2014:

Class of security	Fully paid shares	Number of securities Unlisted options	Performance rights
DF Patten	1,819,616	-	-
IR Davies	1,830,953	5,333,000	4,718,750
RH Craven	200,000	-	-
TBI Crommelin	3,546,812	-	-
DL Goodin	-	-	-
BM McKeown ¹	-	-	-
YA Barilá ¹	-	-	-

¹ Mr McKeown and Ms Barilá are executives of the Sentient Group which held relevant interests in 188,212,276 fully paid shares (16.39% of issued shares) at 8 August 2014.

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.

Major announcements

2014	Announcement
30 June	Senex and Origin complete gas farm-in transactions
4 June	Monthly Drilling Report – May 2014
25 May	Ms Debbie Goodin appointed to Senex Board
7 May	Spitfire oil field results exceed expectations
7 May	Monthly Drilling Report – April 2014
29 April	March 2014 Quarterly Report
4 April	Monthly Drilling Report – March 2014
13 March	March 2014 Global Roadshow Presentation
5 March	Monthly Drilling Report – February 2014
3 February	Hornet gas sales agreement signed with the SACB JV
24 February	Senex FY14 half year results presentation
24 February	Senex Half Year Report to 31 December 2012
24 February	Senex and Origin agree Cooper Basin gas farm-out
5 February	Monthly Drilling Report – January 2014
30 January	December 2013 Quarterly Report
8 January	Monthly Drilling Report – December 2013
2013	Announcement
16 December	Senex withdraws merger proposal
10 December	Senex identifies more than 450 leads and prospects
9 December	Acrasia-6 intersects 31 metres of net oil pay and discovers new oil horizon
4 December	Monthly Drilling Report – November 2013
29 November	Initial Murta Formation contingent oil resource booked
22 November	New oil discovery at Worrior oil field
20 November	New horizon intersected at Burruna oil field
24 October	September 2013 Quarterly Report
16 October	Senex confirms basin centred gas play at Skipton-1
15 October	Burruna-2 commences production
10 October	Oil discovery at Dunlop-1 flows 1,200 barrels per day
2 October	Monthly Drilling Report – September 2013
4 September	Monthly Drilling Report – August 2013
28 August	Full year results presentation
28 August	Full year results
28 August	2013 Annual Report
23 August	Oil discovery at Burruna-2
19 August	Senex secures landmark 15 year tenure retention deal with South Australia
14 August	Appraisal success continues with the Snatcher-6 oil well
7 August	Monthly Drilling Report – July 2013
26 July	June 2013 Quarterly Report
17 July	Senex 2013-2014 guidance
16 July	Drilling success extends Worrior oil field
3 July	Monthly Drilling Report – June 2013

Five year history

	FY14	FY13	FY12	FY11	FY10
Financial performance (\$'000)					
Sales revenue (oil sales)	170,862	137,287	64,391	9,839	10,513
Total revenue	183,722	148,950	70,411	13,198	13,188
Income tax benefit / (expense)	(10,681)	(391)	(1,681)	12,006	(102)
Profit / (loss) after tax	37,895	61,004	8,860	(3,516)	2,589
Financial position (\$'000)					
Total assets	562,620	498,866	346,361	173,582	73,972
Total equity	482,524	440,085	299,941	157,316	68,583
Reserves and production					
Production – oil (mmbbls)	1.38	1.25	0.60	0.17	0.14
2P reserves – oil (mmbbls)	13.3	10.8	8.1	6.4 ¹	1.6
2P reserves – gas (mmbboe)	26.6	26.6	23.5	13.4	7.7
Drilling					
Wells drilled (number)	35	21	26	13	11
Other capital expenditure (\$'000)					
Property, plant and equipment and intangibles	12,501	20,129	25,422	996	20
Share information					
Issued shares	1,146,343,917	1,140,804,837	1,032,094,191	758,280,547	518,078,680
Weighted average shares	1,143,837,116	1,134,792,989	920,847,238	634,387,668	251,714,888
Share price (\$)	0.70	0.59	0.71	0.36	0.24
Ratios					
Basic earnings/(loss) per share (cents)	3.31	5.38	0.96	(0.55)	1.14
Earnings/(loss) per share (cents) diluted	3.28	5.32	0.95	(0.55)	1.13
General (\$'000)					
Market capitalisation	796,709	673,075	732,787	272,981	124,339
Current liabilities	37,188	32,430	28,258	8,856	3,269
Profit/ (loss) before tax	48,575	61,395	10,541	(15,522)	2,565
Interest income	1,678	5,421	3,336	2,556	1,217
Depreciation, amortisation and impairment expenditure	27,424	21,630	12,495	14,400	977
Exploration expenses	16,759	12,843	5,222	1,637	2,393

¹ Net 2P reserves for FY11 were incorrectly reported in the 2013 annual report as 6.9 mmbbls, which includes production.

Glossary

\$ means Australian dollars unless otherwise stated

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

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

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

2C means the best estimate scenario of contingent resources in accordance with the SPE PRMS

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

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

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

Beach means Beach Energy Limited ABN 20 007 617 969

boe means barrels of oil equivalent. 1 boe = 6,000 cubic feet. Conversion of gas reserves and resources from petajoules (PJ) to boe may vary due to differences in gas composition. Refer page 17 for gas conversion rates applied

bopd means barrel of oil per day

Contingent resources means those quantities of petroleum estimated to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies, as defined in the SPE PRMS

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

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

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

EIP means the Senex Employee Incentive Plan

Eromanga Basin means the Mesozoic sedimentary basin covering parts of Queensland, the Northern Territory, South Australia and New South Wales

ESG means environment, social and governance risks

Exploration means drilling, seismic or technical studies to identify and evaluate regions or prospects with the potential to contain hydrocarbons

FY means financial year

Gross pay means the overall interval in which hydrocarbons are present in a well

GSA means gas sales agreement

KMP means key management personnel. KMP are those people who have authority and responsibility for planning, directing, and controlling the activities of the company, either directly or indirectly, and include the Company's directors

KPI means key performance indicator

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

LTI means long term incentive

Market capitalisation means the Company's market value at a given date and is calculated as the number of shares on issue multiplied by the closing share price on that given date

mmbbls means million barrels

mmbboe means million barrels of oil equivalent

mmscfd means million standard cubic feet of gas per day

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

NPAT means net profit after tax

Oil means a mixture of liquid hydrocarbons of different molecular weights

Origin means Origin Energy Limited ABN 22 078 868 425

Pedirka Basin means the Paleozoic intracratonic sedimentary basin located primarily in South Australia and the Northern Territory and possibly extending into Queensland

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

PELA means an application for a PEL

Petroleum Act means the *Petroleum Act 1923 (Qld)*, the *Petroleum Gas (Production and Safety) Act 2004 (Qld)* or the *Petroleum and Geothermal Energy Act 2000 (SA)* as relevant

PJ means petajoule

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

Planet means Planet Gas Limited ABN 46 098 952 035

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

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

RRR means reserves placement ratio which is calculated as the summation of estimated reserves additions and revisions divided by estimated production for the period before acquisitions and divestments

Reserve means commercially recoverable resources which have been justified for development, as defined in the SPE PRMS

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

Santos means Santos Limited ABN 98 008 624 691

Senex means Senex Energy Limited ABN 50 008 942 827

Senior Executive means a senior executive member of the Company's management team, apart from the CEO, who was a member of the company's KMP at any time in FY14. The same seven individuals (identified on page 45 of this report) were Senior Executives for the whole of FY14

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

STI means short term incentive

Stuart means Stuart Petroleum Pty Ltd (formerly Stuart Petroleum Limited)

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

Tcf means trillion cubic feet of gas

TFR means total fixed remuneration and it is the base component of each Senex employee's remuneration (principally annual salary and superannuation contributions) which is not at risk

TRIFR means total recordable injury frequency rate

TSR means total shareholder return

USD means United States dollars

VWAP means volume weighted average price

Corporate directory

SENEX ENERGY LIMITED

Australian Business Number

50 008 942 827

Directors

Denis F Patten (Chairman)
Ian R Davies (Managing Director and
Chief Executive Officer)
Ralph H Craven (Non-executive Director)
Timothy BI Crommelin (Non-executive Director)
Debra L Goodin (Non-executive Director)
Benedict M McKeown (Non-executive Director)
Yanina A Barilá (Alternate Non-executive Director)

Secretary

Francis L Connolly
David A Pegg

Registered office

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Principal place of business

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Share registry

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Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Securities exchange

Australian Securities Exchange (ASX)
Code: SXY

Solicitors

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Waterfront Place
1 Eagle Street
Brisbane, Queensland 4000

McCullough Robertson
Level 11, Central Plaza Two
65 Eagle Street
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Bankers

ANZ
Level 20, 111 Eagle Street
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Auditors

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The photo shows Senex's 20-man camp and production facility at Mirage oil field, approximately 70 kilometres south of the Moomba processing facility in the southern Cooper-Eromanga Basin. The Burrunga oil field, discovered in FY14 is 5 kilometres due east and the Vintage Crop oil field is 5 kilometres north west.