



Bidder's Statement

Offer

by **Senex Energy Limited** to acquire all
of your shares in **Stuart Petroleum Limited**

**Stuart's Directors unanimously recommend that you accept
the Senex Offer in the absence of a superior proposal**

The Offer is dated 21 February 2011 and will close at 5.00pm (Brisbane time)
on 29 March 2011, unless extended.

Financial Adviser

 **RBS Morgans**

Legal Adviser

 **McCullough
Robertson**

Nine reasons why you should accept Senex's Offer

Your Stuart Directors unanimously recommend that you ACCEPT the Offer in the absence of a superior proposal. Senex believes you should do so because:

1. A combined Senex and Stuart can leverage scale to better capitalise on complementary acreage
2. Senex has significant cash resources to progress development and exploration of the Merged Group's extensive tenement position
3. You will have access to Senex's proven technical expertise and resources
4. The Merged Group will benefit from the experience and expertise of the new Senex board and management, who have a strong track record of creating substantial shareholder value
5. The Offer represents a substantial premium to historic Stuart share prices
6. Eligible Stuart Shareholders participate in further potential upside through ownership of new Senex Shares
7. The Offer is supported by the Stuart Board and major shareholder
8. Capital gains tax rollover relief may be available to Stuart Shareholders
9. There may be adverse consequences associated with not accepting the Offer



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The Offer is dated 21 February 2011
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on 29 March 2011, unless extended.

Please call 1800 201 214 or
+61 2 8256 3398 (for overseas
domiciled holders) if you require
assistance with your acceptance.

**This document is
important and requires
your immediate attention**

If you are in any doubt as to how to deal
with it, you should consult your legal,
financial or other professional adviser as
soon as possible

Financial Adviser

 **RBS Morgans**

Legal Adviser

 **McCullough
Robertson**

Important notices

This Bidder's Statement is given by Senex Energy Limited ACN 008 942 827 (**Senex**) under part 6.5 Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your shares in Stuart Petroleum Limited ACN 059 146 226 (**Stuart**).

This Bidder's Statement is dated 21 February 2011. It includes an Offer dated 21 February 2011 on the Offer Terms set out in Schedules 1 and 2.

A copy of this Bidder's Statement was lodged with ASIC and the ASX on 21 February 2011. None of ASIC, the ASX nor any of their officers takes any responsibility for the content of this Bidder's Statement.

Investment decisions

This Bidder's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer for your Stuart Shares.

Forward looking statements

This Bidder's Statement contains forward looking statements. The forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement.

You should be aware that those statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of Senex, its officers or any person named in this Bidder's Statement with their consent or involved in the preparation of this Bidder's Statement makes any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement. You should not place undue reliance on those statements.

Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are defined in the glossary in section 12.

Reserves

Unless otherwise indicated, the statements in this Bidder's Statement about Senex's Reserves estimates have been compiled by Dr Steven Scott BSc (Hons), PhD, who is General Manager – Exploration, a full time employee of Senex, in accordance with the definitions and guidelines in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (**SPE PRMS**). Dr Scott consents to the inclusion of the Reserves estimates in the form and context in which they appear.

The statements in this Bidder's Statement about Stuart's reserves have been prepared by Stuart and have been extracted without material amendment from information included in public documents filed by Stuart.

Senex's Reserves are consistent with the SPE PRMS. This document may be found at SPE Website: www.spe.org.

Privacy statement

Senex has collected your information from the register of Stuart Shareholders. The Corporations Act permits that information is to be made available to certain persons, including Senex. Your information may also be disclosed on a confidential basis to Senex's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC. You can contact us for details of information held by us about you.

How to accept

Acceptances for the Offer must be received before the close of the Offer Period.

There are different ways to accept the Offer depending on how you hold your Stuart Shares.

For CHES Holdings

Instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.

For Issuer Sponsored Holdings

Complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and return it before the end of the Offer Period to:

By Hand

Stuart Petroleum Limited Takeover
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross
Western Australia, 6153
AUSTRALIA

By Mail (a reply paid envelope is enclosed)

Stuart Petroleum Limited Takeover
Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross
Western Australia, 6953
AUSTRALIA

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer for your Stuart Shares.

Enquiries

If you are in any doubt how to deal with this document, you should consult your Broker or your legal, financial or other professional adviser.

If you have any questions about the Offer or how to accept it, please call the shareholder information line on 1800 201 214 or +61 2 8256 3398 (for overseas domiciled holders) between 8.00am and 5.00pm Monday to Friday (Brisbane time).

Offers to Foreign Shareholders

If you are a Foreign Shareholder, unless Senex otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with Senex Shares on acceptance of the Offer; and
- (b) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, its external territories or New Zealand, you will not be entitled to receive Senex Shares as consideration for your Stuart Shares.

If you are a Foreign Shareholder and you accept the Offer or your Stuart Shares are compulsorily acquired, you will receive the cash amount calculated in accordance with clause 5.3 of Schedule 1. Further information about the entitlement of a Foreign Shareholder is set out in section 11.11.

Key Dates

Announcement Date	21 February 2011
Bidder's Statement lodged with ASIC	21 February 2011
Date of Offer	21 February 2011
Close of Offer Period (unless extended)	5.00pm (Brisbane time) on 29 March 2011

Letter from the Chairman and Managing Director



21 February 2011

Senex Energy Limited
ABN 50 008 942 827

Head Office

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Brisbane Qld 4001

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info@senexenergy.com.au

senexenergy.com.au

Dear Stuart Shareholder

The Senex Energy Limited Offer

On behalf of Senex Energy Limited (**Senex**), we are pleased to present Senex's Offer to acquire all of your shares in Stuart Petroleum Limited (**Stuart**).

The Offer Consideration is 2.5 Senex Shares for every 1 Stuart Share you own. This represents a premium of 62.5% on Stuart's share price prior to the announcement of the Offer and 66.6% based on Stuart's one month VWAP.¹

About Senex

Senex is a respected energy business with a long-standing history in Australia's oil and gas industry. In July 2010, Senex was rejuvenated with the appointment of a new board and management team that have demonstrated a strong track record of creating substantial shareholder value.

Senex was previously known as Victoria Petroleum NL, changing its name to Senex Energy Limited in February 2011 to reflect the new strategic direction of its business.

Senex is pursuing rapid growth in its valuable oil business in the Cooper Basin, which is geographically aligned with Stuart's acreage. Senex is also working to build a valuable east coast gas business.

The Merged Group

The Senex Board believes scale is important in the oil and gas industry. Without scale, industry participants may not attain the highest returns available for shareholders. By combining Stuart's assets with Senex, Stuart Shareholders will benefit from scale efficiencies which will allow the combined group to more efficiently compete in the current landscape.

The Merged Group will have a significantly improved financial position, allowing it to better manage and optimise funding requirements across the portfolio of assets. As a shareholder in the Merged Group, you will gain exposure to Senex's "bankable" oil and gas reserves position, demonstrated production history, and strong cash position.

Senex brings significant technical expertise and knowledge of the Cooper Basin to Stuart's extensive tenement position. Senex has demonstrated a high success rate in its recent Western Flank Oil Fairway Drilling Campaign, and strong growth in its Cooper Basin oil reserves.

As a scrip deal, Stuart Shareholders who accept into the offer will participate in ownership of the combined Senex and Stuart assets through ownership in Senex. You will become a shareholder in a well funded company with the required technical capability to commercialise one of the largest land holdings in the Cooper Basin.

Stuart board and shareholder support

All of the Stuart Directors unanimously recommend that Stuart Shareholders accept the Offer in the absence of a Superior Proposal and have indicated their intention to do so for the Stuart Shares that they hold or control, unless there is a Superior Proposal.

Entities associated with David Clarke (a Stuart Director) have agreed to accept the Offer for a 19.9 per cent interest in Stuart.

Conditions of the Offer

The Offer is subject to Defeating Conditions, including a 50.1 per cent minimum acceptance condition. The terms of the Offer, including the Defeating Conditions, are set out in Schedule 1 and Schedule 2 to this Bidder's Statement.

We encourage you to read this Bidder's Statement for more details about the Offer and about Senex, including section 8 about the risk factors that could affect Senex or the Merged Group. The Offer is open for your acceptance until 5.00pm (Brisbane time) on 29 March 2011, unless extended. If you wish to accept the Offer, please complete and return the enclosed Acceptance Form.

If you have any questions about the Offer, please contact your legal, financial or other professional adviser or call the shareholder information line on 1800 201 214 or +61 2 8256 3398 (for overseas domiciled holders) on weekdays between 8.00am and 5.00pm (Brisbane time).

Yours sincerely

Denis Patten
Chairman

Ian Davies
Managing Director

¹ Based on Senex's closing share price on 18 February 2011, being the trading day immediately before the Announcement Date.

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1 Why you should accept Senex's Offer

Your Stuart Directors unanimously recommend that you **ACCEPT** the Offer in the absence of a superior proposal². Senex believes you should do so because:

- A combined Senex and Stuart can leverage scale to better capitalise on complementary acreage
- Senex has significant cash resources to progress development and exploration of the Merged Group's extensive tenement position
- You will have access to Senex's proven technical expertise and resources
- The Merged Group will benefit from the experience and expertise of the Senex Board and new management team, who have a strong track record of creating substantial shareholder value
- The Offer represents a substantial premium to historic Stuart share prices
- Eligible Stuart Shareholders participate in further potential upside through ownership of new Senex Shares
- The Offer is strongly supported by the Stuart Board and major shareholder
- Capital gains tax rollover relief may be available to Stuart Shareholders
- There may be adverse consequences associated with not accepting the Offer

² The reasons for their recommendation will be set out in the Target's Statement that Senex expects Stuart to lodge on or about 28 February 2011.

1.1 A combined Senex and Stuart can leverage scale to better capitalise on complementary acreage

By combining Stuart's assets with Senex, Stuart shareholders will benefit from scale efficiencies which will allow the combined group to more efficiently compete in the current landscape. Senex and Stuart tenements are in complementary geographic areas and will have title to a compelling concentration of resources with which to capitalise on opportunities in the domestic market.

The combined group would also benefit from access to shared infrastructure, allowing it to promote the exploration and development of Stuart's tenements.

1.2 Senex has significant cash reserves to progress exploration and development

To realise maximum value from its Cooper Basin tenements, Stuart must not only meet its minimum commitments but must also pursue a comprehensive and thorough exploration programme that ensures any ultimate relinquishments are strategically located across its permits.

The Merged Group will have a significantly improved financial position, allowing it to better manage and optimise funding requirements across the portfolio of exploration, development and production assets. In particular, Stuart Shareholders will gain exposure to Senex's:

- (a) major/strategic shareholders including the Sentient Group (~13%);
- (b) significant "bankable" and growing Reserves position in both Cooper Basin oil and Surat Basin coal seam gas;
- (c) demonstrated and increasing production from the Cooper Basin; and
- (d) strong net cash position.

Senex has cash reserves of \$48 million and no debt, versus Stuart Petroleum's net debt position of approximately \$7 million. Senex anticipates receiving an additional \$15 million cash in relation to the sale of its 20 per cent investment in Impress Energy Limited.

1.3 You will have access to Senex's proven technical expertise and resources

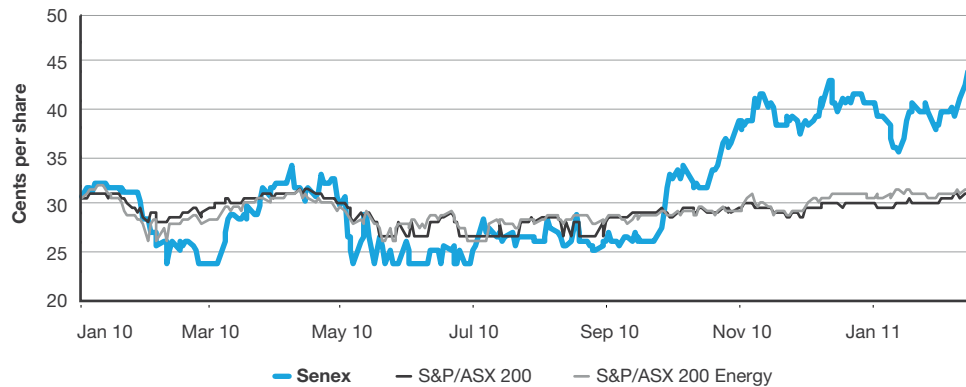
As a Senex Shareholder you will benefit from the Senex exploration and development team's proven track record in finding and developing resources, including:

- (a) demonstrated exploration, development and operational expertise;
- (b) significant experience in the Cooper Basin, and the Western Flank Oil Fairway in particular. The exploration drilling success rate to date for the Western Margin Oil Project is over 70%, a success rate greater than the industry rate of 45% for the Eromanga/Cooper Basins in South Australia;
- (c) Senex's strong growth in Cooper Basin oil reserves with 2P reserves of 4.7 mmbob (up 194%) and 3P reserves of 13.2 mmbob (up 193%), with potential for significant future growth in those reserves; and
- (d) Senex's Surat Basin coal seam gas resource which currently has 249 PJ of 3P reserves. Senex has a major drilling campaign approved aimed at increasing Eastern Surat Basin reserves.

1.4 The Merged Entity will benefit from the experience and expertise of the Senex Board and new senior management team, who have a track record of creating substantial shareholder value

Shareholders of the Merged Entity will benefit from the experience and expertise of the Senex Board and new senior management team, who have a proven track record in creating value in junior energy companies. Denis Patten, Tim Crommelin, Ian Davies, Frank Connolly, Dr Steven Scott, and Mike Herrington have a well-established and proven track record in turning greenfield resource businesses into major corporates, demonstrated through their involvement in the development of Queensland Gas Company Limited and its ultimate sale to BG. The ability of the current Board and senior management to create value has again been demonstrated through the corporate rejuvenation of Senex, which commenced in July 2010. Since this time, Senex has significantly outperformed both the ASX 200 and ASX 200 Energy index, despite continuing flooding across Senex's Western Flank Oil Project.

Figure 1.4 – Senex share price relative performance to ASX 200 index and ASX 200 Energy index



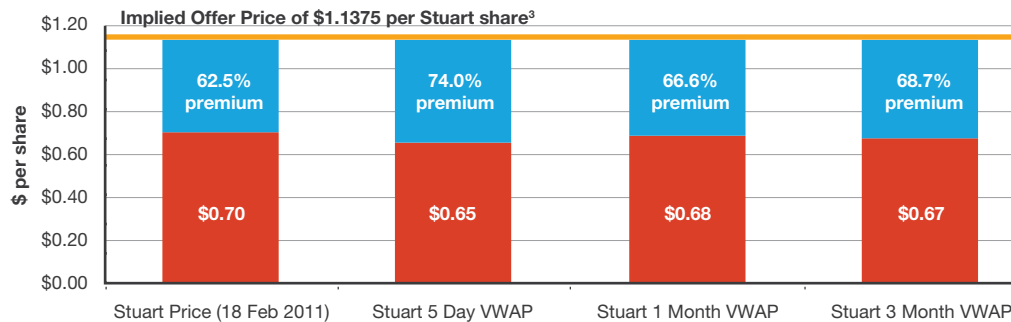
1.5 The Offer represents a substantial premium to historic Stuart share prices

Based on an implied Offer price of \$1.14, the implied premiums to historical Stuart Share prices are:

- (a) a 62.5 per cent premium to the closing price of Stuart Shares on 18 February 2011, being the last trading day prior to announcement of the Offer;
- (b) a 74.0 per cent premium to the VWAP of Stuart Shares for the five days before the announcement of the Offer;
- (c) a 66.6 per cent premium to the VWAP of Stuart Shares for one month before the announcement of the Offer; and
- (d) a 68.7 per cent premium to the VWAP of Stuart Shares for three months before the announcement of the Offer.

Below is a chart illustrating the premium of Senex's Offer to Stuart's share price over these periods.

Figure 1.5 – Offer Consideration premium to Stuart Share price over various periods



The implied value of the Offer will fluctuate with the Senex share price. Accordingly, if the Senex share price falls, the value of the Offer will also fall. Likewise, if the Senex share price rises, the value of the Offer will rise.

1.6 Eligible Stuart Shareholders participate in further potential upside through ownership of Senex Shares

New Senex Shareholders will participate in ownership of the combined Stuart and Senex assets through their ownership of Senex. Consequently, new Senex Shareholders will also participate in any future commercialisation of Stuart's Cooper Basin tenements, including the potential for any future shale gas developments.

³ Based on Senex's closing share price of \$0.455 on the trading day immediately before the Announcement Date.



1.7 The Offer is strongly supported

Stuart Board support

The Stuart Directors have unanimously recommended that you accept the Offer and have indicated their intention to do so for the Stuart Shares that they own or control in the absence of a Superior Proposal.

Stuart Shareholder support

The Offer is supported by the largest Stuart Shareholder, David Clarke (a Stuart Director), who has entered into a Pre-bid Acceptance Agreement with Senex in respect of 19.9 per cent of Stuart's issued capital. The key terms of the Pre-bid Acceptance Agreement are described in section 10.2.

In addition, all other Stuart Directors who hold Stuart Shares have indicated that they intend to accept the Offer unless a Superior Proposal emerges.

1.8 CGT rollover relief

Capital gains tax rollover relief may be available for Stuart Shareholders in respect of the Senex Shares that they receive under the Offer. This relief may be available where the Offer is accepted by Stuart Shareholders holding at least 80 per cent of the Stuart Shares on issue. See section 9 for a discussion of the risk of Stuart Shareholders not obtaining CGT rollover relief.

1.9 There may be adverse consequences associated with not accepting the Offer

If you choose not to accept the Offer, you should be aware that:

- (a) if Senex becomes entitled to compulsorily acquire your Stuart Shares, it intends to do so. If your Stuart Shares are compulsorily acquired, you will still receive the Offer Consideration for your Stuart Shares but at a later date than you would have received it if you had accepted the Offer; and
- (b) while there are many factors that will influence the market price of Stuart Shares, in the absence of the Offer or a competing bid it is likely that the Stuart Share price will fall below the value implied by the Offer.

2 Frequently asked questions

2.1 Frequently asked questions about the Offer

Question	Answer
What is the Offer?	<p>Senex is making an offer to acquire all your Stuart Shares.</p> <p>If you accept the Offer you will receive (subject to the conditions of the Offer being satisfied or waived) 2.5 Senex Shares for every 1 Stuart Share you own.</p>
Do the Stuart Directors support the Offer?	<p>Yes, all Stuart Directors have recommended that Stuart Shareholders accept the Offer and have indicated their intention to do so for the Stuart Shares that they own or control, unless there is a Superior Proposal.</p>
How long is the Offer open for?	<p>The Offer opens on 21 February 2011 and is scheduled to close at 5.00pm (Brisbane time) on 29 March 2011 (unless extended).</p>
What are the conditions of the Offer?	<p>The Offer is subject to the following Defeating Conditions:</p> <ul style="list-style-type: none">(a) 50.1 per cent minimum acceptance condition;(b) any necessary Regulatory Approvals being received;(c) no regulatory action adversely affecting the Offer, the acquisition of Stuart Shares by Senex or the operation of Stuart's business;(d) no Prescribed Occurrences;(e) no Regulated Events; and(f) no Material Adverse Change. <p>This is only a summary of the key conditions. The conditions are set out in full in Schedule 2. Senex may waive certain of the Defeating Conditions in accordance with the Offer Terms.</p>
Do I have to pay any fees?	<p>No brokerage, charges or stamp duty will be payable by you on acceptance of the Offer.</p> <p>If you choose to sell your Stuart Shares on market, you may incur brokerage costs and GST on those costs.</p>
What should I do?	<p>To accept the Offer, you should follow the directions in section 3.</p> <p>Information about Senex, Stuart and the Offer is set out in this Bidder's Statement and in Stuart's Target's Statement.</p> <p>You may also wish to consult your Broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer.</p> <p>If you have any queries about the Offer, you may also call the shareholder information line on 1800 201 214 or +61 2 8256 3398 (for overseas domiciled holders) between 8.00am and 5.00pm (Brisbane time) Monday to Friday.</p>
How do I accept the Offer?	<p>The Offer may be accepted for all of your Stuart Shares.</p> <p>The manner in which you accept the Offer depends on whether you hold your Stuart Shares in an Issuer Sponsored Holding, a CHESS Holding, or you are a Broker or a Non-Broker Participant. Full details on how to accept the Offer are set out in section 3.</p> <p>For CHESS Holdings you should instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.</p> <p>For Issuer Sponsored Holdings you must complete, sign and return the Acceptance Form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period. A reply paid envelope (not able to be used by Stuart Shareholders outside Australia) is enclosed for your convenience.</p>

Question	Answer
How do I accept the Offer? (cont.)	<p>Mailing and delivery addresses</p> <p>If you reside in Australia, you can use the reply paid envelope enclosed with this Bidder's Statement.</p> <p>The mailing address is:</p> <p>Stuart Petroleum Limited Takeover Security Transfer Registrars Pty Ltd PO BOX 535 Applecross Western Australia 6953 AUSTRALIA</p> <p>Alternatively, you may deliver the Acceptance Form and any associated documents to:</p> <p>Stuart Petroleum Limited Takeover Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross Western Australia, 6153 AUSTRALIA</p>
If I accept the Offer, when will I receive consideration for my Stuart Shares?	<p>Provided any necessary documents accompany your Acceptance Form, you will be issued Senex Shares within one month of the later of:</p> <p>(a) the date you accept the Offer; and</p> <p>(b) the date the Offer becomes unconditional.</p> <p>In any event, you will be provided with your Offer Consideration within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).</p>
What rights will my Senex Shares have?	<p>The Senex Shares issued under the Offer will be fully paid and will rank equally for dividends and other rights with existing Senex Shares.</p> <p>A detailed explanation of the rights and liabilities attaching to Senex Shares is set out in section 11.4.</p>
Will my Senex Shares be listed on the ASX?	<p>On the date of this Bidder's Statement, Senex applied to ASX for quotation of the Senex Shares to be issued under the Offer on the official list of ASX.</p> <p>Quotation of the Senex Shares to be issued under the Offer will not be automatic but will depend on ASX exercising its discretion to admit them to the official list. However, Senex is already admitted to the official list of ASX and shares in Senex in the same class or on the same terms as those to be issued under the Offer are already quoted.</p>
What happens if I accept the Offer?	<p>If you accept the Offer and it becomes or is declared unconditional, you will be issued Senex Shares within the time specified above.</p> <p>Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your Stuart Shares on market or otherwise deal with the Rights attaching to your Stuart Shares, subject to your limited statutory rights to withdraw your acceptance to the Offer in certain circumstances.</p>
What happens if I exercise my Stuart Options?	<p>The Offer extends to Stuart Shares that are issued before the end of the Offer Period on the exercise of Stuart Options. If you exercise your Stuart Options, you can accept the Offer for the Stuart Shares received from the exercise of those options.</p> <p>Senex will make a separate offer to acquire Stuart Options that are 'out of the money', refer to section 11.6 for more details.</p>
What will happen if Senex increases the Offer Consideration?	<p>If Senex increases the Offer Consideration, all Stuart Shareholders who accept the Offer (whether or not they have accepted the Offer before or after the increase) will be entitled to the benefit of the increased Offer Consideration, should the Offer become or be declared unconditional.</p>

Question	Answer
What happens if I do not accept the Offer?	<p>If you do not accept the Offer, you will remain a Stuart Shareholder and will not be issued Senex Shares.</p> <p>However, if Senex becomes entitled to compulsorily acquire your Stuart Shares, it intends to do so. If this occurs, you will still receive Senex Shares for your Stuart Shares but at a later date than you would have received them if you had accepted the Offer.</p>
What are the tax implications of accepting the Offer?	<p>A general description of the taxation treatment for certain Australian resident Stuart Shareholders accepting the Offer is set out in section 9.</p> <p>You should not rely on that description as advice for your own affairs.</p> <p>You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your Stuart Shares.</p> <p>If Senex does not acquire ownership of 80 per cent of Stuart Shares, then capital gains tax rollover relief described in section 9 will not be available to Stuart Shareholders for any capital gain that is made from the receipt of Senex Shares as consideration.</p>
What are the significant risks of the Offer?	<p>You should carefully consider the risk factors that could affect the performance of Senex and the Merged Group before deciding whether to accept the Offer. Many of these risks are outside the control of Senex and its Directors, and cannot be mitigated. A summary of the key risks is set out in section 8.</p>

2.2 Frequently asked questions about Senex

Question	Answer
Who is Senex?	<p>Senex Energy Limited is a growing exploration and production company listed on the ASX under ticker code 'SXY'.</p> <p>Senex has two core areas of activity:</p> <ul style="list-style-type: none"> (a) oil exploration and production in the Cooper Basin; and (b) coal seam gas appraisal and development in the Surat Basin.
Who is Victoria Petroleum NL?	<p>Victoria Petroleum NL was the previous name of Senex. The change of name and rebranding as Senex Energy Limited was endorsed by Senex Shareholders at the annual general meeting in November 2010. The new name reflects new leadership, a new management team and renewed focus on value and growth for Senex Shareholders.</p>



3 How to accept the Offer

3.1 Issuer Sponsored Holdings

If you hold your Stuart Shares in an Issuer Sponsored Holding, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and deliver it or send it by post so that it is received by Senex's share registry before the end of the Offer Period. A reply paid envelope (for use within Australia only) is enclosed with the Bidder's Statement.

3.2 CHESS Holdings

If you hold your Stuart Shares in a CHESS Holding:

- (a) instruct your Controlling Participant (such as your Broker) to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
- (b) complete, sign and send the Acceptance Form accompanying the Bidder's Statement directly to your stockbroker or Controlling Participant; or
- (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that Senex is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;

before the end of the Offer Period.

A reply paid envelope (for use within Australia only) is enclosed for your convenience.

3.3 Brokers or Non-Broker Participants

If you are a Broker or a Non-Broker Participant, you will need to initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.



4 Profile of Senex

4.1 Overview

Senex Energy Limited (formerly named Victoria Petroleum NL) is primarily engaged in exploration and development for oil and gas in the Cooper and Eromanga Basins in South Australia and Queensland and coal seam gas in the Surat Basin in Queensland. Senex is an independent oil producer in the Cooper Basin and holds a major acreage position in the Western Margin Oil Project. In Queensland, Senex is in joint venture with QGC – a BG Group Business (**QGC**) and Bow Energy Limited (**Bow Energy**) in several strategically located coal seam gas tenements in the Surat Basin's LNG feedstock region.

Senex's growth strategy focuses on two key projects:

- (a) Cooper Basin oil exploration and development; and
- (b) Surat Basin coal seam gas appraisal and development.

4.2 Recent activities

For the 2010 financial year, Senex recorded a profit of \$2.6 million as a result of a 15% improvement in annual oil production on the 2009 financial year to over 142,000 barrels. This result was achieved notwithstanding the impact of flood events in the Cooper Basin.

As a result of strategic purchases spanning several years, Senex holds a significant position in permits located on the Western Margin Oil Trend. This Trend extends over a distance of around 120 kilometres from the Growler Oil Field in the southwest to the South Australian/Queensland border in the east, and encompasses Senex's productive and highly prospective oil fields at Snatcher and Growler.

As of 30 June 2010 Senex's net 2P oil Reserves were 1.6 million barrels and net 3P oil Reserves were 4.5 million barrels of oil. During 2009 and 2010, Senex produced 142,579 barrels of oil generating revenue of \$13.2 million. This production came primarily from the Growler, Snatcher, Mirage and Ventura oil fields located in the Cooper Basin in South Australia. Greater production was expected however the Cooper Creek major flood event resulted in the majority of Senex's Cooper Basin production being shut-in from February 2010. Production resumed in February 2011 from the Growler oil field following the completion of an alternative access road.

On 21 February 2011, Senex announced the following oil Reserves upgrade:

- (a) 1P oil Reserves of 2.3 million barrels;
- (b) 2P oil Reserves of 4.7 million barrels (a 194% increase over previously announced 2P oil Reserves); and
- (c) 3P oil Reserves of 13.2 million barrels (a 193% increase over previously announced 3P oil Reserves).

Gross oil production in the Cooper Basin for the quarter ending 31 December 2010 was 19,475 barrels of oil, notwithstanding the continuing absence of production from the Growler and Snatcher fields. Oil sales to Senex for the quarter ending 31 December 2010 were US\$690,441 on gross oil sales of US\$3,146,450 having achieved an average Tapis oil price of US\$88.05/bbl on net delivered sales of 7,883 barrels of oil.

Senex has recently entered into an agreement to acquire a 50% interest in PEL 88 and 5% interest in PEL 100 from Traditional Oil Exploration Pty Limited (**Traditional Oil**) to further expand its interest in the highly prospective Western Margin Oil Trend in the South Australian Cooper Basin. On completion of the transaction, Senex would hold a 100% working interest in PEL 88 and a 5% working interest in PEL 100.

Senex has recently agreed a \$71 million work programme with joint venture partner QGC aimed at increasing 2P Reserves coverage across Permits PL 171 (Senex 20%, QGC 80%) and ATP 574P (Senex 30%, QGC 70%) in the prime Eastern Surat Basin. Senex received independent certification of gas reserves in these permits in late January 2011 to increase total net 3P certified gas Reserves by 180% to 249.1 PJ, and increase total net 2P certified gas Reserves by 76% to 79 PJ. This has provided Senex with a significant foundation Reserve base from which to explore options for monetising these assets, such as negotiating a gas sales agreement with downstream gas or LNG customers, or selling or farming down its interests in these permits.

Following a \$26 million placement on 22 November 2010 Senex is debt free, and had \$49 million cash on hand as at 31 December 2010, giving it greater funding certainty with which to pursue its projects. On 21 February 2011 Senex also accepted into the takeover offer by Beach Energy Limited for its 20% shareholding in Impress Energy Limited. This will generate a further \$15 million in cash.

4.3 Oil exploration and production interests – South Australia and Queensland

Western Margin Oil Project – PEL 111/ PRL 15/ PEL 104

(Senex interest: 60%)

These three permits cover an area of 1,706 square kilometres on the Western Margin Oil Trend in the Eromanga/Cooper Basin of north east South Australia. Within the 'Jurassic Oil Fairway' of the Western Margin Oil Trend, five Jurassic oil fields have been discovered in Senex's permits: Growler, Snatcher, Wirraway, Tigercat and Warhawk. These fields and adjacent prospective areas in PEL 104 and PEL 111 collectively form the Western Margin Oil Project.

The exploration drilling success enjoyed in the Western Margin Oil Project and the 2009 Mollichuta 3D seismic survey of 268 square kilometres provides strong support for the existence of a significant oil province. The Jurassic oil fairway contained within the Western Margin Oil Project covers approximately 1,200 square kilometres in PEL 104 and PEL 111.

The exploration success rate to date for the Western Margin Oil Project is over 70%, a success rate greater than the industry rate of 45% for the Cooper/Eromanga Basins in South Australia.

Snatcher Oil Field – PEL 111

(Senex interest: 60%)

The Snatcher Oil Field is adjacent to the Santos-operated Charo Oil Field and was discovered through the drilling of two exploration wells in July and August 2009. Flow rates of 218 and 207 barrels per day to surface were recorded for the Snatcher-1 and 2 discovery wells respectively.

In November 2009, drilling of the successful Snatcher-3 appraisal well increased the extent of the Snatcher Oil Field to the north west of Snatcher-2. The Snatcher-3 appraisal well has not yet been completed. Further appraisal drilling of the Snatcher Oil Field is planned for mid-2011 when access to the field is anticipated to be regained.

The temporary production facility built at Snatcher-1 to handle Snatcher-1, 2 and 3 production is to be decommissioned with a 'flood proof' Snatcher Central Production Facility to be constructed by mid-2011 once access is regained to the field on high ground to the west of the Snatcher Oil Field. This facility will enable year round production, irrespective of flood events in the Cooper Creek. The Snatcher Central Production Facility will have the capacity to handle 3,000 barrels of oil per day initially with the ability to be expanded to handle up to 6,000 barrels of oil per day. Detailed design of this facility commenced during the quarter ending 31 December 2010.

Interpretation of the 3D seismic data and the production performance of the Charo Oil Field and the Snatcher-1 and 2 wells provides support for the interpretation that both fields are pressure connected and may be one large field extending over a distance of at least approximately 4 kilometres.

Reservoir studies by the operators of the Snatcher and Charo oil fields are in progress to determine the optimum development of these two fields along the shared permit boundary.

Confirmation that 3D seismic data can be used as a definitive exploration and appraisal tool for the delineation of potentially oil bearing Birkhead Formation sands in the Western Margin Oil Project area, as proved at the Snatcher Oil Field, will be further tested by the exploration drilling planned adjacent to the Snatcher Oil Field in 2011.

Growler Oil Field – PEL 15

(Senex interest: 60%)

The upgrade of the Growler Oil Field Central Production Facility was completed during 2010 to allow the treatment of 2,000 barrels of fluid per day. Prior to the January 2010 Cooper Creek flood event, gross production at the Growler Oil Field had reached a new high of 1,080 barrels of oil per day.

Production resumed in February 2011 following completion of an alternative access road. Upon regaining access to the Growler Oil Field, full field production is expected to resume at approximately 1,100 barrels of oil per day from the five existing wells in the field. Significantly, Senex has secured an additional drilling rig, which in conjunction with access to the Century Rig 3 stacked on location at the Growler-5 drill site will allow the postponed development drilling of the Growler Oil Field to resume without delay.

Interpretation of the 3D seismic data acquired over the Growler Oil Field has resulted in delineation of a further eight development locations on an eighty acre spacing. Given the linear nature of the oil bearing Birkhead Formation channel sands, Senex is also reviewing the possible application of horizontal drilling to increase the rate of production from the oil field discoveries already made at Growler and Snatcher.

Future Exploration and Appraisal Drilling – PEL 104 / PRL 15 / PEL 111

(Senex interest: 60%)

Senex considers at least 25 exploration drill targets are present within the area of the Western Margin Oil Project covered by the 3D Mollichuta seismic survey.

Upon re-gaining access to PEL 104 in February 2011 and PEL 111 in mid-2011, six of the prospects identified by the Mollichuta survey are planned to be drilled. The target Birkhead Formation sands in the Jaguar, Vampire, Mustang, Tomcat, Catalina and Sabre prospects are interpreted to have similar seismic characteristics to the Snatcher and Growler oil bearing sands.

Appraisal and development drilling is planned over the next twelve months for the Growler, Snatcher, Tigercat and Warhawk oil discoveries.

Within PEL 104 and PEL 111, several attractive Permian gas prospects have been delineated for future drilling. At present, Senex and its joint venture partners will focus on the drilling of exploration, appraisal and development wells in the Western Margin Oil Project in the western flank of the Cooper Basin.

Senex is the operator for PEL 104, PRL 15 and PEL 111.

Mirage and Ventura Oil Fields – PPL 213 and PPL 214

(Senex interest: 60%)

The Mirage and Ventura Oil fields are currently producing on optimised beam pump operation at an average rate of 40 barrels of oil a day in aggregate and on a gross basis from three wells: Mirage-1, Mirage-4 and Ventura-1.

Senex is the operator for the Mirage and Ventura oil fields.

PEL 87 AND PEL 424

(Senex interest: 60%)

These permits lie to the north of the Snatcher and Growler oil fields and west of PEL 88.

Data review of the sparse seismic in these permits continues with the south eastern corner of PEL 424 possibly lying within the Jurassic oil fairway of the Western Margin Oil Trend. This is currently being explored with success in the adjoining permit to the south, PEL 111, where the Snatcher Oil Field is located.

Senex is the operator for PEL 87 and PEL 424.

PEL 88

(Senex interest: 100%)

Following a review of the seismic data and well information within the permit, Senex has entered into an agreement to acquire the remaining 50% interest in PEL 88 from Traditional Oil, subject to regulatory and joint venture party consents. Completion of this acquisition will increase Senex's interest in this permit to 100%. Evaluation of the petroleum prospectivity of this permit is continuing with a view to the acquisition of a 3D seismic program in 2012 to define future drilling targets.

Senex is the operator for PEL 88.

PEL 94

(Senex interest: 15%)

PEL 94 lies in the southern part of the Cooper Basin. The northern part of the permit is being evaluated further as it is adjacent to the southern part of PEL 113, which contains the Stuart and Cooper Energy Limited Harpoono-1 Murta Formation oil discovery.

An indication of the coal seam gas potential of the Permian Patchawarra Formation coal interval present in the southern part of the permit may be provided by the coring results of the Permian coal seam gas wells being drilled by Strike Energy Limited (**Strike**) in the adjacent permit PEL 93. Strike is also a joint venture partner in PEL 94.

Beach Energy Limited (**Beach**) is the operator for PEL 94.

PEL 100

(Senex interest: 5%)

PEL 100 lies on the northern margin of the Cooper Basin. Following an evaluation of the Jurassic oil potential of the permit, Senex has entered into an agreement to acquire a 5% interest in PEL 100 from Traditional Oil, subject to regulatory and joint venture party consents. Jurassic oil has been produced from Cleansweep-1 within PEL 100. The operator has identified an up dip drill location for the Angelica Prospect. A 3D seismic program is planned once access to the permit can be regained following the January 2010 Cooper Basin rain and flood event. The acquisition of this interest is pending completion.

Stuart is the operator for PEL 100.

PEL 110

(Senex interest: 60%)

PEL 110 lies on the northern margin of the Cooper Basin. Although no commercial oil wells have been discovered in the permit, good oil shows have been recorded in several of the wells drilled. A 3D seismic program is planned to define Jurassic and Permian structural and stratigraphic targets that may be present, once access can be regained following the January 2010 Cooper Basin rain and flood event.

Cooper Energy Limited is the operator for PEL 110.

PEL 182

(Senex interest: 49.9%)

PEL 182 lies on the northern margin of the Cooper Basin and is contiguous with PEL 111 to the west and PEL 100 to the east. Several prospects with the potential to contain oil and gas have been mapped by the previous operator in the Jurassic and Permian horizons. A 3D seismic program is planned to define Jurassic and Permian structural and stratigraphic targets that may be present, once access can be regained following the January 2010 Cooper Basin flood and rain event.

Senex is the operator for PEL 182.

ATP 560P – Mclver Block

(Senex interest: 50%)

This sub-block of ATP 560P is located in the central Eromanga Basin of south west Queensland. Evaluation of the future exploration potential of the Canaway Ridge prospects including the coal seam gas potential within the Winton Formation is being considered.

Senex is the operator for the Mclver Block.

ATP 560P – U11 Block

(Senex interest: 17%)

This sub-block of ATP 560P is located in the central Eromanga Basin in south west Queensland on the Canaway Ridge. Further evaluation of the prospects and leads in the U11 block is planned.

Senex is the operator for the U11 Block.

ATP 736P, ATP 737P and ATP 738P

(Senex interest: 80%)

These permits were successfully applied for as part of Senex's strategy to become a major exploration player in the Eromanga/Cooper Basins in Queensland as well as South Australia, and will be granted following the successful conclusion of 'right to negotiate' agreements with traditional owners.

Senex is the operator for these permits.

ATP 752P

(Senex interest: 15%)

ATP 752P comprises the Barta Block in the north and the Wompi Block in the south.

Senex entered into a farmin agreement with Santos Limited (**Santos**) and Avery Resources (Australian) Pty Ltd (**Avery**) through which Senex's interest is carried on the drilling of a number of wells in ATP 752P. This arrangement has included the recently drilled Barta North-1 and Cuisinier-2 wells.

During 2009 and 2010, Santos completed the construction of production facilities for the Cuisinier-1 oil discovery. Cuisinier-1 was placed on production in late May 2010 with an initial production rate on pump of approximately 340 barrels of oil per day.

In the northern Barta Block, interpretation of the Cuisinier 3D seismic survey provided two drilling locations: Barta North-1, an exploration well and Cuisinier-2, a Cuisinier Oil Field appraisal well.

Oil shows were observed in the Barta North-1 and Cuisinier-2 wells while drilling in the target Murta Formation. Barta North-1 wire line log interpretation indicated 2 to 5 metres of probable oil pay, with a moderate oil show observed over 6 metres within Birkhead sandstones. Cuisinier-2 wire line log interpretation indicated up to seven metres of potential oil pay, with moderate oil shows also observed over approximately seven metres within two deeper Murta Formation sands. Further, oil shows were seen within thin basal Birkhead Formation sandstones.

Senex expects that determination of the extent and commercial nature of the interpreted Murta Formation oil zone and Birkhead Formation oil shows will be carried out by the operator (Santos) undertaking cased hole tests in the first quarter 2011.

Senex participated in the drilling of Barta North-1 and Cuisiner-2 at no cost to retain a 15% working interest in the wells.

In the southern Wompi Block, 3D seismic data has defined the Sampadoria Prospect as a drill target. Sampadoria-1 is planned to be drilled in the first half of 2012 as the last of the Senex free carried wells.

Santos is the operator for ATP 752P.

ATP 794P

(Senex interest: 12%-60%)

ATP 794P is situated in the south west Queensland portion of the Eromanga Basin. Evaluation of the Jurassic and Permian structural and stratigraphic potential is in progress.

Bow Energy is the operator for ATP 794P.

4.4 Coal seam gas development projects – Surat Basin, Queensland

Senex holds interests in four permits in the Surat Basin:

- (a) ATP 574P (Senex 30%) and PL 171 (Senex 20%) in joint venture with QGC; and
- (b) ATP 771P (Senex 45%) and ATP 593P (Senex 45%) in joint venture with Bow Energy.

PL 171 and ATP 574P

(Senex interest: 20% in PL 171, 30% interest in ATP 574P)

PL 171 is situated in the central portion of the Surat Basin and lies within Queensland's LNG feedstock corridor, which will provide coal seam gas to planned LNG facilities at Gladstone. ATP 574P is immediately adjacent and to the south of PL 171.

During the quarter ending 30 December 2010, Senex agreed to a \$71 million appraisal program (\$17 million net to Senex) for the 2011 calendar year in ATP 574P and PL 171 with the joint venture partner, QGC.

The work program includes a 13 well campaign in PL 171, a nine well campaign in ATP 574P, as well as the completion of an additional 10 wells carried over from the 2010 work program.

On 28 January 2011, Senex announced independent certification from Netherland, Sewell and Associates Inc. of gas reserves in coal seam gas permits PL 171 and ATP 574P in the eastern Surat Basin, as follows:

Permit	Senex interest	3P Reserves (net to Senex)	2P Reserves (net to Senex)
PL 171	20%	89.8 PJ	7.6PJ
ATP 574P	30%	70.3 PJ	26.4 PJ
Total		160.1 PJ	34.0 PJ

QGC is the operator for PL 171 and ATP 574P.

ATP 593P and ATP 771P

(Senex interest: 45%)

ATP 593P and ATP 771P are situated on the western Surat Basin and form the Don Juan coal seam gas project, near Roma in Queensland. The Walloon Coal Measures, the primary target coal seams in the area, are interpreted to be present and gassy over the Don Juan coal seam gas project area at depths between 250 to 600 metres.

Senex intends to drill two core holes in ATP 593P in early 2011 to continue to prove up 2P and 3P Reserves. Following the results of these core holes, Senex will propose a comprehensive appraisal program for the project.

Senex has a net total of 45 PJ of 2P Reserves and 89 PJ of 3P Reserves in ATP 771P.

Senex is the operator for both ATP 593P and ATP 771P.

4.5 Schedule of petroleum interests

Permit	Basin	Area (km ²)	Interest (%)	Joint Venturers
WA-254-P (Parts 1, 3, 4)	Offshore Carnarvon	243	6.17	Apache*, FAR, Sun, Pan Pacific
WA-254-P (Part 2)	Offshore Carnarvon	81	9.305	Apache*, FAR, Sun, Pan Pacific
PL 171	Surat/Bowen	176	20	QGC*
ATP 471P (Weribone)	Surat	12	20.65	Mosaic*, OCA
ATP 560P# (Mclver)	Eromanga	89	50	Lakes Oil
ATP 560P# (Ueleven)	Eromanga	105	17	Icon, Private Interests
ATP 574P	Surat/Bowen	231	30	QGC*, Arrow, Shell, BG Group
ATP 593P#	Surat	617	45	Bow Energy
ATP 736P***	Cooper/Eromanga	4,827	80	Bow Energy
ATP 737P***	Cooper/Eromanga	624	80	Bow Energy
ATP 738P***	Cooper/Eromanga	1,082	80	Bow Energy
ATP 752P	Cooper/Eromanga	3,512	15	Santos*, Bow Energy, Avery
ATP 771P#	Surat	541	45	Bow Energy
ATP 794P	Cooper/Eromanga	9,948	12-60	Icon, Bow Energy*
PEL 87#	Cooper/Eromanga	2,854	60	Impress
PEL 88# ⁴	Cooper/Eromanga	3,304	100	
PEL 94	Cooper/Eromanga	1,801	15	Beach*, Strike
PEL 100 ⁵	Cooper/Eromanga	296	5	Stuart*, Sundance, Cooper, Liberty
PEL 104#	Cooper/Eromanga	519	60	Impress
PEL 110	Cooper/Eromanga	728	60	Cooper*, Monitor
PEL 111#	Cooper/Eromanga	1,174	60	Impress
PEL 115#	Cooper/Eromanga	266	33	Monitor, Lion
PEL 182#	Cooper/Eromanga	1,745	49.9	Innamincka, AOC
PEL 424#	Cooper/Eromanga	6,138	60	Impress
PPL 213#	Cooper/Eromanga	10	60	Impress
PPL 214#	Cooper/Eromanga	2	60	Impress
PRL 15#	Eromanga	13	60	Impress
Total gross Senex acreage (km²):		40,938		
Total net Senex acreage (km²):		22,351		

Notes: # Denotes Senex is the permit operator * Denotes permit operator ** Permit to be granted

4 Senex holds a 50% interest in PEL 88 and has agreed to acquire a further 50% interest. That agreement has not yet completed.

5 Senex has agreed to acquire the 5% interest in PEL 100 noted in the table. That agreement has not yet completed.

4.6 Directors and senior management

Denis Patten – Chairman Independent Non-Executive Director, Member – S.P.E.

Mr Patten has extensive experience in oil and gas exploration, coal seam gas exploration, development and production and is a former founding director of Queensland Gas Company Limited, retiring from the board in 2007. Mr Patten has 40 years of experience in the engineering, manufacturing, petroleum and service industries in Australia and internationally. He has held senior executive management positions with ASEA Australia, Petroleum Drilling Services Australia Pty Ltd, Gearhart Drilling Services, ATCO APM Drilling Pty Ltd, PT CMPS Indonesia, CMPS&F Pty Ltd and Montgomery Watson.

Timothy Crommelin – Independent Non-Executive Director, BCom, ASIA, FAICD

Mr Crommelin joined the Senex Board in October 2010, bringing over 40 years' experience in stockbroking and broad knowledge of corporate finance, risk management and acquisitions.

Mr Crommelin is Executive Chairman of RBS Morgans and previously served as Deputy Chairman of CS Energy Limited and Queensland Gas Company Limited. His other directorships include the Australian Cancer Research Foundation and Abney Hotels Limited. He is Chairman of the Investment Advisory Committee to the ANU Superannuation Funds, a Member of the University of Queensland's Governing Senate and Brisbane Grammar School's Board of Trustees.

Ian Davies – Managing director, BBus (Acct), CA, Cert SII (UK)

Mr Davies joined Senex as Managing Director in mid 2010 from QGC – a BG Group business, where he was a key member of the senior management team. He had been Chief Financial Officer of Queensland Gas Company Limited since 2007, and following its A\$5.6 billion acquisition by BG Group Plc served as General Manager Business Development and General Manager Ports and Infrastructure at QGC. Prior to joining QGC, Mr Davies was an investment banker in Melbourne with Austock Corporate Finance and in London with Barclays Capital. Mr Davies commenced his career in the Energy and Mining Division of PricewaterhouseCoopers in Brisbane.

Ben McKeown – Non-executive director, BEng (Mining Engineering), MBA

Mr McKeown is a Chartered Engineer with over 20 years of experience in the petroleum and mining sectors. He is a member of both the Energy Institute (UK) and the Institute of Materials, Mining and Metallurgy. During the past 10 years, Mr McKeown has been involved in private equity investments primarily in the mining and upstream oil and gas sectors. He is currently a partner with The Sentient Group, an independent equity investment fund specialising in the global resources industry.

Robert James Pett – Independent Non-executive director, B.A. (Hons) M.A. (Econ)

Mr Pett is a minerals economist with a wide range of experience in the mining and petroleum sector, and in the management of companies involved in mineral and petroleum exploration and production. Over nearly 30 years in exploration and mining, Mr Pett has overseen more than ten mining projects worldwide, including gold and nickel mines in Australia and gold mines in East and West Africa. He is the Chairman of Ausgold Limited and a Director of A-Cap Resources Limited.

The members of senior management of Senex are set out below:

Frank Connolly – Legal Counsel and Corporate Secretary, BA, LLB (Hons), Grad Dip Applied Finance & Investment, MAICD

Mr Connolly 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. Over a career spanning 30 years, Mr Connolly has held numerous senior executive roles and brings extensive knowledge in the areas of company law, corporate governance, investment banking and corporate finance. Previous roles included Partner of national law firm Corrs Chambers Westgarth, Chief Financial Officer and Head of Corporate Finance for Viento Group and Director of Corporate Finance for Ord Minnett.

Mike Herrington – General Manager Operations, BS PE

Mr Herrington has more than 30 years of petroleum industry experience including oil and gas exploration in New Mexico's San Juan Basin, Alaska's North Slope and the Gulf of Mexico. He has demonstrated expertise in the establishment of oil and gas operations in Australia, USA, Europe and Asia. Mr Herrington was previously Chief Operating Officer for Queensland Gas Company Limited and later President Upstream for QGC – a BG Group business and held senior roles with Enron Exploration Australian Pty Ltd (Based in Queensland) and Enron Oil & Gas (based in China).

Steven Scott – General Manager Exploration, BSc (Hons), PhD

Dr Scott joined Senex in mid- 2010, bringing more than 30 years of geoscience experience in Queensland's resources industry and particular expertise in coal seam gas exploration and appraisal, having completed his doctorate on the subject. Dr Scott has been involved in the development of coal seam gas resources since 1987 and held several senior executive and advisory roles for public and private sector resources businesses. He spent 12 years working on numerous coal exploration projects in the Bowen Basin and 11 years overseeing petroleum and coal seam gas exploration and development within Queensland for the Department of Mines and Energy.

Julie Whitcombe – Chief Financial Officer, BME (First Class Hons), MBA (QUT), CA (Distinction)

Ms Whitcombe joined Senex in late 2010, bringing a wealth of experience in finance and corporate advisory in the resources sector. Previously, Ms Whitcombe spent seven years in PricewaterhouseCoopers (PWC) in its transactions team in Brisbane and in Aberdeen, Scotland. During her time with PWC, Ms Whitcombe 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. Ms Whitcombe is particularly well placed to support the growth aspirations of Senex given her formal training as a Mining Engineer and as a Chartered Accountant.

4.7 Financial profile of Senex

Senex's financial position as at 30 June 2010 is set out in figure 4.7 below.

Figure 4.7 – Senex's statement of financial position as at 30 June 2010

	2010 \$'000	2009 \$'000
Current Assets		
Cash and cash equivalent	16,791,150	18,289,877
Term deposits	20,000,000	-
Prepayments	1,130,000	-
Trade and other receivables receivable	1,895,528	1,858,134
Held-for-trading financial assets	356,030	218,473
	40,172,708	20,366,484
Assets of disposal group classified as held for sale	-	1,490,480
Total current assets	40,172,708	21,856,964
Non-current Assets		
Trade and other receivables	99,750	99,816
Available-for-sale financial assets	5,096,667	519,920
Property, plant and equipment	17,246	5,213
Exploration assets	984,843	-
Oil and gas properties	27,601,120	7,752,655
Total Non-current Assets	33,799,626	8,377,604
	73,972,334	30,234,568
Total assets		
Liabilities		
Current Liabilities		
Trade and other payables	3,060,193	1,560,294
Provisions	208,451	174,105
	3,268,644	1,734,399
Liabilities of disposal group classified as held for sale	-	1,046,820
Total current liabilities	3,268,644	2,781,219
Non Current Liabilities		
Trade and other payables	-	-
Provisions	2,120,368	1,752,505
Total Non-current Liabilities	2,120,368	1,752,505
	5,389,012	4,533,724
Total liabilities		
	68,583,322	25,700,844
Net assets		
Equity		
Contributed equity	151,266,106	110,018,067
Reserves	1,653,781	2,608,634
Accumulated losses	(84,336,565)	(86,925,857)
Total equity	68,583,322	25,700,844



4.8 Publicly available information

Senex is a company listed on the ASX (Code: SXY) and is subject to the continuous and periodic disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Senex is publicly available and may be accessed by referring to Senex on www.asx.com.au.

A list of announcements made by Senex to the ASX between 1 July 2010 and the date before this Bidder's Statement was lodged with ASIC is set out in Schedule 3. This information and other announcements made by Senex to ASX may be relevant to your assessment of the Offer. Copies of the announcements are available from the ASX.

4.9 Further information

Further information about Senex can be found on Senex's website: www.senexenergy.com.au.

4.10 Competent person statement

Unless otherwise indicated, the statements in this Bidder's Statement about Senex's Reserves estimates have been compiled by Dr Steven Scott BSc (Hons), PhD, who is General Manager – Exploration, a full time employee of Senex, in accordance with the definitions and guidelines in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (**SPE PRMS**). Dr Scott consents to the inclusion of the Reserves estimates in the form and context in which they appear.

5 Profile of Stuart

5.1 Disclaimer

- (a) The following information on Stuart has been prepared by Senex using publicly available information, and has not been independently verified. Accordingly, Senex does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.
- (b) The information on Stuart in this Bidder's Statement should not be considered comprehensive.
- (c) In addition, the Corporations Act requires Stuart to provide a Target's Statement to Stuart Shareholders in response to this Bidder's Statement, setting out certain material information concerning Stuart.

5.2 Overview

Stuart is engaged in oil and gas exploration, development and production in the Cooper and Eromanga Basin in South Australia and the development of a fuel storage and distribution facility at Port Bonython in South Australia.

At the close of the 2010 financial year Stuart recorded net profit after tax of A\$6.8 million. It substantially upgraded its holdings in the Cooper Basin and sold its Timor Sea exploration interests at a profit.

Stuart produced 193,038 barrels of oil for the 2009/10 year. Of this total, approximately 90% was produced from the Stuart-operated Worrior, Padulla, Acrasia and other fields with the remaining 10% produced from the Santos-operated Derrilyn field.

Stuart has announced 2P Reserves at 30 June 2010 of 1.94 million barrels and 1P Reserves of 1.40 million barrels. On 15 November 2010 Stuart updated its reserves position following evaluation of the recently drilled Worrior 7 and Arasia 5 development wells. Stuart stated that its 2P Reserves at the end of October 2010 were 2.206 million barrels.

Stuart's 2010/11 development drilling program targets approximately 120,000 barrels of previously unrecognised and undeveloped 2P Reserves in the Acrasia oil field. Oil production volumes during the quarter ending 31 December 2010, were 39,712 barrels.

A subsidiary of Stuart, Port Bonython Fuels Pty Ltd plans to develop a fuel import, storage and distribution business. Stuart proposes to land fuel via the government-owned Port Bonython Jetty and to store and distribute fuel from tanks to be built on land which it has secured from the South Australian Government. Stuart has recently completed negotiations with the South Australian Department of Trade, Energy and Infrastructure to be granted a licence to use an existing jetty and adjacent land for an initial 35 year term.

5.3 Schedule of petroleum interests

Permit	Basin	Interest (%)
Exploration Interests		
PEL 113	Cooper/Eromanga	
Saintly Block		66.67
Dunoon Block		66.67
Murteree Block		65
Remainder PEL 113		100
PEL 90	Cooper/Eromanga	
Maribu Block		100
Candra Block		75
Kiwi Block		75
PEL 93	Cooper/Eromanga	70
PEL 102	Cooper/Eromanga	100

Permit	Basin	Interest (%)
PEL 100	Cooper/Eromanga	50
PEL 516	Cooper/Eromanga	100
Production interests		
Derrilyn PPL's 206, 208 and 215	Cooper/Eromanga	35
Padulla PPL 221	Cooper/Eromanga	100
Warrior PPL 207	Cooper/Eromanga	70
Arwon PPL's 217, 218	Cooper/Eromanga	100
Acrasia PPL 203	Cooper/Eromanga	75
Reg Sprigg West PPL 211	Cooper/Eromanga	18.75
Hapoono PPL 209 and PRL 16	Cooper/Eromanga	66.67
Other		
PELA 288	Pedirka Basin (Poolowanna Trough)	100
PELA 289	Pedirka Basin (Poolowanna Trough)	100
PELA 290	Pedirka Basin (Poolowanna Trough)	100
PELA 331	Pedirka Basin (Poolowanna Trough)	100

Stuart also holds 12 Geothermal Exploration Licences (GELs) in the Cooper and Eromanga Basin and applications for a further 14 GELs elsewhere in the Eromanga Basin.

5.4 Directors and senior management

John Branson – Chairman *AM., R.afD., LLB, C.Univ., FAICD*

Mr Branson has been a non-executive director of Stuart since 9 April 1999. Mr Branson has over 30 years' experience in law and business management. He is Chairman of Stuart and holds directorships in AED Oil Limited and Hytorc (South Pacific) Pty Ltd. As of June 2010 he was made a Member of the Order of Australia for service to the business community of South Australia and to education, particularly as a contributor to Flinders University of South Australia. In addition, he is a member of the Bank of South Australia Advisory Board.

David Clarke – Non Executive Director *B.Sc*

Mr Clarke has been an independent, non-executive director since 12 December 2001. He is a Public Company Director with more than 25 years experience. Mr Clarke is a graduate of the University of Adelaide in geology and physics. He is experienced in capital markets and has acted as principal sponsor and financier of several groups, which have developed Australian resource and industrial businesses.

Jeffrey Bruce Parncutt – Director *B.Sc, MBA, SA Fin*

Mr Parncutt is a senior figure in the Australian securities industry. He was Chief Executive of listed securities from McIntosh Securities for seven years (1990-1996) and Senior Vice President of Merrill Lynch for three years (1997-1999). He was a Member of the Australian Stock Exchange Limited for 19 years (1981-2000) and a Director at the Australian Stock Exchange for six years (1994-1999). He holds a Bachelor of Science, a Masters of Business Administration and is a Senior Associate of the Financial Services Institute of Australasia.



The members of senior management of Stuart are set out below:

Iain MacDougall – Chief Executive Officer (Acting) *B.Sc (Hons) Mechanical Engineering, SPE, MAICD*

Mr MacDougall was appointed as Stuart Petroleum's Acting Chief Executive Officer in October 2010. He joined the Company in 2004 as Production Manager following 16 years with leading global energy and information services company Schlumberger, with assignments in Asia, Australia, West Africa, the UK and the Middle East. Prior to this he worked on internal combustion engine research and development and in the nuclear power industry in the UK.

Mr MacDougall is an alumnus of the INSEAD Business School in France where he completed their International Executive Program. He is a member of the Society of Petroleum Engineers and also chairs the Advisory Committee at the Australian School of Petroleum at the University of Adelaide.

Jarek Kopias – Company Secretary *B.Comm, CPA, ACIS*

Mr Kopias was appointed to the position of Company Secretary in October 2010, having joined Stuart in May 2006 as Chief Accountant.

Robert Frears – Exploration Manager *B.Sc (Hons) Geology*

Mr Frears, has over 30 years experience in the petroleum industry. This includes working for exploration and development companies, consulting companies and the South Australian Government.

He was previously the Chief Petroleum Geologist in the South Australian Department of Mines and Energy after working for Santos in petroleum exploration and development.

His current projects are prospect evaluation in Stuart's areas in the Cooper Basin with special emphasis on gas and management of the Company's Drilling and Seismic operations.

Mark Mussared – Petroleum Development Manager *B.Eng (Hons) Civil Engineering, M.Sc (Oxon), SPE*

Mr Mussared has a total of 30 years experience in the petroleum industry in Australia and overseas, in both onshore and offshore environments. He has accumulated a wide range of skills and experience in subsurface petroleum and reservoir engineering; well drilling, completions and workovers, both onshore and offshore; offshore and onshore development projects; as well as in economic evaluation and commercial matters. He has particular knowledge of the Cooper Basin and other Australian onshore and offshore petroleum provinces stemming from technical and managerial positions in Schlumberger, Delhi Petroleum, Santos and Origin Energy since he began his petroleum career in the northern North Sea in 1979.

Mark is a member of the Society of Petroleum Engineers, and has served as chairman of the South Australian Section.

John McRae – Commercial Manager *CPA*

Mr McRae joined Stuart in September 2003, following a variety of senior financial, company secretarial, logistic and procurement managerial positions principally in the mining and upstream oil and gas industry. His roles have included a range of senior management positions. He is responsible for development of the Port Bonython Fuels Project near Whyalla South Australia. He is a member of CPA Australia.

5.5 Financial profile of Stuart

Stuart's financial position as at 30 June 2010 is set out in figure 5.5 below.

Figure 5.5 – Stuart's statement of financial position as at 30 June 2010

	2010 \$'000	2009 \$'000
Current Assets		
Cash and cash equivalent assets	123	321
Receivables	3,141	4,876
Inventory	33	2,339
Current tax receivable	-	90
Derivative financial instrument assets	-	2,897
Other assets	1,203	311
Total current assets	4,500	10,834
Non-Current Assets		
Exploration and evaluation	3,217	5,152
Oil and gas assets	22,713	27,728
Fuel storage and development project	7,913	5,065
Other plant and equipment	337	411
Goodwill	119	2,972
Total non-current assets	34,317	41,328
Total assets	38,817	52,162
Current Liabilities		
Trade and other payables	3,408	4,137
Borrowings	-	11,250
Provisions	397	275
Current tax payable	1,685	-
Deferred purchase consideration	-	1,033
Total current liabilities	5,490	16,695
Non Current Liabilities		
Deferred tax liability	549	1,773
Provisions	1,972	2,176
Deferred purchase consideration	-	1,873
Total non-current liabilities	2,521	5,822
Total liabilities	8,011	22,517
Net assets	30,806	29,645
Equity		
Contributed equity	10,392	10,392
Reserves	7,213	12,093
Retained profits	13,201	6,435
Capital and reserves attributable to owners of Stuart	30,806	28,920
Minority Interest	-	725
Total equity	30,806	29,645

Important note on sources of information

Senex has relied on the information in financial reports issued by Stuart to prepare the financial information for Stuart contained in this Bidder's Statement. Financial information relating to Stuart has been sourced from its audited financial reports for the year ended 30 June 2010.

Senex does not, except as required by law, make any representations or warranty, express or implied, as to the accuracy or completeness of this information.



5.6 Publicly available information

Stuart is a company listed on the ASX and is subject to the periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Stuart is publicly available and may be accessed by referring to Stuart on www.asx.com.au.

5.7 Further information

Further information about Stuart can be found on Stuart's website: www.stuartpetroleum.com.au.

5.8 Recent price performance of Stuart Shares

Stuart Shares are quoted on the ASX under the code STU.

The closing price of Stuart Shares on ASX on the last trading day before the Announcement Date was \$0.70.

The highest recorded closing price of Stuart Shares on ASX in the 3 months before 18 February 2011, being the last trading day before the date of this Bidder's Statement, was \$0.79. The lowest recorded closing price of Stuart Share on ASX in the 3 months before 18 February 2011, being the last trading day before the date of this Bidder's Statement, was \$0.58.



6 Profile of Merged Group

6.1 Introduction

The profile of the Merged Group will vary depending on the outcome of the Offer. Unless otherwise indicated, the description of the Merged Group in this section 6 assumes that Stuart is a wholly-owned subsidiary of Senex. If Senex is not entitled to compulsorily acquire Stuart Shares during the Offer Period, some of the benefits that would otherwise accrue to Senex if Stuart were to become a wholly-owned subsidiary of Senex may not be fully realised.

6.2 Overview of the Merged Group

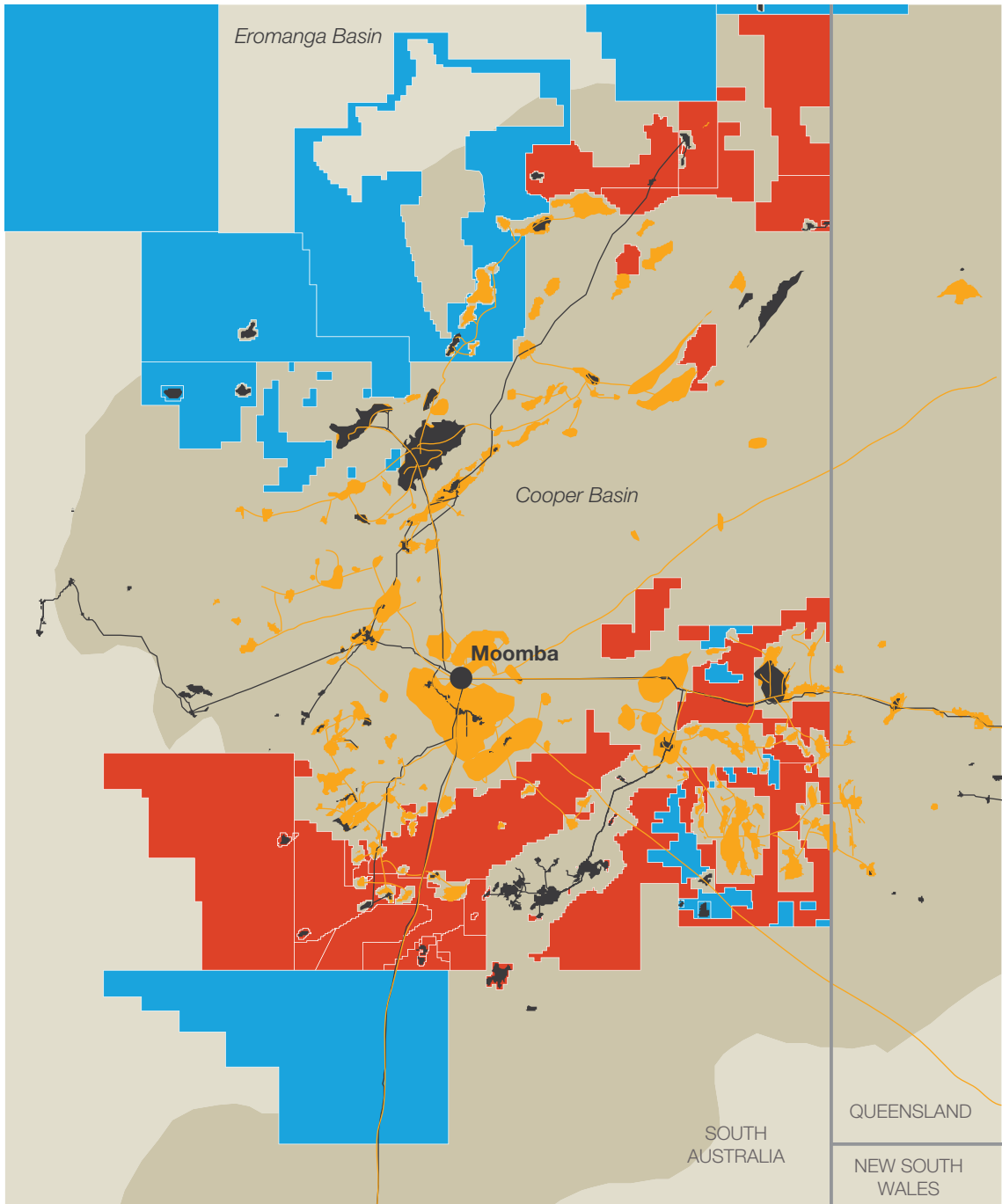
The Merged Group would be an oil and gas company with:

- (a) estimated market capitalisation of \$345 million⁶;
- (b) net 2P oil Reserves of 6.9 million barrels and net 3P oil Reserves of 16.2 million barrels⁷, to complement Senex's existing coal seam gas Reserves of 79.0 PJ (12.8 million barrels of oil equivalent) of net 2P gas Reserves and 249.1 PJ (40.1 million barrels of oil equivalent) of net 3P gas Reserves; and
- (c) a significant acreage position covering oil production and exploration permits in the Cooper, Eromanga and Pedirka Basins and coal seam gas exploration permits in the Surat Basin.

6 Based on Senex's closing share price on 18 February 2011, being the trading day immediately before the Announcement Date, and assuming Stuart Options that have an exercise price below the implied Offer price and 50 per cent of Performance Rights have been exercised.

7 Based on Senex's oil Reserves announced 21 February 2011 and Stuart's oil Reserves referred to in the announcement about the Offer by Senex and Stuart to the ASX on 21 February 2011.

6.3 Petroleum interests of the Merged Group



Legend



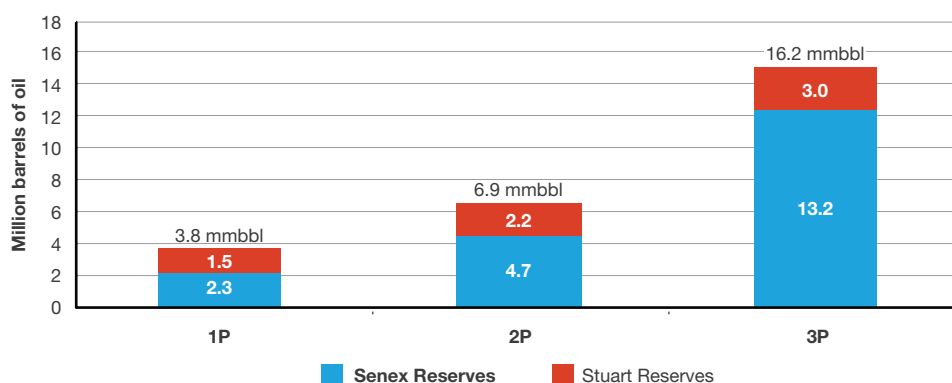
- Senex Energy Permits
- Stuart Petroleum Permits
- Gas/Oil Fields
- Gas Pipeline (built)
- - - Gas Pipeline (proposed)
- Oil Pipeline
- Capital City/Town

0 50
Kilometers



6.4 Oil Reserves of the Merged Group

Figure 6.4 – combined net oil Reserves of the Merged Group⁸



6.5 Pro forma balance sheet assuming Senex acquires 100 per cent of Stuart

Preparation of pro forma balance sheet

The information included in this section is pro forma financial information for the Merged Group comprising of the respective groups of Senex and Stuart as at 30 June 2010.

The pro forma balance sheets of the Merged Group have been produced by aggregating the individual balance sheets from the audited financial statements of Senex and Stuart as at 30 June 2010 (which were released to the ASX on 27 September 2010 and 9 August 2010 respectively).

The financial information for Stuart and Senex relates to the latest publicly available information for each entity that is capable of being compared.

The pro forma information does not represent what the Merged Group would look like on a consolidated basis, since it is not possible to produce this information from publicly available information. No adjustments for potential synergy benefits have been included as the exact timing and amount of such benefits cannot be reliably estimated. However, the pro forma balance sheets do reflect the issue of new Senex Shares to Stuart Shareholders.

The pro forma balance sheets are unaudited and are for illustrative purposes only and are based on numerous assumptions that may or may not reflect the actual financial position of the Merged Group after completion of the Offer. In addition, these pro forma balance sheets are presented in a summary format and do not contain all the disclosures required under the Corporations Act.

Financial information relating to Stuart has been sourced from its audited financial statements for the year ended 30 June 2010. Senex has relied on this information to prepare the pro forma financial information in this section.

Senex does not, except as required by law, make any representations or warranty, express or implied, as to the accuracy or completeness of this information.

Senex has had limited access to the directors, management or staff of Stuart and has had limited access to working papers, accounting records or other documentation for the purposes of preparing this financial information. Therefore, it has not been possible to independently verify any of the financial information relating to Stuart used in this Bidder's Statement for providing pro forma financial information.

The pro forma financial information presented in this section should also be read in conjunction with the risk factors set out in section 8, other information contained in this Bidder's Statement and the accounting policies of Senex and Stuart as disclosed in their most recent financial reports.

⁸ Based on Senex's oil Reserves announced 21 February 2011 and Stuart's oil Reserves referred to in the announcement about the Offer by Senex and Stuart to the ASX on 21 February 2011.



Assumptions and adjustments

The pro forma balance sheet set out in Figure 6.5.1 below reflects the following adjustments and assumptions:

General

- (a) The pro forma information has been prepared using AIFRS and reflects the accounting policies of Senex. It has not been audited. Amounts presented in the report have been rounded.

Takeover Bid

- (b) The pro forma balance sheet of the Merged Group as at 30 June 2010 assumes the acquisition of Stuart by Senex had been completed at that date. The actual dates of the acquisition will be at a later date. AASB 3 "Business Combinations" states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values as at that date. Accordingly, Senex will assess the fair value of identifiable net assets of Stuart on completion of the acquisition.
- (c) The pro forma balance sheet of the Merged Group is based on the assumption that the fair value of assets and liabilities of Stuart are equal to their book value. The difference between the book value of these assets and liabilities and the purchase consideration at the acquisition date has been assumed to relate to an intangible asset. A full purchase price allocation will be undertaken post acquisition and the fair value of the assets and liabilities will be more accurately assessed at that time. This will not impact the valuation of the business, but may impact the classification between tangible assets, identifiable intangible assets and goodwill.
- (d) Identifiable intangible assets may need to be amortised over the period of their economic benefit to the Merged Group and such amortisation charges will reduce future reported earnings. Due to the limited information available as at the date of preparation of this pro forma financial information, it is not possible to identify all such intangibles and consequent amortisation charges at this time.
- (e) All Stuart Options with an exercise price lower than the implied Offer price and 50 per cent of the Performance Rights have been assumed to be vested and exercised prior to the acquisition date.
- (f) 100% of Stuart Shareholders accept the Offer.
- (g) For fair value accounting purposes, each Senex Share issued under the Offer is assumed to have an issue price of \$0.455 (the closing price of Senex Shares on the ASX on 18 February 2011, the last trading day before the Announcement Date). The actual fair value of Senex Shares to be issued under the Offer will be determined by the market price of Senex Shares at the actual date of acquisition of Stuart; and
- (h) The accounting policies of Senex and Stuart are similar and consistent in all material aspects.
- (i) A separate pro forma balance sheet (Figure 6.5.2) showing a Senex interest of 50.1% in Stuart has also been included for illustrative purposes. Adjustments as per the 100% pro forma balance sheet apply, with the exception of the number of shares acquired, resulting in a decrease to the purchase consideration.

Figure 6.5.1 – Pro forma balance sheet at 100% acquisition

\$'000	Senex 30-Jun-10 Audited	Stuart 30-Jun-10 Audited	Transaction costs	Cash receipts from exercise of Stuart Options	Acct for invest less share issue costs – 100%	Consolidation adjustment – 100%	Senex Capital raising	Additional Impress investment	Disposal of Impress investment	Pro-forma Merged Group 100% held by Senex
Current assets										
Cash and cash equivalents	16,789	123	-900	964	-500		25,347	-7,077	15,047	49,793
Term deposit	20,000	-								20,000
Receivables	3,026	3,141								6,167
Inventory	-	33								33
Current tax receivable	-	-								-
Derivative fin. Instrument assets	356	-								356
Other assets	-	1,203								1,203
Total current assets	40,171	4,500	-900	964	-500	-	25,347	-7,077	15,047	77,552
Non-current assets										
Receivables	100	-								100
Financial Assets	5,097	-						7,077	-11,757	417
Exploration and evaluation	985	3,217								4,202
Oil and gas assets	27,601	22,713								50,314
Fuel storage development project	-	7,931								7,931
Property, plant and equipment	17	337								354
Intangibles	-	-				45,982				45,982
Investment in Stuart	-	-			77,752	-77,752				-
Goodwill	-	119								119
Total non-current assets	33,800	34,317	-	-	77,752	-31,770	-	7,077	-11,757	109,419
Total assets	73,971	38,817	-900	964	77,252	-31,770	25,347	-	3,290	186,971
Current liabilities										
Payables	3,060	3,408								6,468
Borrowings	-	-								-
Provisions	208	397								605
Current tax payable	-	1,685								1,685
Total current liabilities	3,268	5,490	-	-	-	-	-	-	-	8,758
Non-current liabilities										
Deferred tax liability	-	549								549
Provisions	2,120	1,972								4,092
Total non-current liabilities	2,120	2,521	-	-	-	-	-	-	-	4,641
Total liabilities	5,388	8,011	-	-	-	-	-	-	-	13,399
Net assets	68,583	30,806	-900	964	77,252	-31,770	25,347	-	3,290	173,572
Equity										
Contributed equity	151,266	10,392		964	77,252	-11,356	25,347			253,865
Reserves	1,654	7,213				-7,213		708		2,362
Retained profits/(losses)	-84,337	13,201	-900			-13,201			2,582	-82,655
Total equity	68,583	30,806	-900	964	77,252	-31,770	25,347	-	3,290	173,572

Figure 6.5.2 – pro forma balance sheet at 50.1% acquisition

\$'000	Senex 30-Jun-10 Audited	Stuart 30-Jun-10 Audited	Transaction costs	Cash receipts from exercise of Stuart Options	Acct for invest less share issue costs – 50.1%	Consolidation adjustment – 50.1%	Senex Capital raising	Additional Impress investment	Disposal of Impress investment	Pro-forma Merged Group 50.1% held by Senex
Current assets										
Cash and cash equivalents	16,789	123	-900	964	-500		25,347	-7,077	15,047	49,793
Term deposit	20,000	-								20,000
Receivables	3,026	3,141								6,167
Inventory		33								33
Current tax receivable		-								-
Derivative fin. Instrument assets	356	-								356
Other assets		1,203								1,203
Total current assets	40,171	4,500	-900	964	-500	-	25,347	-7,077	15,047	77,552
Non-current assets										
Receivables	100	-								100
Financial Assets	5,097	-						7,077	-11,757	417
Exploration and evaluation	985	3,217								4,202
Oil and gas assets	27,601	22,713								50,314
Fuel storage development project	-	7,931								7,931
Property, plant and equipment	17	337								354
Intangibles	-	-				45,982				45,982
Investment in Stuart	-	-			38,954	-38,954				-
Goodwill	-	119								119
Total non-current assets	33,800	34,317	-	-	38,954	7,028	-	7,077	-11,757	109,602
Total assets	73,971	38,817	-900	964	38,454	7,028	25,347	-	3,290	186,971
Current liabilities										
Payables	3,060	3,408								6,468
Borrowings	-	-								-
Provisions	208	397								605
Current tax payable	-	1,685								1,685
Total current liabilities	3,268	5,490	-	-	-	-	-	-	-	8,758
Non-current liabilities										
Deferred tax liability	-	549								549
Provisions	2,120	1,972								4,092
Total non-current liabilities	2,120	2,521	-	-	-	-	-	-	-	4,641
Total liabilities	5,388	8,011	-	-	-	-	-	-	-	13,399
Net assets	68,583	30,806	-900	964	38,454	7,028	25,347	-	3,290	173,572
Equity										
Contributed equity	151,266	10,392		964	38,454	-11,356	25,347			215,067
Reserves	1,654	7,213				-7,213		708		2,362
Retained profits/(losses)	-84,337	13,201	-900			-13,201			2,582	-82,655
Outside Equity Interest						38,798				38,798
Total equity	68,583	30,806	-900	964	38,454	7,028	25,347	-	3,290	173,572

Important notes in relation to the pro forma adjustments

Pro forma adjustments

- (a) The assumed acquisition consideration for Stuart has been calculated as follows based on the terms of the Offer by Senex:

Stuart ordinary shares on issue	67,082,422
Stuart Options and Performance Rights to be converted to ordinary shares	1,270,953
Total number of Stuart Shares	68,353,375
Senex Shares for every Stuart Share	2.5
Senex Shares issued under the Offer	170,883,438
Fair value based on share price of \$0.455	\$77,751,964

- (b) The recognition of the intangible asset of \$46 million has been calculated as the fair value of the consideration above of \$78 million less the net book value of assets at 30 June 2010 of \$31 million less the additional cash raised from the conversion of options of \$1.0 million.
- (c) An estimate of transaction costs of \$0.9 million relating to advisor fees and other associated costs arising from the Offer to be incurred by Senex will be expensed, thus reducing cash balances and retained earnings in the pro forma balance sheet.
- (d) Senex raised \$25 million (net of transaction costs), from a capital raising in November 2010. Given the material nature of this transaction, an adjustment to the June 2010 balance sheet has been included for the purposes of the pro forma balance sheet.
- (e) Senex acquired an additional interest in Impress Energy Limited in November 2010, increasing its total shareholding to 20%. It subsequently disposed of this interest in February 2011 for cash consideration of \$15 million. Given the material nature of this transaction, an adjustment has been included for the purposes of the pro forma balance sheet to reflect these transactions

6.6 Prospective financial information of the Merged Group

Senex has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to the Merged Group. The Senex Board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering the effect that variations in key variable inputs may have on future earnings performance.

7 Senex's intentions

7.1 Introduction and important note

- (a) This section sets out Senex's current intentions in relation to:
 - (i) the continuation of Stuart's business;
 - (ii) any major changes to be made to Stuart's business, including any redeployment of the fixed assets of Stuart; and
 - (iii) the future employment of the present employees of Stuart.
- (b) Senex's current intentions for Stuart have been formed following a review of facts, information and circumstances about Stuart that were either publicly available at the date of this Bidder's Statement or provided by Stuart during the course of due diligence enquiries. That review by Senex did not provide Senex with sufficient facts, information and circumstances necessary to finally determine its intentions for Stuart. As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.
- (c) Following the close of the Offer, it is Senex's intention to undertake a detailed review of the operations, assets, structure and employees of Stuart. The objective of the detailed review will be to evaluate the performance, prospects and strategic relevance of the Stuart business and assets to Senex. This review may result in the modification or curtailment of some of Stuart's existing projects and activities.
- (d) Only upon completion of the detailed review, and in light of all material facts and circumstances will Senex finally determine its intentions with respect to Stuart and take such action as it considers desirable to achieve optimum integration and synergies.

7.2 Intentions upon acquisition of 90 per cent or more of Stuart Shares

This section sets out Senex's current intentions if it acquires 90 per cent or more of the Stuart Shares and is entitled to proceed to compulsory acquisition of the outstanding Stuart Shares.

Compulsory acquisition

If it becomes entitled to do so, Senex intends to compulsorily acquire any outstanding Stuart Shares in accordance with section 661B Corporations Act. In those circumstances, Senex is also entitled to acquire Stuart Shares issued after the Offer closes but before the compulsory acquisition notice is given (pursuant to section 661A(4)(b) Corporations Act) and on exercise of the Stuart Options and Performance Rights, up to six weeks after the notices are given (pursuant to section 661A(4)(c) Corporations Act).

Senex also has the right, under Part 6A.2 Corporations Act, to seek to compulsorily acquire any of the Stuart Options which it has not acquired or have not been exercised if Senex achieves 90 per cent voting power in Stuart and holds full beneficial interests in at least 90 per cent by value of all securities of Stuart that are either Stuart Shares or convertible into Stuart Shares. If there are any Stuart Options outstanding, Senex intends to compulsorily acquire those Stuart Options.

Amend Stuart's constitution

Senex intends to amend the constitution of Stuart to reflect its status as a wholly-owned subsidiary of Senex and will seek to convert Stuart from a public company to a proprietary company.

ASX listing

After conclusion of the compulsory acquisition process, Senex intends to procure that Stuart be removed from the official list of the ASX.

Directors

Senex intends to replace all members of the Stuart Board and of the board of any company on which Stuart has nominee directors with Senex nominee directors.

Senex's present intention is to appoint Denis Patten, Ian Davies and Timothy Crommelin to the Stuart Board. Profiles for each of the proposed directors are set out in section 4.6.

Operations

Senex's detailed review of Stuart will include a comprehensive review of Stuart's petroleum assets with a view to formulating an exploration and development program for those assets. The initial focus will be on sustaining and enhancing Stuart's existing oil producing assets. Exploration and development assets will be subject to a portfolio-wide review in order to identify the optimal exploration and development program to unlock potential value for the Merged Group.

Senex intends for Stuart to honour its existing commitments under workplans agreed with regulatory authorities, and will continue to comply with any regulations or applicable laws as required to maintain Stuart's petroleum interests in good standing.

Senex will separately review the Port Bonython Fuels Pty Ltd project with the intention of identifying the best way to realise optimal value for this investment to the benefit of Senex Shareholders.

Head office and employees

Senex anticipates that it will centralise the Merged Group's corporate functions, such as company secretarial, treasury, financial management, legal, risk management and administration in Brisbane to eliminate duplication.

With the benefit of its detailed review, Senex will consider the best allocation of Stuart employees to continuing and new roles. The review of Stuart operations may result in redundancies, particularly in head-office roles where Senex already has the appropriate resources, or additional staff recruitment.

Senex believes that Stuart's current employees are important to the success of the Merged Group. Senex's current intention is to continue the employment of the majority of Stuart's present employees.

If any employees are made redundant, they will receive their full entitlements at law.

7.3 Intentions upon acquisition of between 50 per cent and 90 per cent of Stuart Shares

This section sets out Senex's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of Stuart but was not entitled to proceed to compulsory acquisition of the outstanding Stuart Shares.

Compulsory acquisition

If Senex does not become entitled to compulsorily acquire Stuart Shares under section 661B Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under Part 6A.2 Corporations Act in the future. Senex intends to exercise that power in respect of Stuart Shares if it becomes entitled to do so.

ASX listing

Subject to maintaining a sufficient spread of Stuart Shareholders and it being in the best interests of Stuart, Senex intends for Stuart to continue be listed on ASX.

Directors

Depending on the level of ownership achieved, it is Senex's intention to seek to replace some of the members of the Stuart Board (and the board of any company on which Stuart has nominee directors) with Senex nominee directors. Senex would ensure that there remains independent board representation in those circumstances.

Intentions generally (including with respect to matters at 7.2 above)

If, following the close of the Offer, Stuart becomes a controlled entity but not a wholly owned subsidiary of Senex, it is the present intention of Senex to procure that the new Stuart Board implements the objectives and goals outlined in section 7.2 to the extent possible and appropriate.

Limitations on intentions

To the extent that Stuart is not a wholly owned subsidiary of Senex and there are minority shareholders of Stuart, Senex intends to ensure that the Senex nominees appointed to the board of Stuart will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent the particular objective being achieved.

7.4 Intentions upon acquisition of less than 50 per cent of Stuart Shares

Senex will endeavour to implement its intentions as it has outlined in section 7.3 to the extent to which it is able to do so, subject to the limitations identified in section 7.3.

7.5 Intentions generally

Except for the changes and intentions set out in this section 7, Senex intends, based on the information presently known to it:

- (a) to continue the business of Stuart;
- (b) not to make any major changes to the business of Stuart or the deployment of Stuart assets; and
- (c) to continue the employment of the majority of Stuart employees.

8 Risks

Before deciding whether to accept the Offer, you should read this entire Bidder's Statement carefully, including this section about risks.

Stuart Shareholders will receive Senex Shares as consideration under the Offer. The value of Senex Shares will depend on the future performance of Senex and the market price of Senex Shares from time to time. The future performance of Senex may be influenced by factors associated with investing in both the oil and gas industry and listed securities generally which are beyond the control of Senex.

Stuart Shareholders should be aware of the following key risks that may affect the performance of the Merged Group and the value of Senex Shares issued as the Offer Consideration.

8.1 General risks

The price at which Senex Shares trade on the ASX may be determined by a range of factors including movements in local and international equity and bond markets, general investor sentiment in those markets, inflation, interest rates, general economic conditions and outlooks and changes in the supply of and demand for oil and gas industry securities.

The market for Senex Shares may also be affected by a wide variety of events and factors, including variations in Senex's operating results, recommendations by securities analysts, and the operating and trading price performance of other listed oil and gas industry entities that investors consider to be comparable to Senex. Some of these factors could affect Senex's share price regardless of Senex's underlying operating performance.

8.2 Specific business risks associated with Senex

Set out below are examples of risks associated with Senex. In determining these risks, the Directors have concentrated on risks attaching specifically to an investment in Senex as compared to risks of the oil and gas industry and Stuart, to which Stuart Shareholders are already exposed.

Oil price volatility

Volatile oil prices make it difficult to predict future price movements with any certainty and, in turn, demand for petroleum products produced by Senex. Declines in oil prices could have an adverse effect on Senex. Senex does not currently hedge its exposures to oil price movements.

LNG market and gas prices

The profitability and viability of Senex's coal seam gas business 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 the terms under which LNG off-take arrangements are agreed. The prices required to achieve adequate returns on Senex's coal seam gas business will vary depending on well costs and flow rate assumptions.

Exchange rate fluctuations

Senex's oil revenue is denominated in United States dollars (**USD**), whereas 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. Senex does not currently hedge its exposure to exchange rate fluctuations.

Gas supply

The rate at which gas flows from Senex's wells will be a determinant of the profitability of its coal seam gas business. There is a risk that gas flow rates from Senex's wells will not be sufficient to meet the requirements of future gas supply contracts. This may result in increased development expenditure to drill more wells than originally anticipated. There is also a risk that Senex may not be able to procure gas supply agreements for its coal seam gas business on reasonable terms, which may adversely affect the profitability of Senex.

Estimation of reserves

The estimation of oil and natural gas reserves involves subjective judgements and determinations based on geological, technical, contractual and economic information. It is not an exact calculation. The estimate may change because of new information from production or drilling activities or changes in economic factors, such as assumptions regarding gas price. It may also alter because of acquisitions and disposals, new discoveries and extensions of existing fields as well as the application of improved recovery techniques. Published reserves estimates may also be subject to correction in the application of published rules and guidance.

Seasonal conditions

Senex has exposure to a number of natural events, such as floods, which are beyond its control. Natural events could hinder Senex's ability to pursue operational goals, including to drill exploration and development wells and to produce oil or gas, for an extended period of time.

Operating risks

Oil and gas operations involve the potential for hazards such as well blowouts, mechanical failures, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pollution, releases of toxic gas and other environmental hazards and risks. Senex could suffer substantial losses as a result of any of these events, particularly if it is not fully insured against those risks. Even where Senex is insured, accidents that damage drilling rigs or other equipment could delay Senex's exploration or production operations.

Water ingress and low fluid entry

Fluid produced from wellbores at Senex's oilfields can range in composition and this composition can fluctuate over time. In particular, the percentage of formation water to crude oil can increase. This water may increase to levels that render production from the well uneconomic or that cause Senex to achieve lower than projected production rates. In addition, wellbores on Senex's fields may experience restricted fluid entry. This can result from low or decreasing formation pressure, mechanical obstruction or other causes. This could cause production from the well to be uneconomic or cause Senex to achieve lower than projected production rates.

Environmental matters

Senex's operations are subject to numerous stringent and complex laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements, and the imposition of injunctions to force future compliance.

Regulatory risk

Changes in law and regulations or government policy may adversely affect Senex's business. By way of example, in the context of the current political environment, changes to taxation rates or regimes, such as increases in taxation on resources produced by Senex as envisaged in the potential Petroleum Resource Rent Tax regime, or regulatory change in response to the potential impacts of climate change and greenhouse gas emissions are relevant regulatory risks for Senex.

Native title

Registration of native title claims on land that are the subject of Senex's petroleum permits is a potential risk and may result in increased legal and administrative costs that have a material adverse affect on Senex's profitability.

8.3 Transaction specific risks

Less than 100 per cent ownership

It is possible that Senex may not acquire all Stuart Shares under the Offer. The impact upon Senex of acquiring less than 100 per cent will depend upon the final level of ownership acquired. However, the existence of minority shareholders in Stuart could have an impact on Senex's intentions regarding Stuart (refer sections 7.2 to 7.5).

Assumed financial information for Stuart

There is a risk that the publicly available financial information provided by Stuart and utilised by Senex in formulating the Offer and preparing this Bidder's Statement is not materially correct.

Taxation risks

Senex cannot give advice on the tax consequences of the Offer, which will depend upon the specific circumstances of each Stuart Shareholder.

A criteria for the availability of CGT rollover relief is that Senex increases its holding of Stuart Shares to at least 80 per cent as a result of the Offer. There is a risk that Senex will not receive sufficient acceptances under the Offer to meet this criterion and CGT rollover relief may not be available to Stuart Shareholders.

Senex will notify all Stuart Shareholders if it receives sufficient acceptances to satisfy this requirement.

Reporting risks

Senex has assumed that Stuart has met all of its reporting obligations and that disclosures made by it are true in all material respects and are not misleading in any material respects.

Dilution risks

As the consideration payable in respect of the Offer consists partly of Senex Shares, the interests of existing Senex Shareholders (which may include Stuart Shareholders following completion of the Offer) will be diluted to some degree.

9 Tax considerations

9.1 Introduction

The following is a summary of the potential Australian income tax consequences generally applicable to a Stuart Shareholder who disposes of Stuart Shares under the Offer. This summary is based on the law and practice in effect on the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Stuart Shareholder.

In particular this summary is only applicable to Stuart Shareholders that are Australian residents for income tax purposes and hold their Stuart Shares on capital account for income tax purposes. This summary does not apply to Stuart Shareholders that hold their Stuart Shares in the course of a business of trading or dealing in securities. This summary does not apply to Stuart Shareholders who acquired their Stuart Shares as part of an employee share scheme operated by Stuart.

All Stuart Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident Stuart Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their Stuart Shares.

9.2 CGT consequences on the disposal of Stuart Shares

A Stuart Shareholder that accepts the Offer and whose Stuart Shares are subsequently transferred to Senex, is taken to have disposed of their Stuart Shares for Australian capital gains tax (**CGT**) purposes. Stuart Shareholders make a capital gain equal to the amount by which the Offer consideration exceeds the cost base that the Stuart Shareholder has for the Stuart Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount is included in the Stuart Shareholder's taxable income.

A Stuart Shareholder will alternatively make a capital loss equal to the amount by which the reduced cost base of the Stuart Shares exceeds the Offer consideration. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

Cost base of Stuart Shares generally

The cost base of Stuart Shares would generally be equal to the amount the relevant Stuart Shareholder paid to acquire the Stuart Shares which includes certain incidental costs (such as brokerage) of the acquisition.

9.3 CGT discount

Any Stuart Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

- (a) the Stuart Shares were acquired at least 12 months before disposal to Senex;
- (b) the Stuart Shareholder did not choose to index the cost base of their Stuart Shares; and
- (c) the CGT discount is applied to the capital gain after any available capital losses are first offset against that capital gain.

The CGT discount allows a Stuart Shareholder who is an individual or the trustee of a trust to discount the capital gain by 50 per cent and include 50 per cent of the capital gain in the taxable income of that individual or trust.

A Stuart Shareholder that is a complying superannuation entity may discount the capital gain by 33 per cent and include 66 per cent of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to a Stuart Shareholder that is a company.

9.4 CGT rollover

Where Senex acquires 80 per cent of the Shares in Stuart, a Stuart Shareholder may be eligible to choose for capital gains tax rollover relief to apply to their disposal of Stuart Shares under the scrip for scrip rules so that any CGT payable on the disposal is deferred.

Whether the rollover is available depends on the individual circumstances of each Shareholder. Also, if the Senex Offer becomes unconditional and Senex does not receive acceptances for 80 per cent of the Shares in Stuart and acquires those Shares, the rollover relief will not be available.

If a Stuart Shareholder is eligible and chooses to apply the scrip for scrip rules, Senex Shares received by the Stuart Shareholder should have a cost base equal to the cost base of the original Stuart Shares. This cost base will be relevant in determining any future capital gains tax liability on the subsequent disposal of the Senex Shares.

9.5 Stamp duty and GST

Stuart Shareholders who dispose of their Stuart Shares under the Offer are not expected to incur any Australian stamp duty or be subject to GST on that disposal.

9.6 Obtain your own taxation advice

Do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, Senex does not accept any responsibility for tax implications for individual Stuart Shareholders.

Senex is not a registered tax agent under the *Tax Agent Services Act 2009* (Cth) and cannot provide tax advice to specific Stuart Shareholders. Stuart Shareholders should obtain tax advice from a registered tax agent on the consequences of accepting the Offer.

10 Important documents

10.1 Merger Implementation Agreement

On 21 February 2011, Senex and Stuart entered into a Merger Implementation Agreement (**Merger Implementation Agreement**) for the proposed takeover bid by Senex for all the Stuart Shares.

The terms of the Merger Implementation Agreement include:

- (a) all Stuart Directors unanimously recommending that Stuart Shareholders accept the Offer, unless there is a Superior Proposal;
- (b) until the end of the Offer Period, Stuart must comply with the no shop, no talk and notification of approaches conditions;
- (c) a \$700,000 break fee is payable by Stuart to Senex in certain circumstances; and
- (d) a \$500,000 break fee is payable by Senex to Stuart in certain circumstances.

Break fee payable by Stuart

Stuart has agreed to pay Senex a break fee of \$700,000, which is around 1 per cent of the market value of Stuart⁹, if:

- (a) at any time during the Offer Period, any director of Stuart:
 - (i) makes any public statement to the effect that he or she does not support (or no longer supports) the Takeover Offer; or
 - (ii) (without limiting (a)(i)) fails to recommend that Stuart Shareholders accept the Offer or, having done so, publicly withdraws or varies his or her favourable recommendation of the Offer (or any part of it);
- (b) at any time during the Offer Period:
 - (i) any director of Stuart publicly recommends, promotes or otherwise endorses a Competing Proposal; or
 - (ii) a Superior Proposal is made or announced or is open for acceptance and a director of Stuart recommends that Superior Proposal;
- (c) during the Offer Period any person other than Senex (or its Associates) acquires a relevant interest in more than 50% of the Stuart Shares;
- (d) an Insolvency Event occurs in respect of Stuart; or
- (e) Stuart breaches a term of the Merger Implementation Agreement and that breach results in the termination of that agreement by Senex.

No break fee is payable by Stuart if:

- (a) the Merger Implementation Agreement has been validly terminated before one of the events listed above occurs; or
- (b) the 50.1 per cent minimum acceptance condition and the other Defeating Conditions are satisfied or waived or the Merger Implementation Agreement has already been terminated. Stuart's obligation to pay the break fee will also not be imposed if that obligation involves a breach of directors' duties, is otherwise unlawful or a court or the Takeovers Panel determines that the payment of the break fee constitutes unacceptable circumstances.

Break fee payable by Senex

Senex has agreed to pay Stuart a break fee of \$500,000, if:

- (a) Senex breaches a term of the Merger Implementation Agreement and that breach results in the termination of that agreement by Stuart;
- (b) an Insolvency Event occurs in respect of Senex;
- (c) Senex withdraws the Offer, except:
 - (i) as a result of a breach of a term of the Merger Implementation Agreement by Stuart; or
 - (ii) where a Superior Proposal is made or announced; or
- (d) a Senex Prescribed Occurrence occurs.

No break fee is payable by Senex if the Offer is made and three Business Days after the end of the Offer Period the 50.1 per cent minimum acceptance condition has been satisfied and all other Defeating Conditions have been satisfied or waived by Senex.

⁹ Based on the Offer Consideration using the closing price of Senex's Shares on the trading day immediately before the Announcement Date

Exclusivity arrangements

Stuart has agreed not to:

- (a) take any action which may lead to a Competing Proposal (no shop condition); or
- (b) participate in negotiations or discussions, or give or make available information (including access to perform due diligence) in respect of a Competing Proposal, including by responding to any approach that may lead to a Competing Proposal (no talk condition).

Stuart is not required to comply with the no talk condition to the extent that compliance with those obligations would, or is reasonably likely to, in the opinion of the Stuart Board decided in good faith and based on the written legal opinion of a Queen's Counsel or Senior Counsel or Stuart's external legal advisers:

- (c) involve a breach of the fiduciary duties owed by any director of Stuart; or
- (d) otherwise be unlawful.

Stuart has agreed to promptly notify Senex if it becomes aware of any negotiations or discussions or any approaches or attempts to initiate negotiations or discussions or any intentions to make an approach or attempt to initiate any negotiations or discussions in respect of a Competing Proposal.

Other limitations

Stuart has agreed to conduct its business in the ordinary course and will not, without Senex's consent (such consent not to be unreasonably withheld):

- (a) initiate drilling operations on any of Stuart's tenements except where Stuart's share of expenditure incurred in connection with those drilling operations does not exceed \$800,000 in aggregate and Stuart has obtained Senex's prior approval of the well proposal; or
- (b) undertake or agree to undertake capital expenditure in excess of \$200,000 in aggregate.

Stuart incentive plans

Stuart has agreed:

- (a) to consent to the transfer of Stuart Shares to Senex under the Offer for those Stuart Shares that are held in Stuart's Employee Share Plan and subject to a restriction on transfer;
- (b) to the transfer of Stuart Options to Senex in connection with the Offer; and
- (c) that 50 per cent of the Performance Rights on issue will lapse on Stuart being sent this Bidder's Statement, with the other 50 per cent to become exercisable during the Offer Period.

Termination

Either party to the Merger Implementation Agreement may terminate that agreement if:

- (a) a Superior Proposal is made or publicly announced for Stuart by a third party and a Stuart Director recommends that Superior Proposal;
- (b) the other party fails to remedy a material breach of the Merger Implementation Agreement;
- (c) Senex withdraws the Offer for any reason, including non-satisfaction of a Defeating Condition;
- (d) a court or Government Agency has taken any action permanently restraining or otherwise prohibiting the Offer, or has refused to do any thing necessary to permit the Offer, and the action or refusal has become final and cannot be appealed;
- (e) an Insolvency Event occurs in respect of the Senex or Stuart; or
- (f) the Defeating Conditions have not been satisfied or waived by Senex by the end of the Offer Period.

Stuart may also terminate the Merger Implementation Agreement if a Senex Prescribed Occurrence or Senex Material Adverse Change occurs.

10.2 Pre-Bid Acceptance Agreement

On 21 February 2011, David Clarke (a Stuart Director) and Kabininge Nominees Pty Ltd (**Kabininge**) (an entity associated with David Clarke) entered into a Pre-bid Acceptance Agreement with Senex, under which David Clarke and Kabininge have agreed to accept Senex's Offer for 13,216,484 Stuart Shares in aggregate, which represents 19.9 per cent of the Stuart Shares on issue at the date of this Bidder's Statement.

David Clarke and Kabininge must accept the Offer for the Stuart Shares that are the subject of the Pre-bid Acceptance Agreement on the date of the Offer (which is 21 February 2011, the same date as the date of this Bidder's Statement).

11 Additional information

11.1 Senex is a disclosing entity

As Senex is offering Senex Shares as consideration for the acquisition of Stuart Shares, the Corporations Act requires that this Bidder's Statement includes all information that would be required for a prospectus for an offer of Senex Shares under sections 710 to 713 Corporations Act. Senex does not need to issue a separate prospectus for the offer of the Senex Shares as the offer is occurring under a takeover bid.

Senex is a disclosing entity (as defined in section 111AC Corporations Act) for the purposes of section 713 Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, Senex is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of Senex's securities.

Senex Shares have been quoted on the ASX during the 12 months prior to the date of this Bidder's Statement. For this reason, Senex is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where Senex's shares are continuously quoted securities the prospectus is only required to contain information on the effect of the Offer on Senex and the rights and liabilities attaching to the Senex Shares. It is not necessary to include general information on all of the assets and liabilities, financial position and performance, profits and losses or prospects of Senex unless that information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of those matters and the rights and liabilities attaching to the Senex Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete. Senex, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC by Senex (not being documents referred to in section 1274(2)(a) Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - (i) the financial statements of Senex for the 12 months ended 30 June 2010 (being the annual financial report most recently lodged by Senex with ASIC);
 - (ii) the half-year financial report for the 6 months ended 31 December 2010 lodged with ASIC by Senex; and
 - (iii) all continuous disclosure notices given by Senex after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

If you would like to receive a copy of any of these documents or publications, please contact the shareholder information line weekdays between 8.00am and 5.00pm (Brisbane time) on 1800 201 214 (Australia only) or +61 2 8256 3398 (outside Australia).

Copies of all documents lodged with ASIC in relation to Senex can be inspected at the registered office of Senex during normal office hours. A list of announcements made by Senex on the ASX between 1 July 2010 and the date of this Bidder's Statement appears in Schedule 3.

Other than information contained in this Bidder's Statement, there is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and is information that a Stuart Shareholder or a professional adviser to a Stuart Shareholder would reasonably require for the purposes of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of Senex; or
- (b) the rights and liabilities attaching to the Senex Shares.

None of the information referred to in this section 11.1 is incorporated by reference into this Bidder's Statement or is included with this Bidder's Statement.

11.2 Capital structure of Senex

At the date of this Bidder's Statement, Senex has the following securities on issue:

- (a) 588,424,680 Senex Shares; and
- (b) 20,510,000 options over unissued Senex Shares.

The options are exercisable as follows:

Expiry Date	Exercise Price	Number of options
31/01/2012	25 cents	8,700,000
30/06/2014	37 cents	2,210,000
02/02/2014	25.5 cents	2,000,000
09/09/2015	25.5 cents	1,200,000
19/07/2016	25.5 cents	800,000
19/07/2017	25.5 cents	1,000,000
19/07/2018	25.5 cents	1,000,000
31/08/2014	27 cents	3,000,000
30/06/2014	37 cents	600,000

11.3 Senex Shares to be issued as Offer Consideration

The price for the acquisition of Stuart Shares under the Offer is to be satisfied by the issue of Senex Shares. The Offer Consideration is 2.5 Senex Shares for every 1 Stuart Share the Stuart Shareholders own.

The number of Senex Shares to be issued will depend on the number of Stuart Shares that Senex acquires under the Offer.

The maximum number of Senex Shares which would be required to be issued under the Offer if acceptances are received in respect of all the Stuart Shares on issue at the date of this Bidder's Statement is 167,706,055 Senex Shares (excluding rounding adjustments).

If all Stuart Option holders convert their Stuart Options into Stuart Shares before the end of the Offer Period and accept the Offer, an additional 4,291,678 Senex Shares would be required to be issued (excluding rounding adjustments).

A further 938,080 Senex Shares would be required to be issued if all holders of Performance Rights converted their Performance Rights into Stuart Shares and accepted the Offer for those Stuart Shares. However, Stuart expects that, at most, 469,040 Senex Shares will be issued in respect of acceptances for Stuart Shares issued on conversion of Performance Rights, as Stuart has agreed that half of the Performance Rights on issue will lapse.

Senex Shares issued under the Offer are exempt from ASX Listing Rule 7.1 (which prohibits issues exceeding 15 per cent of a company's share capital in any 12 month period). Accordingly, Senex has the capacity to issue the maximum number of Senex Shares that may be required under the Offer.

11.4 Rights and liabilities attaching to Senex Shares

The rights and liabilities attaching to ownership of Senex Shares arise from a combination of Senex's constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights and liabilities attaching to Senex's Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Senex Shareholders.

Voting at a general meeting

Subject to any shares which may in the future be issued with special or preferential rights, every member present in person at a general meeting of Senex or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Senex Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

Meeting of members

Each Senex Shareholder is entitled to receive notice of, attend and vote at meetings of Senex and to receive all notices, accounts and other documents required to be sent to Senex Shareholders under Senex's constitution, the Corporations Act and the ASX Listing Rules.

Dividends

The Directors may authorise the payment to members of dividends. Dividends are payable on all Senex Shares in proportion to the amount of the total issue price paid (but not credited) for the Senex Shares. This is subject to any special or preferential rights attached to any class of shares created after the issue of the Senex Shares.

Transfer of Senex Shares

Senex Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, or by a written instrument of transfer in any usual form or in any other form approved by the Directors.

The Directors may only decline to register a transfer of Senex Shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted or required to do so under the ASX Listing Rules. If the Directors refuse to register a transfer, Senex must, within five Business Days after the transfer is lodged with Senex, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Senex Shares when required by the Corporations Act or the ASX Listing Rules.

Issue of further Senex Shares

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further shares in Senex on terms as they see fit. However, the Directors must act in accordance with the restrictions imposed by Senex's constitution, the Corporations Act, the ASX Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

Winding-up

If Senex is wound up, then, subject to any special rights attaching to any class of shares, Senex Shareholders will be entitled to participate in any surplus assets of Senex in proportion to the amount paid up (or which ought to have been paid up) on their Senex Shares when the winding-up begins.

Unmarketable parcels

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, Senex may refuse to register a transfer where to do so would create a parcel of shares less than a marketable parcel and may also, at Senex's expense, invoke a procedure set out in the Constitution for the sale of any parcels of shares that constitute less than a marketable parcel.

Share buy-back

Subject to the provisions of the Corporations Act and the ASX Listing Rules, Senex may buy back Senex Shares on terms and at times determined by the Directors.

Variation of class rights

Unless otherwise provided by Senex's constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (a) with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- (b) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10 per cent of the votes in the class of shares, the rights of which have been varied or abrogated, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or abrogation.

Dividend reinvestment plan and bonus share plan

Senex's constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by Senex be reinvested by way of subscription for shares in Senex) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the Senex Shares held by that member and to receive instead Senex Shares).

Indemnities

To the extent permitted by law, Senex indemnifies every officer and former officer of Senex against a liability incurred by the person acting in that capacity.

In addition, every officer is indemnified out of the assets of Senex against any liability incurred in defending any civil or criminal proceedings:

- (a) in which judgment is given in favour of the officer, or in which the officer is acquitted; or
- (b) in connection with any application for that proceeding in which relief is granted to the officer under the Corporations Act by the court, and where proceedings are commenced, but are struck out or are in any other manner discontinued or determined otherwise than by a judgment or conviction against the officer.

Alteration of Senex's constitution

Senex's constitution can only be amended by special resolution passed by at least 75 per cent of Senex Shareholders present and voting at a general meeting of Senex. Senex must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

11.5 Capital structure of Stuart

At the date of this Bidder's Statement, Senex understands that Stuart has the following securities on issue:

- (a) 67,082,422 Stuart Shares;
- (b) 1,716,671 Stuart Options; and
- (c) 375,232 Performance Rights.

Senex's Offer is to acquire all of the issued Stuart Shares and any Stuart Shares issued before the end of the Offer Period on the conversion of Stuart Options or Performance Rights. Under the Merger Implementation Agreement, Stuart has agreed that 50 per cent of the Performance Rights on issue will lapse.

11.6 Stuart Options

If a holder of Stuart Options exercises those options, he or she can accept the Offer for the Stuart Shares received from the exercise of those options.

Senex will make a separate offer to holders of Stuart Options to acquire all Stuart Options that are 'out of the money', that is, Stuart Options which have an exercise price above the implied Offer Consideration of \$1.14¹⁰ (**Out of the Money Stuart Options**).

The offer to acquire the Out of the Money Stuart Options will be based on a Black-Scholes valuation methodology and will be subject to the following conditions (which can be waived by Senex):

- (a) acceptances are received for all Out of the Money Stuart Options or those options are otherwise exercised;
- (b) the Offer for Stuart Shares being declared free from all Defeating Conditions or those conditions being satisfied; and
- (c) Senex receiving the option certificates for all Out of the Money Stuart Options it acquires.

The offer to acquire Out of the Money Stuart Options is not part of the Offer for Stuart Shares as set out in this Bidder's Statement.

11.7 Details of Senex's Directors' relevant interests in Stuart Shares

At the date of this Bidder's Statement, no Directors of Senex had a relevant interest in Stuart Shares.

11.8 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither Senex nor any of its associates has, during the period of four months before the date of the Offer, or in the period commencing on the date of this Bidder's Statement and ending on the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- (a) accept an Offer; or
- (b) dispose of Stuart Shares,

which benefit was not offered to all Stuart Shareholders under the Offer.

11.9 Miscellaneous matters

ASIC relief

- (a) ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including Senex, about the operation of Chapter 6 Corporations Act. Senex may rely on this class order relief.
- (b) Senex has relied on the modification to section 636(3) Corporations Act in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and the ASX without obtaining the consent of the persons to whom those statements are attributed.
- (c) As required by Class Order 01/1543, Senex will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to Stuart Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) Stuart Shareholders should contact the shareholder information line on 1800 201 214 or +61 2 8256 3398 for overseas domiciled holders) between 8.00am and 5.00pm Monday to Friday (Brisbane time).

¹⁰ Based on the closing price of Senex's Shares on the trading day immediately before the Announcement Date

Regulatory matters

Senex is not aware of any Regulatory Approval which is required for it to acquire control or ownership of Stuart.

11.10 Foreign Shareholders

If you are a Foreign Shareholder, unless Senex otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with Senex Shares on acceptance of the Offer; and
 - (b) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, its external territories or New Zealand,
- you will not be entitled to receive Senex Shares as consideration for your Stuart Shares.

Instead, Senex will:

- (a) arrange for the issue to the Nominee of the number of Senex Shares to which you and all other Foreign Shareholders would have been entitled but for clause 2.2 of the Offer Terms (Schedule 1);
- (b) cause the Nominee to offer for sale those Senex Shares within five Business Days after the end of the Offer Period in the manner, at the price and on other terms as are determined by the Nominee; and
- (c) pay to you the amount ascertained in accordance with the formula in clause 5.3 of the Offer Terms (Schedule 1).

Notwithstanding anything else contained in this Bidder's Statement, Senex is not under any obligation to spend any money or undertake any action, in order to satisfy itself of the eligibility of Foreign Shareholders to receive Senex Shares.

11.11 Consents

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by Stuart or announced on the company announcements platform of the ASX by Stuart. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

- (a) RBS Morgans Corporate Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as financial adviser to Senex in respect of the Offer in the form and context in which it is named.
- (b) McCullough Robertson Lawyers has given and have not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as legal adviser to Senex in respect of the Offer in the form and context in which they are named.
- (c) Security Transfer Registrars Pty Ltd has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as registry to Senex in respect of the Offer in the form and context in which it is named.
- (d) Dr Steven Scott has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn his written consent to being named in this Bidder's Statement and to the inclusion of statements attributable to him in the form and context in which he is named and those statements are included.
- (e) Each of RBS Morgans Corporate Limited, McCullough Robertson Lawyers, Security Transfer Registrars Pty Ltd and Dr Steven Scott:
 - (i) does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
 - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

11.12 Fees and benefits payable to Directors and advisers

Other than as set out below or elsewhere in this Bidder's Statement, no:

- (a) Director or proposed director of Senex;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- (c) promoter of Senex,

has, or had within two years before the date of this Bidder's Statement, any interest in:

- (a) the formation or promotion of Senex;
- (b) any property acquired or proposed to be acquired by Senex in connection with its formation or promotion or in connection with the issue of Senex Shares under the Offer; or
- (c) the offer of Senex Shares under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or a proposed director of Senex as an inducement to become, or to qualify as, a Director of Senex or to any of those persons otherwise for services rendered by them in connection with the formation or promotion of Senex or the offer of Senex Shares under this Bidder's Statement.

The Directors of Senex have the following relevant interests in Senex Shares or options over unissued Senex Shares (either held directly, held by entities controlled by them or held by entities of which they are directors or held by family members) at the date of this Bidder's Statement:

Director	Senex Shares	% of Senex Shares on Issue	Options over Senex Shares
Denis Patten	500,000	0.085%	1,500,000
Ian Davies	231,000	0.039%	4,000,000
Robert Pett	541,500	0.092%	1,000,000
Timothy Crommelin	2,489,362	0.42%	-

McCullough Robertson Lawyers have acted as legal advisers to Senex in relation to the Offer. McCullough Robertson Lawyers are entitled to receive professional fees on a normal basis.

RBS Morgans Corporate Limited has acted as financial adviser and Brokers to Senex in relation to the Offer. RBS Morgans Corporate Limited is entitled to receive professional fees on a normal basis. Timothy Crommelin (a Senex Director) is a director of RBS Morgans Corporate Limited.

11.13 Expiry date

No Senex Shares will be issued on the basis of the Offer contained in this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

11.14 Other material information

Except as set out elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Stuart Shareholder whether or not to accept an Offer; and
- (b) known to Senex,

and has not previously been disclosed to Stuart Shareholders.

12 Glossary

12.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the contrary intention appears or the context requires otherwise:

1P means certified to be 'Proved' (developed plus undeveloped) in accordance with SPE-PRMS.

2P means certified to be 'Proved' plus 'Probable' in accordance with the SPE-PRMS.

3P means certified to be 'Proved', 'Probable' plus 'Possible' in accordance with the SPE-PRMS.

AASB means Australian Accounting Standards Board.

ACCC means the Australian Competition and Consumer Commission.

Acceptance Form means the form of acceptance and transfer accompanying this Bidder's Statement.

AIFRS means the Australian International Financial Reporting Standards.

Announcement Date means 21 February 2011, being the date of announcement of the Offer.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term by section 12 Corporations Act as if section 12(1) Corporations Act included an associate reference occurring in this document.

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

ASX Listing Rules means the Listing Rules of ASX and any other rules of ASX which are applicable while Senex is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532, the body which administers the CHES system in Australia.

ASX Settlement Operating Rules means the settlement rules of ASX, a copy of which is available at www.asx.com.au.

ATP means an authority to prospect granted under the *Petroleum Act 1923* (Qld) or the *Petroleum and Gas (Production and Safety) Act 2004* (Qld).

Bidder's Statement means this document, being the statement of Senex under Part 6.5 Division 2 Corporations Act relating to the Offer.

Broker means a person who is a share broker and a participant in CHES.

Business Day means a business day as defined in the Listing Rules.

CGT means capital gains tax.

CHES means the Clearing House Electronic Subregister System, which provides for electronic share transfers in Australia.

CHES Holder means a person who has a CHES Holding.

CHES Holding means a holding of Stuart Shares on the CHES subregister of Stuart.

Cooper Basin means the sedimentary geological basin in north-east South Australia and south-west Queensland.

Competing Proposal means a transaction or arrangement which, if completed, would mean a person other than Senex (or its Associate) (or both) would:

- (a) acquire a Relevant Interest in 20% or more of Stuart's securities;
- (b) acquire control of Stuart, within the meaning of section 50AA Corporations Act;
- (c) acquire all or a substantial part of Stuart's business, assets or undertaking; or
- (d) otherwise acquire or merge with Stuart.

Controlling Participant means the Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHES Holding in accordance with the ASX Settlement Operating Rules.

Corporations Act means *Corporations Act 2001* (Cth).

Defeating Condition means each of the conditions of the Offer set out in Schedule 2.

Directors means the directors of Senex Energy Limited ACN 008 942 827.

EBIT means earning before interest and tax.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Encumbrance means any mortgage, charge, pledge or lien, and any security interest or a preferential or adverse interest of any kind, a title retention arrangement, a right of any person to purchase, occupy or use assets (including under a hire purchase agreement, option, licence, lease, or agreement to purchase), a right to set-off or right to withhold payment of a deposit or other money, an easement, restrictive covenant, caveat or similar restriction over property (except, in the case of land, a covenant noted on the certificate of title to the land concerned), an agreement to create any of the items referred to above or to allow any of those items to exist, or a notice under section 255 *Income Tax Assessment Act 1936* (Cth), subdivision 260 A in schedule 1 *Taxation Administration Act 1953* (Cth), or any similar legislation.

Eromanga Basin means the Mesozoic sedimentary basin covering parts of Queensland, the Northern Territory, South Australia and New South Wales.

Foreign Shareholder means a Stuart Shareholder whose address on the Stuart share register is in a jurisdiction other than Australia or its external territories or New Zealand.

Government Agency means:

- (a) a government or government department or other body;
- (b) a government, semi-governmental or judicial person; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law.

GST has the meaning it has in the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Insolvency Event means any of the following events occurring in relation to a party:

- (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party;
- (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act;
- (c) the party ceases to carry on business; or
- (d) an order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.

Issuer Sponsored Holding means a holding of Stuart Shares on Stuart's issuer sponsored subregister.

Kabinige means Kabinige Nominees Pty Ltd ACN 116 543 778

LNG means liquefied natural gas.

Material Adverse Change means:

- (a) any matter, event or circumstance which happens, is announced or becomes known to Senex after the date of this document which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either:
 - (i) the value of consolidated net assets of the Stuart Group being reduced by at least \$1,000,000 against what they would have been but for the matters, events or circumstances; or
 - (ii) the net debt of the Target Group (being amounts owing under loans and overdraft facilities less cash and cash equivalents) being increased by at least \$1,000,000 against what it would have been but for the matters, events or circumstances;
- (b) circumstances in respect of which each of the following conditions are satisfied:
 - (i) the Bidder becomes aware, prior to the end of the Offer Period, that the Target has breached its continuous disclosure obligations under the Listing Rules prior to the date of this document in a material respect;
 - (ii) the information giving rise to such breach (**Relevant Target Information**) was not:
 - (A) disclosed in writing by the Target or its advisers to the Bidder or its advisers prior to the date of this document;
 - (B) disclosed in any formal management presentation given by the Target to the Bidder prior to the date of this document; and
 - (iii) had a reasonable bidder in similar circumstances to the Bidder known of the Relevant Target Information prior to the date of this document, it would have resulted in that reasonable bidder offering less New Bidder Shares as Consideration under the Takeover Bid,

but does not include:

- (c) any matter, event or circumstance arising from changes in economic or business conditions (including changes in oil prices or currency exchange rates) which impact on Stuart and its competitors in a similar manner;

- (d) any change in taxation rates or taxation laws which impact on Stuart and its competitors in a similar manner;
- (e) any change in accounting policy required by law; or
- (f) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Offer or the transactions contemplated by them.

Merged Group means the Senex Group (including the Stuart Group) which will exist as a result of the takeover bid as constituted by the Offer, should the takeover proceed to its conclusion and Senex acquires all of the Stuart Shares on issue.

Merger Implementation Agreement means the agreement between Senex and Stuart dated 21 February 2011 documenting Senex's proposal to make a takeover bid to acquire all the Stuart Shares.

mmboe means million barrels of oil equivalent.

Net Proceeds means the amount which is received by the Nominee upon the sale of all Senex Shares under clause 5.4 of Schedule 1 less brokerage and other sale expenses.

Nominee means an entity to be appointed by Senex after the date of this Bidder's Statement with the prior approval of ASIC.

Non-Broker Participant means a non-broker participant under the ASX Settlement Operating Rules.

Offer or **Offers** or **Senex Offer** means the offer by Senex on the Offer Terms to acquire Stuart Shares referred to in section 2 of this Bidder's Statement.

Offer Consideration means 2.5 Senex Shares for every 1 Stuart Share.

Offer Period means the period commencing on 21 February 2011 and ending at 5.00pm (Brisbane time) on 29 March 2011, or such later date to which the Offer is extended.

Offer Terms means the terms and conditions of the Offer set out in Schedules 1 and 2 to this Bidder's Statement.

Pedirka Basin means the Paleozoic intracratonic sedimentary basin located primarily in the Northern Territory and extending into South Australia and possibly Queensland.

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

PELA means an application for a PEL.

Performance Rights means a right, granted under the Stuart performance rights plan, to be allocated one Stuart Share, subject to certain vesting criteria.

Petroleum Act means *Petroleum Act 1923* (Qld), *Petroleum and Gas (Production and Safety) Act 2004* (Qld) or *Petroleum Act 2000* (SA), as relevant.

PJ means petajoule.

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

PPL means a petroleum production licence granted under the *Petroleum Act 1923* (Qld) or the *Petroleum and Gas (Production and Safety) Act 2004* (Qld).

PRL means petroleum retention licence granted under a Petroleum Act.

Pre-Bid Acceptance Agreement means the pre-bid acceptance agreement between David Clarke, Kabininge and Senex dated 21 February 2011.

Prescribed Occurrence means:

- (a) **(conversion)** Stuart converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** Stuart resolves to reduce its share capital in any way;
- (c) **(buy-back)** Stuart:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** Stuart makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
- (e) **(issuing shares or options)** a member of the Stuart Group:
 - (iii) issues shares;
 - (iv) grants an option over its shares; or
 - (v) agrees to make an issue of shares or grant an option over its shares,

in each case to a person outside the Stuart Group;

- (f) **(securities or other instruments)** a member of the Stuart Group:
 - (vi) issues securities or other instruments convertible into shares or debt securities; or
 - (vii) agrees to issue securities or other instruments convertible into shares or debt securities,

in each case to a person outside the Stuart Group;

- (g) **(constitution)** a member of the Stuart Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (h) **(disposals)** a member of the Stuart Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property,

but a Prescribed Occurrence does not include:

- (i) any occurrence disclosed in writing by Stuart or its advisers to Senex or its advisers prior to the date of Merger Implementation Agreement;
- (j) any occurrence that was disclosed in any formal management presentation given by the Stuart to Senex prior to the date of the Merger Implementation Agreement;
- (k) the issue of Stuart Shares on the exercise of Stuart Options or Performance Rights granted before the date of the Merger Implementation Agreement;
- (l) any matter required to be done or brought about by Stuart under the Merger Implementation Agreement or which is contemplated by the Offer; or
- (m) any other matter, the undertaking of which Senex has approved in writing.

Pro Forma Balance Sheet means the pro forma combined balance sheet of the Merged Group referred to in section 6.5 of this Bidder's Statement.

QGC means QGC Pty Limited ACN 089 642 553 (a member of the BG Group).

Register Date means the date set by Senex under section 633(2) Corporations Act.

Regulated Event means:

- (a) **(acquisitions, disposals or tenders)** a member of the Stuart Group:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,any business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$200,000;
- (b) **(Encumbrances)** a member of the Stuart Group creates any Encumbrance over the whole or a substantial part of its business or property (other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (c) **(board)** any person is appointed to the Stuart Board, other than those nominated by Senex;
- (d) **(employment arrangements)** a member of the Stuart Group:
 - (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind,other than as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- (e) **(termination or retention payment)** a member of the Stuart Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to Senex);
- (f) **(commitments and settlements):** a member of the Stuart Group:
 - (i) enters into any contract or commitment involving revenue or expenditure by the Stuart Group of more than \$200,000 over the term of the contract or commitment;
 - (ii) terminates or amends in a material manner any contract material to the conduct of the Stuart Group's business or which involves revenue or expenditure of more than \$200,000 over the term of the contract;
 - (iii) waives any material third party default; or
 - (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$200,000) less than the full compensation due to Stuart or a Subsidiary of Stuart;

- (g) **(financial arrangements)** a member of the Stuart Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;
- (h) **(capital expenditure)** a member of the Stuart Group undertakes or agrees to undertake capital expenditure in excess of \$200,000 in aggregate;
- (i) **(insolvency)** an Insolvency Event occurs in respect of any member of the Stuart Group;
- (j) **(financial indebtedness)** a member of the Stuart Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$200,000;
- (k) **(breach of law)** a member of the Stuart Group takes or omits to take action which results in a breach of law material to a member of the Stuart Group;
- (l) **(accounting policy)** a member of the Stuart Group changes any accounting policy applied by them to report their financial position;
- (m) **(related party)** a member of the Stuart Group enters into or resolves to enter into a transaction with any related party of Stuart as defined in section 228 Corporations Act; or
- (n) **(tax liability)** Stuart or any other member of the Stuart Group does anything that results in a taxable gain for the Stuart Group by either causing a Subsidiary to cease being a member of the Stuart Group or causing the Stuart Group to cease being a Consolidated Group,

but a Regulated Event does not include:

- (o) any occurrence disclosed in writing by Stuart or its advisers to Senex or its advisers prior to the date of the Merger Implementation Agreement;
- (p) any occurrence that was disclosed in any formal management presentation given by the Stuart to Senex prior to the date of the Merger Implementation Agreement;
- (q) the issue of Stuart Shares on the exercise of Stuart Options or Performance Rights granted before the date of the Merger Implementation Agreement;
- (r) any matter required to be done or brought about by Stuart under the Merger Implementation Agreement or which is contemplated by the Offer; or
- (s) any other matter, the undertaking of which Senex has approved in writing.

Regulatory Authority includes ASX, ASIC, ACCC, the Foreign Investment Review Board and the Australian Taxation Office, a Government Agency, a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government and any regulatory organisation established under statute.

Regulatory Approvals means all approvals or consents that are required by law, regulation or regulatory policy, to permit:

- (a) the Offer to be lawfully made to and accepted by Stuart Shareholders; and
- (b) the acquisition of the Stuart Shares by Senex.

Reserve means a Reserve as defined in the SPE-PRMS.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from Stuart Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Stuart or any of its Subsidiaries.

Senex means the bidder, Senex Energy Limited 008 942 827.

Senex Board means the board of Directors of Senex.

Senex Group means Senex and each of its Subsidiaries.

Senex Options means options over unissued Senex Shares.

Senex Material Adverse Change means:

- (a) any matter, event or circumstance which happens, is announced or becomes known to Stuart after the date of the Merger Implementation Agreement which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is reasonably likely to result in either:
 - (i) the value of consolidated net assets of the Senex Group being reduced by at least \$10,000,000 against what they would have been but for the matters, events or circumstances; or
 - (ii) the net debt of the Senex Group (being amounts owing under loans and overdraft facilities less cash and cash equivalents) being increased by at least \$5,000,000 against what it would have been but for the matters, events or circumstances;

- (b) circumstances in respect of which each of the following conditions are satisfied:
 - (i) Stuart becomes aware, prior to the end of the Offer Period, that Senex has breached its continuous disclosure obligations under the Listing Rules prior to the date of this document in a material respect;
 - (ii) the information giving rise to such breach (Relevant Bidder Information) was not:
 - (A) disclosed in writing by Senex or its advisers to Stuart or its advisers prior to the date of this document;
 - (B) disclosed in any formal management presentation given by Senex to Stuart prior to the date of this document; and
 - (iii) had a reasonable target in similar circumstances of Stuart known of the Relevant Bidder Information prior to the date of this document, it would have resulted in that reasonable target seeking more Senex Shares as Offer Consideration under the Offer,

but does not include:

- (c) in respect of paragraph (a), a reduction in consolidated net assets or increase in net debt as a result of development or exploration expenditure incurred in the ordinary course of Senex's business;
- (d) any matter, event or circumstance arising from changes in economic or business conditions (including changes in oil prices or currency exchange rates) which impact on Senex and its competitors in a similar manner;
- (e) any change in taxation rates or taxation laws which impact on Senex and its competitors in a similar manner;
- (f) any change in accounting policy required by law; or
- (g) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Offer or the transactions contemplated by them.

Senex Prescribed Occurrence means:

- (a) **(conversion)** Senex converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** Senex resolves to reduce its share capital in any way;
- (c) **(buy-back)** Senex:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(issuing shares or options)** a member of the Senex Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make an issue of shares or grant an option over its shares,
 in each case to a person outside the Senex Group, other than an issue, grant or agreement made under or in accordance with the Merger Implementation Agreement or an employee or director incentive or performance plan in place at the date of this document;
- (e) **(securities or other instruments)** a member of the Senex Group:
 - (i) issues securities or other instruments convertible into shares or debt securities; or
 - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,
 in each case to a person outside the Senex Group, other than an issue, grant or agreement made under or in accordance with the Merger Implementation Agreement or an employee or director incentive or performance plan in place at the date of this document;
- (g) **(constitution)** a member of the Senex Group adopts a new constitution or modifies or repeals its constitution or a provision of it; or
- (h) **(disposals)** a member of the Senex Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;

but a Senex Prescribed Occurrence does not include:

- (i) any occurrence disclosed in writing by the Senex or its advisers to Stuart or its advisers prior to the date of this document;
- (j) any occurrence that was disclosed in any formal management presentation given by the Senex to Stuart prior to the date of the Merger Implementation Agreement;
- (k) the issue of Senex Shares on the exercise of Senex Options granted before the date of this document;
- (l) any matter required to be done or brought about by the Senex under the Merger Implementation Agreement or which is contemplated by the Offer; or
- (m) any other matter, the undertaking of which Stuart has approved in writing.

Senex Share means a fully paid ordinary share in the capital of Senex.

Senex Shareholder means a registered holder of Senex Shares.

SPE-PRMS means the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers.

Stuart means the target company, Stuart Petroleum Limited ACN 059 146 226.

Stuart Board means the board of directors of Stuart.

Stuart Directors means the current directors of Stuart.

Stuart Group means Stuart and each of its Subsidiaries.

Stuart Options means options issued under the Stuart Petroleum Directors and Executive Option Scheme.

Stuart Shareholder means a registered holder of Stuart Shares.

Stuart Shares means fully paid ordinary shares in the capital of Stuart.

Subsidiaries has the meaning given to that term by section 9 Corporations Act.

Superior Proposal means a publicly announced Competing Proposal that the Stuart Board has determined, acting in good faith, taking into account all aspects of the Competing Proposal, is:

- (a) reasonably capable of being completed; and
- (b) more favourable to Stuart Shareholders than the Senex Offer.

Surat Basin means the sedimentary geological basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales.

Target's Statement means the target's statement, to be prepared by Stuart in response to this Bidder's Statement.

Total Nominee Senex Shares means the total number of Senex Shares allotted to the Nominee under clause 5.4 of Schedule 1.

VWAP means the volume weighted average price of a security.

Your Senex Shares means the number of Senex Shares which would, but for clause 2.4 of Schedule 1, have been allotted to you under the Offer.

12.2 Interpretation

In this Bidder's Statement, unless the context otherwise requires:

- (a) headings are for convenience and do not affect the interpretation;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Bidder's Statement;
- (c) a reference to a section is a reference to a section of this Bidder's Statement;
- (d) a singular word includes the plural and vice versa;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;
- (g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- (h) a reference to '\$' or 'dollar' is to Australian currency.

13 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of Senex on 21 February 2011.

Signed by Denis Patten, Chairman of Senex, in accordance with section 351 Corporations Act.



Denis Patten
Chairman
Senex Energy Limited

Schedule 1

Terms of the Offer

1 Offer

- 1.1 Senex offers to acquire all of your Stuart Shares together with all the Rights attaching to them on the terms set out in this Schedule. This Offer extends to any person who is able during the Offer Period to give good title to Stuart Shares and has not already accepted an Offer for those Stuart Shares.
- 1.2 This Offer extends to all Stuart Shares:
- (a) that exist (or will exist) at the Register Date; and
 - (b) that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, any securities which confer on the holder the right to have Stuart Shares issued to them.
- 1.3 By accepting this Offer, you undertake to transfer to Senex not only the Stuart Shares to which the Offer relates but also all the Rights attached to the Stuart Shares.
- 1.4 Senex Shares issued in accordance with this Offer will rank equally in all respects with Senex Shares on issue at the Register Date.
- 1.5 This Offer is dated 21 February 2011.

2 Offer Consideration

- 2.1 Subject to clause 2.2 of this Schedule 1, the consideration under the Offer is 2.5 Senex Shares for every 1 Stuart Share you own.

Foreign Shareholders

- 2.2 If at the time this Offer is made to you, you are a Foreign Shareholder and Senex does not make a determination of the kind described in section 11.11, you will not be entitled to receive Senex Shares as consideration for your Stuart Shares. Instead, you will receive a cash amount determined in accordance with clause 5.3 of this Schedule 1.

Fractional entitlements

- 2.3 If you accept the Offer and become entitled to receive a fraction of a Senex Share, the number of Senex Shares you are entitled to pursuant to this Offer will be rounded up to the next whole number of Senex Shares. If Senex reasonably believes that you have manipulated your holding of Stuart Shares to take advantage of rounding up, then any fractional entitlement will be aggregated or rounded down to the next whole number of Senex Shares.

3 Offer Period

The Offer will remain open for acceptance during the period commencing on 21 February 2011, and ending at 5.00pm (Brisbane time) on 29 March 2011, unless it is withdrawn or extended in accordance with the Corporations Act.

4 How to accept this Offer

All of your holding

- 4.1 This Offer is for all of your Stuart Shares.

Acceptance procedure for Stuart Shareholders

- 4.2 The acceptance procedure will depend on whether your Stuart Shares are in a CHESS Holding or an Issuer Sponsored Holding.

If you hold your Stuart Shares in a CHESS Holding

- 4.3 You must comply with the ASX Settlement Operating Rules.
- 4.4 If you are a sponsored CHESS Holder of Stuart Shares, to accept the Offer you must:
- (a) instruct your Controlling Participant to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;

- (b) complete, sign and send the accompanying Acceptance Form directly to your stockbroker or Controlling Participant; or
- (c) complete and sign the Acceptance Form and mail or deliver it to the address below and authorise Senex to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf,

before the end of the Offer Period.

If you hold your Stuart Shares in an Issuer Sponsored Holding

- 4.5 If your Stuart Shares are in an Issuer Sponsored Holding, then to accept this Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and deliver it or send it by post so that it is received by Senex's share registry before the end of the Offer Period.

If you are a Broker or a Non-Broker Participant

- 4.6 If you are a Broker or Non-Broker Participant, initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

Mailing and delivery addresses

- 4.7 The mailing and delivery addresses for completed Acceptance Forms are as follows.

The mailing address is:

Stuart Petroleum Limited Takeover

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross
Western Australia, 6953
AUSTRALIA

Alternatively you may deliver the Acceptance Form and any associated documents to:

Stuart Petroleum Limited Takeover

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross
Western Australia, 6153
AUSTRALIA

- 4.8 A reply paid envelope (not able to be used by Stuart Shareholders outside Australia) is enclosed for your convenience.

Acceptance Form

- 4.9 The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer for your Stuart Shares.

Power of attorney, deceased estate

- 4.10 When accepting this Offer, you should also forward for inspection:

- (a) if the Acceptance Form is executed by an attorney, the power of attorney; and
- (b) if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Stuart Shareholder, the relevant grant of probate or letters of administration.

When acceptance is complete

- 4.11 Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at one of the addresses set out in clause 4.7 above and the requirements of this clause have been met, provided that:

- (a) Senex may in its sole discretion waive any or all of those requirements at any time; and
- (b) where those requirements have been complied with for some but not all of your Stuart Shares, Senex may, in its sole discretion, deem your acceptance of this Offer complete in respect of those Stuart Shares for which the requirements have been complied with but not in respect of the remainder.

- 4.12 If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

5 Payment of consideration

When consideration is paid

- 5.1 Subject to clauses 5.3 and 5.4 of this Schedule 1, you will be paid the consideration you are entitled to within one month of the later of:
- (a) the date you accept the Offer; and
 - (b) the date the Offer becomes unconditional.
- 5.2 In any event, you will be paid within 21 days after the end of the Offer Period (assuming all Defeating Conditions of the Offer are satisfied or waived).

Payments to Foreign Shareholders

- 5.3 If you accept the Offer and you are a Foreign Shareholder and Senex does not make a determination of the kind described in section 11.11 of this Bidder's Statement:
- (a) Senex will arrange for the issue to the Nominee of the number of Senex Shares to which you and all other Foreign Shareholders would have been entitled under the Offer but for clause 2.2 of this Schedule 1;
 - (b) Senex will cause the Nominee to offer for sale the Senex Shares as soon as practicable, or otherwise in the manner, at the price and on terms as are determined by the Nominee;
 - (c) Senex will cause the Nominee to pay to you the amount ascertained in accordance with the following formula:

$$\frac{\text{Net Proceeds of Sale} \times \text{Your Senex Shares}}{\text{Total Nominee Senex Shares}}$$

where:

- (i) **Net Proceeds of Sale** means the amount which is received by the Nominee upon the sale of all Senex Shares under this clause 5.3 less brokerage and other sale expenses;
 - (ii) **Your Senex Shares** means the number of Senex Shares which would, but for clause 2.2 of this Schedule 1, have been allotted to you under the Offer; and
 - (iii) **Total Nominee Senex Shares** means the total number of Senex Shares allotted to the Nominee under this clause 5.3;
- (d) you will receive your share of the proceeds of this sale in Australian currency;
 - (e) payment will be made by cheque posted to you at your risk by ordinary mail at the address provided on your Acceptance Form; and
 - (f) under no circumstances will interest be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

Where additional documents are required

- 5.4 Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney):
- (a) if the documents are given with your acceptance, Senex will provide the consideration in accordance with clause 5.1 of this Schedule 1;
 - (b) if the documents are given after acceptance and before the end of the Offer Period and the Offer is subject to a Defeating Condition at the time that Senex is given the documents, Senex will provide the consideration by the end of whichever period ends earlier:
 - (i) within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period;
 - (c) if the documents are given after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that Senex is given the documents, Senex will provide the consideration by the end of whichever period ends earlier:
 - (i) one month after Senex is given the document; and
 - (ii) 21 days after the end of the Offer Period; or
 - (d) if the documents are given after the end of the Offer Period, Senex will provide the consideration within 21 days after the documents are given, but if at the time Senex is given the documents, the contract resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions, Senex will provide the consideration within 21 days after that contract becomes unconditional.
- 5.5 If you do not give Senex the required additional documents within one month after the end of the Offer Period, Senex may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

Where Senex is entitled to any Rights

- 5.6 If Senex becomes entitled to any Rights on acceptance of this Offer, you must give Senex all documents that Senex needs to give Senex title to those Rights. If you do not give those documents to Senex, or if you have received the benefit of those Rights, Senex will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Senex) of those Rights.

Payment to be mailed by cheque

- 5.7 Payment of the cash amount to which you are entitled will be mailed by cheque (or otherwise as agreed by Senex) in Australian currency. Cheques will be sent to the address on the Acceptance Form by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

Clearances for offshore residents

- 5.8 If, at the time of acceptance of this Offer, you are resident in or of a place outside Australia, you will not be entitled to receive any consideration under this Offer until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations or otherwise), or of the Australian Taxation Office, have been obtained.

6 Conditions of the Offer

Conditions

- 6.1 This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Defeating Conditions.

Nature of conditions

- 6.2 Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 2:
- (a) constitutes and will be construed as a separate, several and distinct condition;
 - (b) is a condition subsequent; and
 - (c) until the expiration of the Offer Period will be for the benefit of Senex alone and may be relied upon only by Senex.

Conditions apply to multiple events

- 6.3 Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:
- (a) one of them relates solely to that event; and
 - (b) the other specifically excludes that event.

Senex may declare the Offer free under clause 6.5 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of times to a Defeating Condition (including a condition arising from a previous operation of this clause).

Effect of breach or non-fulfilment

- 6.4 The breach or non-fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your Stuart Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:
- (a) Senex has not declared the Offers (and they have not become) free from that Defeating Condition; or
 - (b) that Defeating Condition has not been satisfied,

all contracts resulting from the acceptance of the Offers and all acceptances that have not resulted in binding contracts are void. In that case, Senex will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

Senex may decide Offer is free from all or any of the Defeating Conditions

- 6.5 Senex may at any time at its sole discretion but in compliance with section 650F and section 630(1) Corporations Act, declare the Offers free from all or any of the Defeating Conditions by written notice to Stuart not later than seven days before the end of the Offer Period.

Date for giving notice on status of Defeating Conditions

- 6.6 The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) Corporations Act is the date seven days before the end of the Offer Period, subject to variation in accordance with section 630(2) Corporations Act in the event that the Offer Period is extended.

Effect of acceptance

- 6.7 Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, unless:
- (a) by the end of the Offer Period, the Defeating Conditions have not all been satisfied or waived in which case, this Offer will automatically terminate; or
 - (b) the circumstances set out in section 650E Corporations Act apply.
- 6.8 By signing and returning the Acceptance Form, you will be deemed to have:
- (a) irrevocably accepted this Offer (and each variation of this Offer) in respect of all your Stuart Shares despite any difference between that number and the number of Stuart Shares shown in the Acceptance Form;
 - (b) irrevocably authorised Senex to alter the Acceptance Form on your behalf by:
 - (i) inserting correct details of your Stuart Shares;
 - (ii) filling in any blanks remaining on the Acceptance Form; and
 - (iii) rectifying any errors in, and omissions from, the Acceptance Form,as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your Stuart Shares to Senex;
 - (c) represented and warranted to Senex, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to Senex:
 - (i) you have paid to Stuart all amounts which are due for payment for your Stuart Shares;
 - (ii) all of your Stuart Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
 - (iii) you have full power and capacity to sell and transfer those Stuart Shares;
 - (d) granted to Senex and each of its Directors power of attorney to execute any document or do any thing on your behalf necessary to cause Stuart to issue a replacement share certificate for those Stuart Shares;
 - (e) agreed to:
 - (i) do anything necessary to ratify any act taken or purported to be taken by Senex or any of its Directors in accordance with the power of attorney granted by clause 6.8(d); and
 - (ii) indemnify Senex and each of its Directors in respect of that act;
 - (f) from the time of acceptance until the earlier of:
 - (i) the Offer has become unconditional;
 - (ii) the withdrawal of your acceptance under section 650E Corporations Act; and
 - (iii) the end of the Offer Period,irrevocably appointed Senex or any nominee of Stuart as your attorney to exercise all your powers and rights attaching to your Stuart Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of Stuart or appoint a proxy or proxies to attend and vote on your behalf at any such meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Offer being successful and to do so in that way which would prevent that effect arising;
 - (g) on this Offer or any takeover contract becoming unconditional, irrevocably appointed Senex or any nominee of Senex as your attorney to exercise all your powers and rights attaching to your Stuart Shares including (without limitation):
 - (i) to requisition, convene, attend and vote at all general meetings of Stuart or appoint a proxy or proxies to attend and vote on your behalf at any such meeting; and
 - (ii) sign all documents and resolutions relating to your Stuart Shares, and generally to exercise all powers and rights which you may have as a Stuart Shareholder and perform such actions as may be appropriate in order to vest good title in your Stuart Shares in Senex;
 - (h) agreed that in exercising the powers conferred by the power of attorney in clause 6.8(f), Senex is entitled to act in the interests of Senex;
 - (i) agreed not to attend or vote in person at any general meeting of Stuart or to exercise or purport to exercise any of the powers conferred on Senex or its nominee in clause 6.8(f);
 - (j) agreed to accept the Senex Shares, to which you have become entitled by acceptance of this Offer, subject to the constitution of Senex and have authorised Senex to place your name on the register of members for those Senex Shares; and
 - (k) if your Stuart Shares are in a CHES Holding and you sign and return the Acceptance Form, irrevocably authorised Senex:
 - (i) to instruct your Controlling Participant to initiate acceptance of this Offer for your Stuart Shares in accordance with the ASX Settlement Operating Rules; and
 - (ii) to give any other instructions in relation to your Stuart Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

Withdrawal

- 6.9 Senex may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

Variation

- 6.10 Senex may vary this Offer in accordance with the Corporations Act.

7 Acceptances by transferees and nominees

Who may accept the Offer

- 7.1 During the Offer Period:

- (a) any person who is able to give good title to a parcel of Stuart Shares may accept (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to that person; and
- (b) any person who holds one or more parcels of Stuart Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate offer had been made in relation to:
 - (i) each of those parcels; and
 - (ii) any parcel they hold in their own right.

Holding shares

- 7.2 A person is taken to hold Stuart Shares if the person is, or is entitled to be registered as, the holder of those Stuart Shares.

Holding shares on trust or as a nominee

- 7.3 A person is taken to hold Stuart Shares on trust for, as nominee for, or on account of, another person if that person:

- (a) is entitled to be registered as the holder of Stuart Shares; and
- (b) holds the interest in the Stuart Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

- 7.4 An acceptance of an Offer under clause 7.1(b) is ineffective unless:

- (a) the person who holds on account of another person, gives that other person written notice stating that the Stuart Shares consist of a separate parcel; and
- (b) the acceptance specifies the number of Stuart Shares in that parcel.

Notice of acceptance

- 7.5 A notice under clause 7.4(a) of these terms must be made in writing.

- 7.6 A person may, at the one time, accept for two or more parcels under this clause as if there had been a single offer for a separate parcel consisting of those parcels.

8 Other matters

Notices and other communications

- 8.1 Subject to the Corporations Act, a notice or other communication given by Senex to you in connection with this Offer shall be deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of members of Stuart or the address shown in the Acceptance Form; and
- (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

Return of documents

- 8.2 If:

- (a) this Offer is withdrawn after your Acceptance Form has been sent to Senex, but before it has been received; or
- (b) for any other reason Senex does not acquire the Stuart Shares to which your Acceptance Form relates,

Senex will despatch at your risk your Acceptance Form together with all other documents forwarded by you.

9 Costs and expenses

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable for a transfer of Stuart Shares for which Offers are accepted, will be paid by Senex.

10 Official quotation of Senex Shares

- 10.1 Subject to clause 1 of this Schedule 1, the Senex Shares offered by Senex as consideration under the Offer will rank equally with Senex Shares on issue at the Register Date.
- 10.2 Senex has been admitted to the official list of the ASX and shares of the same class as those to be issued as consideration under the Offer have been granted official quotation by the ASX.
- 10.3 An application was made on the date of this Bidder's Statement to the ASX for the granting of official quotation of the Senex Shares to be issued. However, official quotation is not granted automatically on application.
- 10.4 In accordance with section 625(3) Corporations Act, the Offer is subject to a condition that application for admission to quotation of the Senex Shares issued under the Offer is made within seven days after the start of the Offer Period and permission for admission to quotation will be granted no later than seven days after the end of the Offer Period. This condition may not be waived.

Schedule 2

Conditions of the Offer

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- 1 **(Minimum acceptance)** Before the end of the Offer Period, Senex has a Relevant Interest in at least 50.1% of Stuart Shares (by number).
- 2 **(Regulatory Approvals)** Before the end of the Offer Period, the Regulatory Approvals are:
 - (a) granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - (b) remain in full force and effect; and
 - (c) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them.
- 3 **(No regulatory action)** Between the Announcement Date and the end of the Offer Period:
 - (d) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - (e) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - (f) no application is made to any Regulatory Authority (other than by Senex or any Associate of Senex),
which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the Stuart Shares by Senex, the rights of Senex in respect of Stuart and the Stuart Shares or the continued operation of the businesses of Stuart or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).
- 4 **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.
- 5 **(No Regulated Events)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Regulated Event.
- 6 **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Material Adverse Change.

Schedule 3

Senex announcements to the ASX since 1 July 2010.

Date	Announcement
18/01/2011	SXY Recommences Oil Production in the Growler Oil Field
14/01/2011	Victoria Petroleum becomes Senex Energy Limited
31/01/2011	December 2010 Quarterly Report and Appendix 5B
27/01/2011	Initial Reserves Upgrade – Walloon Fairway CSG Permits
17/01/2011	Oil Drilling Campaign on Track for February 2011
04/01/2011	Trading Policy
21/12/2010	Oil Drilling Campaign set to Commence in February 2011
21/12/2010	Request for Trading Halt
21/12/2010	Trading Halt
16/12/2010	VPE acquisition of interest in PEL 88 and PEL 100
08/12/2010	BPT: T/O for Impress provides certainty and fair value
08/12/2010	Beach Energy On Market Takeover for Impress
06/12/2010	ITC: Directors' Statement re Takeover
01/12/2010	ITC: Change in substantial holding
01/12/2010	Vicpet increase its interest in Impress Energy to 20%
01/12/2010	Oil shows in Cuisinier 2
30/11/2010	Change in Interest of Substantial Holder for ITC
26/11/2010	Issue of fully paid ordinary shares to investors
26/11/2010	Becoming a Substantial Holder from AFI
26/11/2010	AGM Results
26/11/2010	Appendix 3B
26/11/2010	AGM Presentation 26 November 2010
22/11/2010	Placement, development programme and reserve targets
19/11/2010	Trading Halt
17/11/2010	ATP752P Cuisinier 2 Drilling Report
16/11/2010	Appointment of CFO
12/11/2010	Barta North-1 ATP752P Drilling Report
03/11/2010	ATP 752P Barta North 1 Weekly Drilling Report
29/10/2010	September 2010 Quarterly Report and Appendix 5B
27/10/2010	Notice of Annual General Meeting and proxy form
27/10/2010	Annual Report to Shareholders
20/10/2010	Drilling Report for ATP574P Walloon Coal Seam Gas Project
19/10/2010	Appendix 3X
19/10/2010	Appendix 3B - Exercise of Unlisted Options
18/10/2010	Tim Crommelin appointed to the Board
14/10/2010	Proposed new name, status and constitution
12/10/2010	Drilling report for Walloon Coal
01/10/2010	Appendix 3Y
27/09/2010	Response to ASX Query re Appendix 3Y

Date	Announcement
27/09/2010	VPE announces maiden profit and record production
27/09/2010	2010 Financial Report
27/09/2010	Appendix 3Z
22/09/2010	Appendix 3Y Change of Director's Interest Notice
22/09/2010	John Kopcheff Retires from Victoria Petroleum N.L. Board
14/09/2010	Gas flows to surface in CSG Project PL 171
13/09/2010	ITC: Growler and Snatcher Fields Flooding Update
10/09/2010	Appendix 3B Issue of Unlisted Options
09/09/2010	Results of EGM
08/09/2010	Good Oil Conference Presentation
01/09/2010	Drilling Report for Walloon Coal Measures CSG Project
27/08/2010	Drilling Report for Walloon Coal Measures CSG Project
17/08/2010	Drilling Report for Walloon Coal Measures Seam Gas Project
12/08/2010	Notice of Meeting and Proxy form
05/08/2010	Appendix 3B Issue of Unlisted Options
30/07/2010	VPE Quarterly Report for The Period Ending 30 June 2010
29/07/2010	CSG Drilling report
27/07/2010	ADX Completes Sale of Cooper Basin PEL182
26/07/2010	INP: Acquisition of PEL182 Completed
21/07/2010	Drilling Report, Walloon Coal Measures, CSG, ATP 574P
20/07/2010	Appendix 3X
14/07/2010	Drilling Report, Walloon Coal Measures, CSG, ATP 574P, QLD
09/07/2010	Drilling Report, Walloon Coal Measures, CSG, ATP 574P, QLD
06/07/2010	Appendix 3B

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Corporate directory

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www.senexenergy.com.au

Tel 07 3837 9900

Directors

Denis Patten – Chairman

Ian Davies – Managing Director

Ben McKeown – Non-executive Director

Robert Pett – Non-executive Director

Timothy Crommelin – Non-executive Director

Legal Advisers

McCullough Robertson Lawyers

Level 11 Central Plaza Two,
66 Eagle Street
Brisbane QLD 4000

www.mccullough.com.au

Tel 07 3233 8888

Financial Adviser

RBS Morgans Corporate Limited

Level 29, 123 Eagle Street
Brisbane QLD 4000

www.rbsmorgans.com

Tel 07 3334 4888

Share Registry

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www.securitytransfer.com.au

Tel 08 9315 2333

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