

8 October 2015

Dear Shareholder

On behalf of the Board of Senex Energy Limited (**Senex**), I am pleased to invite you to attend the Senex Annual General Meeting (**AGM**) on Wednesday 18 November 2015, in The Grand Ballroom at the Stamford Plaza, corner Edward and Margaret Streets, Brisbane.

The meeting is scheduled to start at 9.30am (Brisbane time).

Enclosed is the Notice of Meeting setting out the business of the AGM. For further details on the resolutions proposed at the AGM please refer to the Explanatory Notes. I urge all shareholders to read this material carefully before voting on the proposed resolutions.

If you are not able to attend the AGM I encourage you to appoint a proxy to attend and vote on your behalf. You may appoint a proxy by:

- using the share registry's website at www.linkmarketservices.com.au; or
- completing the enclosed proxy form.

In order to be valid, online proxies and proxy forms must be received no later than **9.30am Brisbane time Monday 16 November 2015**.

If you plan to attend the AGM, please bring the enclosed proxy form to assist us in registering your attendance.

Shareholders are invited to join the Board for light refreshments at the conclusion of the AGM.

On behalf of all the Directors of Senex, we look forward to seeing you at the AGM.

Yours sincerely



Trevor Bourne
Chairman



ABN 50 008 942 827

**Notice of Annual General Meeting
Explanatory memorandum
Proxy form**

Date of meeting

Wednesday, 18 November 2015

Time of meeting

9.30am

(Brisbane time)

Place of meeting

The Grand Ballroom, Stamford Plaza
Corner Edward & Margaret Streets, Brisbane

Head Office

Notice of Annual General Meeting

Senex Energy Limited ABN 50 008 942 827

Notice is given that the Annual General Meeting of Senex Energy Limited (**Company**) will be held at:

Location	The Grand Ballroom, Stamford Plaza, corner of Edward & Margaret Streets, Brisbane
Date	Wednesday, 18 November 2015
Time	9.30am (Brisbane time)

Ordinary business

Financial statements and reports

To receive and consider the Company's financial reports and the reports of the directors and the auditor for the financial year ended 30 June 2015.

Resolution 1 – Election of Mr Trevor Bourne

To consider and, if in favour, to pass the following as an ordinary resolution:

'That Mr Trevor Bourne, who was appointed to the Board on 1 December 2014 in accordance with rule 57 of the Constitution, be elected as a director of the Company under rule 57 of the Company's constitution.'

Note: Information about Mr Bourne appears in the explanatory memorandum.

Resolution 2 – Directors' remuneration report

To consider and, if in favour, to pass the following resolution under section 250R(2) *Corporations Act 2001* (Cth) (**Corporations Act**):

'That the remuneration report of the directors for the financial year ended 30 June 2015 be adopted.'

Note: This resolution will be decided as if it were an ordinary resolution, but under section 250R(3) *Corporations Act* the vote on this resolution is advisory only and does not bind the directors or the Company.

Voting exclusion

The Company will disregard any votes cast on this resolution:

- by key management personnel whose remuneration details are contained in the remuneration report (and their closely related parties) in accordance with section 250R(4) *Corporations Act*; or
- as proxy by a member of key management personnel (or any closely related party of key management personnel).

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with a voting direction on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Special business

Resolution 3 – Approval of the Senex Share Appreciation Rights Plan

To consider and, if in favour, to pass the following as an ordinary resolution:

“That the issue of equity securities in the Company, namely share appreciation rights (SARs) under the Senex Share Appreciation Rights Plan within three years following this approval be approved for the purposes of the ASX Listing Rule 7.2, exception 9.”

Voting exclusion

The Company will disregard any votes cast on this resolution:

- by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of such a director; or
- as proxy by a member of key management personnel (or any closely related party of key management personnel).

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with a voting direction on the Proxy Form; or
 - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
-

Resolution 4 – Approval of proposed issue of FY16 STI Rights and FY16 LTI SARs under the Managing Director’s remuneration package

To consider and, if in favour, to pass the following as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.14, approval be given for the issue of

(a) 1,921,233 FY16 STI Rights under the Senex Employee Performance Rights Plan; and

(b) 6,647,882 FY16 LTI SARs under the Senex Share Appreciation Rights Plan,

to Mr Ian Davies, Managing Director and Chief Executive Officer, or his nominee on the terms described in the explanatory memorandum.”

Note: If approval is obtained under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 10.11.

Voting exclusion

The Company will disregard any votes cast on this resolution:

- by Mr Ian Davies, his nominee or any associate of either of them; or
- as proxy by a member of key management personnel (or any closely related party of key management personnel).

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with a voting direction on the Proxy Form; or
 - it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.
-

Dated: 8 October 2015

By order of the Board



Francis Leo Connolly
Secretary

Important note regarding proxies

The laws that apply to voting on resolutions in relation to the remuneration of key management personnel have changed in recent years. Certain categories of persons (including Directors and the Chairman of the meeting) are now prohibited from voting on such resolutions, including as proxy in some circumstances.

If you are appointing a proxy, to ensure that your vote counts, please carefully read the voting exclusions, the notes below and the instructions on the Proxy Form.

Notes

- (a) A shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a shareholder of the Company. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the **attached** Proxy Form.
- (d) A corporation may elect to appoint a representative, rather than appoint a proxy, under the *Corporations Act 2001* (Cth) in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (e) The Company has determined under regulation 7.11.37 *Corporations Regulations 2001* that for the purpose of voting at the meeting or adjourned meeting, securities are taken to be held by those persons recorded in the Company's register of shareholders as at 7.00pm (Sydney time) on Monday 16 November 2015.
- (f) If you have any queries on how to cast your votes call Link Market Services on 1300 554 474 during business hours.

Explanatory memorandum

Senex Energy Limited ACN 008 942 827 (**Company**)

Financial statements and reports

- 1 The *Corporations Act 2001* (Cth) (**Corporations Act**) requires that the report of the directors, the auditor's report and the financial report be laid before the annual general meeting (**AGM**). In addition, the Company's constitution provides for these reports to be received and considered at the meeting.
 - 2 Apart from the matters involving remuneration which are required to be voted upon, neither the Corporations Act nor the Company's constitution requires a vote of shareholders at the AGM on the financial statements and reports.
 - 3 Shareholders will be given reasonable opportunity at the meeting to raise questions and make comments on these reports. Any shareholder with a question for the Chairman is encouraged to use the Question Form provided with the notice of meeting and should send it to the address listed on the Question Form so it is delivered on or before 5.00pm, Monday 9 November 2015.
 - 4 In addition to asking questions at the meeting, shareholders may address written questions to the Chairman about the management of the Company, or to the Company's auditor, Ernst & Young, if the question is relevant to:
 - (a) the content of the auditor's report; or
 - (b) the conduct of its audit of the annual financial report to be considered at the meeting.
- Note:** Under section 250PA(1) Corporations Act a shareholder must submit the question to the Company no later than the fifth business day before the day on which the AGM is held.
- 5 Any shareholder with a question for the Company's auditor, Ernst & Young, is encouraged to use the Question Form provided with the notice of meeting and should send it to the address listed on the Question Form so it is delivered on or before 5.00pm, Monday 9 November 2015.
-

Resolution 1 – Election of Mr Trevor Bourne

- 1 Resolution 1 is for election of Mr Trevor Bourne as a director.
 - 2 Mr Trevor Bourne was appointed to the Senex Board in accordance with a resolution of the directors under rule 57 authorising and approving his appointment.
 - 3 Rule 57 of the Company's constitution allows the directors to appoint any person as an additional director of the Company. A director appointed under rule 57 will hold office until the end of the next AGM of the Company and may be re-elected at that meeting, unless the director is an executive director and the ASX Listing Rules do not require that director to be subject to retirement as set out in rule 57.
 - 4 Following his appointment to the Board in December 2014, Mr Bourne became Chairman in March 2015. He is an experienced non-Executive Director, having served on public and private company boards in Australia and Asia for over 15 years. Mr Bourne is currently a director of Caltex Australia, where he is Chairman of the OH&S Committee and a member of the Audit and Remuneration Committees, and is a director of Sydney Water where he is Chair of the Safety Committee. Mr Bourne was a founding director of Origin Energy for 12 years, following the demerger from Boral. At Origin he chaired the Remuneration Committee and was a member of the Audit and Safety Committees. Mr Bourne's executive career included 15 years at BHP, eight years with the then Orica subsidiary Incitec, and 15 years with Brambles - the last six of which as Managing Director of Australasia.
 - 5 The directors (other than Mr Bourne) recommend that you vote in favour of resolution 1.
-

Resolution 2 – Directors’ remuneration report

- 1 Resolution 2 is for adoption of the section of the directors’ report dealing with remuneration of directors and other key management personnel (**Remuneration Report**). It is proposed because the Corporations Act requires that the Remuneration Report be put to a vote of shareholders for adoption.
- 2 The resolution of shareholders is advisory only and not binding on the Company. However, if more than 25% of the votes cast on this resolution are against the adoption of the remuneration report, the remuneration report for the following year must either address any comments received from shareholders or explain why no action has been taken in response to those comments. If, at the following AGM, the remuneration report is again voted against by 25% or more of votes cast, a ‘spill resolution’ will be put to shareholders. If at least 50% of the votes cast are in favour of the ‘spill resolution’ a special meeting of the Company will be held within 90 days at which the directors in office at the time of the second AGM (other than a managing director) must resign and stand for re-election.
- 3 The Remuneration Report is in the annual report. It is also available on the Company’s website (www.senexenergy.com.au). It:
 - (a) explains the Board’s policies in relation to the nature and level of remuneration paid to directors, senior executives and other key management personnel within the Company group;
 - (b) discusses the link between the Board’s policies and the Company’s performance;
 - (c) sets out the remuneration details for each director and for each member of the Company’s senior executive management team; and
 - (d) makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.
- 4 The Chairman will give shareholders a reasonable opportunity to ask questions about, or to make comments on, the Remuneration Report.
- 5 The directors recommend that you vote in favour of resolution 2.

Note: If you appoint the Chairman as your proxy, and you do not provide voting directions, you must mark the box in Step 3 of the Proxy Form to authorise the Chairman to cast your undirected proxy vote in accordance with his stated intentions, even though this resolution is connected with the remuneration of a member of key management personnel, otherwise your vote will not be counted. The Chairman intends to vote all available proxies in favour of this resolution.

If you appoint another director or member of the key management personnel as your proxy, you MUST direct your proxy how to vote on this resolution, otherwise your vote will not be counted. Follow the instructions on the Proxy Form to direct your proxy how to vote.

Resolution 3 – Approval of the Senex Share Appreciation Rights Plan

- 1 Resolution 3 is for approval of the Senex Share Appreciation Rights Plan (**SARP**) so that securities, namely share appreciation rights (**SARs**), that the Company issues or agree to issue under the SARP in the period from the date of the 2015 AGM up to the third anniversary of the 2015 AGM (18 November 2018) will not be counted in the 15% restriction under Listing Rule 7.1. The approval is sought in accordance with exception 9 in Listing Rule 7.2.
- 2 ASX Listing Rule 7.1 prohibits a listed entity from issuing or agreeing to issue equity securities if the number to be issued, when aggregated with all other equity securities the entity issued or agreed to issue in the previous 12 months, exceeds 15% of the number of ordinary shares that were on issue 12 months before the date of issue or agreement to issue the new securities. SARs are equity securities.
- 3 ASX Listing Rule 7.2 provides a number of exceptions to Listing Rule 7.1, and in particular exception 9 in Listing Rule 7.2 says that Listing Rule 7.1 does not apply to securities issued by the listed entity under an employee incentive scheme if the issue of securities under the scheme, and under exception 9 in Listing Rule 7.2, was approved by shareholders within three years before the issue date of those securities.

- 4 A summary of the terms of the SARP for the year ending 30 June 2016 (**FY16**) is contained in **Schedule 1** to this explanatory memorandum.
- 5 Under the SARP the Company can grant SARs to Senex employees (**Participants**), including the Managing Director. Each SAR is an equity security that confers on the Participant a right to be issued a number of Senex shares calculated by reference to the increase in market price of Senex shares over a performance period, but subject to satisfaction of a separate performance condition and a vesting condition for that SAR. The employee is not required to pay for the grant of SARs.
- 6 For each FY16 LTI SAR that vests, the Participant will be entitled to exercise that vested SAR at any time from the vesting date to the 7th anniversary of the grant date and receive the **Maturity Value** - the amount (if any) per SAR by which the **Maturity Price** (the market price of Senex shares on the exercise date) exceeds the **Starting Price** (the market price of Senex shares on the grant date).
- 7 The Company will provide the Maturity Value of exercised SARs to the Participant within one month of the exercise date by providing Senex shares (**Award Shares**) equal to the Maturity Value of the Exercised SARs, unless the Board determines to provide part or all of the Maturity Value in cash (**Award Payment**).
- 8 The number of Award Shares to be provided for part or all of the Maturity Value of Exercised SARs will be calculated by dividing the Maturity Value by the Maturity Price and rounding to the nearest whole share.
- 9 Rights are granted and issued under the SARP at the discretion of the directors. The terms of the SARP may be updated or amended from time to time at the absolute discretion of the directors.
- 10 The Company has agreed to grant FY16 LTI SARs to certain senior employees and, subject to approval of resolution 4, to the Managing Director, Mr Davies.
- 11 At the date of this explanatory memorandum the Company has agreed to grant the following FY16 LTI SARs in addition to those the Company has agreed to grant, subject to approval of resolution 4, to the Managing Director:
 - (a) LTI Grant Date: 9 September 2015
 - (b) Number of SARs: 10,441,086 FY16 LTI SARs, comprising 7,659,835 Tranche 1 FY16 LTI SARs and 2,781,251 Tranche 2 FY16 LTI SARs.
 - (c) Issue price per SAR: nil
 - (d) Terms of SARs that were issued: The SARs were issued on identical terms to the FY16 LTI SARs that the Company agreed to grant to the Managing Director, Mr Davies, subject to shareholder approval. Those terms are described in the paragraphs of this explanatory memorandum that relate to resolution 4 – the resolution to approve the issue of FY16 STI Rights and FY16 LTI SARs under the Managing Director’s remuneration package.
 - (e) Persons to whom SARs were issued: Three senior executives who are members of the Company’s key management personnel for FY16.
 - (f) Basis for determining allottees: The Company issued FY16 LTI SARs to the three senior executives as part of their incentive remuneration for FY16. The Company’s basis for and approach to incentive remuneration for FY16 for these senior executives was the basis for determining allottees, and that was identical to the Company’s basis and approach when it agreed to grant incentive remuneration for FY16 to the Managing Director, Mr Davies, subject to shareholder approval. That basis and approach are described in the paragraphs of this explanatory memorandum that relate to resolution 4. The FY16 LTI SARs were issued to incentivise the senior executives’ performance and retain their services over the medium to long term.
 - (g) Use of funds raised by the issue: The senior executives were not required to pay for the grant of SARs, and for each vested SAR (if any) that an executive exercises they will be entitled to receive without payment Senex shares equal to the Maturity Value of the exercised SARs on the exercise date (unless the Board determines that part or all of the Maturity Value is to be provided in cash).

- 12 The Company intends to grant FY16 LTI SARs to certain other senior employees, but has not made such offers at the date of this explanatory memorandum.
- 13 Mr Davies has an interest in resolution 3 and therefore does not make a recommendation. The other directors unanimously recommend that you vote in favour of resolution 3.

Resolution 4 - Approval for proposed issue of FY16 STI Rights and FY16 LTI SARs under the Managing Director's remuneration package

Background and reasons for proposal

- 1 Resolution 4 is for approval to issue to Mr Davies or his nominee:
 - (a) 1,921,233 FY16 STI Rights under the Senex Employee Performance Rights Plan (**EPRP**); and
 - (b) 6,647,882 FY16 LTI SARs under the Senex Share Appreciation Rights Plan (**SARP**) made up of 4,877,049 Tranche 1 FY16 LTI SARs and 1,770,833 Tranche 2 FY16 LTI SARs.The approval is sought in accordance with ASX listing rule 10.14.
- 2 The material terms of the contract under which the Company employs Mr Ian Davies as Managing Director and Chief Executive are set out in the 2015 Remuneration Report. The Remuneration Report is in the Company's annual report, and it is also available on the Company's website (www.senexenergy.com.au). Under Mr Davies' employment contract the Board reviews each year, in line with the Company's financial year (**Performance Year**), Mr Davies' performance, the Company's performance under his management, and his remuneration.
- 3 Under Mr Davies' employment contract the Company provides each Performance Year (and the Board reviews at the end of each Performance Year) a total remuneration package (**TRP**) consisting of:
 - (a) total fixed remuneration (**TFR**) for the year, including salary and superannuation, which is not at-risk; plus
 - (b) an offer of short-term incentive remuneration (**STI**) for the year; plus
 - (c) an offer of long-term incentive remuneration (**LTI**) for the year.
- 4 This TRP structure offers a combination of fixed remuneration and variable or 'at risk' remuneration that is only paid or provided if pre-determined performance conditions are satisfied. It is consistent with the key objectives for remuneration under the Company's Remuneration Policy:
 - (a) to align remuneration to business outcomes that deliver shareholder value;
 - (b) to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
 - (c) to ensure remuneration is competitive in the employment market to attract, motivate and retain executive talent.
- 5 In the 2015 Remuneration Report the Board advised the outcome of the FY15 STI for the Company's senior executives including Mr Davies and the outcome of their review of the remuneration to be offered to the Company's senior executives including Mr Davies for FY16. The Board determined there would be no overall increase in TFR offered to Mr Davies for the Performance Year ending 30 June 2016 (**FY16**). The Board also determined to revise the form of the STI and LTI offered to the senior executives, including Mr Davies.
- 6 For FY16 the Company has agreed to provide the following TRP to Mr Davies:
 - (a) TFR of \$850,000 per annum;
 - (b) an STI (**FY16 STI**) that represents (at STI Grant Date) an uplift of up to 66% of Mr Davies' FY16 TFR (i.e. a maximum STI of \$561,000), subject to the Board's determination of a corporate performance rating for FY16 based on five key areas for measurement of

corporate performance, and for part of the STI, a vesting condition. Part of the FY16 STI is offered in the form of contingent performance rights under the EPRP (**FY16 STI Rights**) (discussed further below), so the value of the maximum STI that Mr Davies may ultimately receive is unascertainable as it depends on the price of Senex shares on the day that his FY16 STI Rights (if any) vest; and

- (c) an LTI (**FY16 LTI**) in two tranches that represents (at LTI Grant Date) an uplift of 50% of Mr Davies' FY16 TFR, with each tranche subject to a performance condition and a vesting condition over a three year performance period. The FY16 LTI is offered in the form of share appreciation rights under the SARP (**FY16 LTI SARs**) (discussed further below), so the value of the maximum LTI that Mr Davies may ultimately receive is unascertainable as it depends on the price of Senex shares on the day that his vested FY16 LTI SARs (if any) are exercised.

- 7 Since the offer of FY16 STI and FY16 LTI involves an offer of equity securities to Mr Davies (FY16 STI Rights and FY16 LTI SARs), the offer of STI and LTI to him is subject to shareholder approval at the 2015 AGM in accordance with listing rule 10.14.
- 8 In the event that shareholders at the 2015 AGM do not approve the issue of FY16 LTI Rights or FY16 LTI SARs to Mr Davies, the Company will, on each relevant Vesting Date, pay in cash the value of those FY16 STI Rights or FY16 LTI SARs that would have vested on that Vesting Date if shareholders had approved the issue of those securities at the 2015 AGM and Mr Davies had exercised all of those vested rights or vested SARs on that Vesting Date.

FY16 Short Term Incentive

- 9 The maximum STI that Mr Davies can be awarded for FY16 is an uplift of 66% of his FY16 TFR and it is available if the Board determines that the corporate performance rating for FY16 is at the Stretch level (**Maximum STI**).

10 *STI Performance Indicators*

The Board has elected to focus on five key areas for measurement of short term performance in FY16 using key performance indicators in each area to determine the overall corporate performance rating for FY16 STI. The Board may, at its discretion, determine that the corporate performance rating for FY16 is below Threshold level, and that there will be no award of STI for FY16 and no FY16 STI Rights will vest.

The FY16 STI Performance Indicators are described in **Schedule 2** to this explanatory memorandum.

- 11 Mr Davies' FY16 STI award (if any) will be paid as follows:
 - (a) 50% of the award will be paid in cash within one month of Board acceptance of audited accounts for FY16; and
 - (b) 50% of the award will be an entitlement to deferred shares, subject to approval of resolution 4.
- 12 If shareholders approve resolution 4, the entitlement to deferred shares for 50% of any FY16 STI award will be provided in the form of a grant of FY16 STI Rights at 9 September 2015 (**STI Grant Date**). Mr Davies' FY16 STI Rights will be subject to the Board's determination of his FY16 STI award (if any) on the basis described above and subject to a vesting condition. The vesting condition requires Mr Davies to be an employee of Senex on the **STI Vesting Date** (1 July 2017).
- 13 The **Participation Price** for FY16 STI Rights granted 9 September 2015 (including those granted to Mr Davies subject to approval of resolution 4) is \$0.146 per share, the volume weighted average price (**VWAP**) of Senex shares traded on ASX in the 10 trading days before STI Grant Date. Those days (the 10 trading days from 26 August to 8 September 2015 inclusive) were the 10 trading days following release of Senex's FY15 full year results on 25 August 2015.
- 14 The number of FY16 STI Rights granted to Mr Davies represents, at STI Grant Date, 50% of the Maximum STI that he can earn for FY16, and was calculated by dividing the Maximum STI by the Participation Price for FY16 STI Rights. The 1,921,233 FY16 STI Rights granted to Mr Davies (subject to shareholder approval) therefore represent \$280,500 at STI Grant Date, subject to performance and vesting.

- 15 The amount of FY16 STI award (if any) actually received by Mr Davies will depend on:
- (a) the corporate performance rating for FY16 that the Board determines (at its discretion); and
 - (b) in respect of the 50% of FY16 STI granted as FY16 STI Rights, the value of his FY16 STI Rights (if any) that vest on the STI Vesting Date.

FY16 Long Term Incentive

- 16 The LTI for Mr Davies for FY16 is an offer of two tranches of FY16 LTI SARs. Each tranche of FY16 LTI SARs will only vest if and to the extent that the Board determines that the LTI performance condition for that tranche (**LTI Performance Condition**) is satisfied at the end of the three year performance period for that tranche and Mr Davies is a Senex group employee on the vesting date for that tranche.
- 17 The FY16 LTI SARs will be subject to the terms of the SARP, further details of which are set out in **Schedule 1** to this explanatory memorandum.
- 18 The number of FY16 LTI SARs granted to Mr Davies, subject to shareholder approval, was calculated as follows:

$$A = \frac{B \times 50\% \times C}{D}$$

where:

A = the number of Tranche 1 SARs or Tranche 2 SARs to be offered to Mr Davies

B = Mr Davies' FY16 TFR

C = tranche size (70% for Tranche 1 SARs, 30% for Tranche 2 SARs)

D = Participation Price (refer below)

- 19 This calculation results in a total of 6,647,882 FY16 LTI SARs to be issued to Mr Davies, subject to shareholder approval, comprising:
- (a) 4,877,049 Tranche 1 FY16 LTI SARs
 - (b) 1,770,833 Tranche 2 FY16 LTI SARs

- 20 Key Terms of the offer of FY16 LTI SARs to Mr Davies are set out in the following table:

Participation Price	The Participation Price for FY16 LTI SARs is \$0.061 for Tranche 1 and \$0.072 for Tranche 2, being the Company's determination of the value of each FY16 LTI SAR granted 9 September 2015, taking into account the LTI Performance Conditions, the Vesting Condition, the Starting Price, the Exercise Period, the prices at which Senex shares trade on ASX and the risk and volatility of the ASX market in Senex shares, rounded to three decimal places of the currency unit (the dollar).
LTI Grant Date	9 September 2015, being the day after the last trading day in the 10 day VWAP of Senex shares that determines the Participation Price.
Maturity Value	The amount (if any) per SAR by which the Maturity Price exceeds the Starting Price
Starting Price	\$0.146, being the VWAP of Senex shares traded on ASX in the 10 trading days before LTI Grant Date, which were the 10 trading days following release of the company's FY15 full year results on 25 August 2015 (the 10 trading days from 26 August to 8 September 2015 inclusive).
Maturity Price	The VWAP of Senex shares traded on ASX in the 10 trading days before the Exercise Date.

Performance Conditions

Tranche 1

SARs representing 70% of FY16 LTI will be subject to a LTI Performance Condition (**Relative TSR Performance Condition**) that the Company achieves total shareholder return (TSR) at or above the 50th percentile of the TSR of a comparator group of companies over the three year performance period from LTI Grant Date until the 10th day of share trading on ASX following release of Senex's full year results for the year ending 30/06/2018 (**Relative TSR Performance Period**).

The Relative TSR Performance Condition will be measured by comparing total shareholder return of Senex shares over the Relative TSR Performance Period against the total shareholder return of shares in the companies in the comparator group (the S&P/ASX 300 Energy Index) over the same period. The target for the Company is to achieve a relative TSR at or above the 50th percentile of the comparator group, at which point 50% of Tranche 1 FY16 LTI SARs will vest. The stretch level is for the Company to achieve a relative TSR at or above the 75th percentile of the comparator group, at which point 100% of Tranche 1 FY16 LTI SARs will vest.

Where the relative TSR achieved is below the 50th percentile of the comparator group, vesting (if any) of Tranche 1 FY16 LTI SARs will be at the Board's discretion, and the Managing Director will have no entitlement to vesting of those SARs.

The Board elected to use relative TSR as an FY16 LTI performance measure because it provides a benchmark of performance against Senex's peers in the market. The S&P/ASX 300 Energy Index was chosen based on consideration of a number of factors including the number of constituents (20 as at the date of this notice), its median volatility rank, its size and the fact that the group operates in largely the same industry and is faced with the same operational and economic risks as Senex.

Tranche 2

SARs representing 30% of FY16 LTI will be subject to a LTI Performance Condition (**2P Reserves Target Performance Condition**) that the Company achieve a stated target number of 2P oil and gas reserves over the three year performance period from 30 June 2015 to 30 June 2018 (**2P Reserves Target Performance Period**).

The Board elected to introduce a non-market linked performance condition for part of the FY16 LTI. It was determined that setting a target quantum of reported 2P oil and gas reserves was aligned with enhancing shareholder value using an objectively measureable value.

The 2P oil and gas reserves targets for the 2P Reserves Target Performance Condition have been set to reflect median market expectations for Senex's asset portfolio at the end of the Performance Period, including having regard to the current level of reserves, future budgets and drilling programs and likelihood of success in those programs recognising what is already known about the properties held and their prospectivity.

If 100 mmboe (million barrels of oil equivalent) of 2P oil and gas reserves (Target Level) is achieved at the end of the Performance Period, 50% of Tranche 2 FY16 LTI SARs will vest. If 125 mmboe of 2P oil and gas reserves is achieved at the end of the Performance Period, 100% of Tranche 2 FY16 LTI SARs will vest.

Where the 2P oil and gas reserves achieved is below Target Level, vesting (if any) of the Managing Director's Tranche 2 FY16 LTI SARs will be at the Board's discretion, and the Managing Director will have no entitlement to vesting of those SARs.

Vesting Condition	For each tranche of SARs Mr Davies must be an employee of Senex group on the LTI Vesting Date.
LTI Vesting Date	For each tranche of SARs is the date on which the Company notifies Mr Davies of the outcome of the Performance Condition that applies to that tranche, being a date on or after the Performance Date unless the SARs otherwise vest in accordance with the rules of the SARP.
Performance Date	For each tranche of SARs is the date on which the Board determines the outcome of the Performance Condition that applies to that tranche.
Vesting Notice	For each tranche of SARs is the Company's notice to Mr Davies of the outcome of the Performance Condition that applies to that tranche, including the number of SARs in the tranche that vested and the number that lapsed on the Performance Date.
Exercise Date	The date during the Exercise Period on which Mr Davies notifies the company that he exercises Vested FY16 LTI SARs or any earlier date on which the SARs are deemed to have been exercised under the rules of the SARP, eg on occurrence of Change of Control..
Exercise Period	The period commencing on LTI Vesting Date and ending on the Expiry Date.
Expiry Date	The seventh anniversary of LTI Grant Date.

- 21 The Company will provide the Maturity Value of exercised SARs to Mr Davies within one month of the Exercise Date by providing Senex shares (**Award Shares**) equal to the Maturity Value of the Exercised SARs, unless the Board determines to provide part or all of the Maturity Value in cash (**Award Payment**).
- 22 The Company will determine the number of Award Shares to be provided to Mr Davies for part or all of the Maturity Value of Exercised SARs by dividing the Maturity Value by the Maturity Price and rounding to the nearest whole share. The Company will provide the Award Shares to Mr Davies without payment within 30 days of exercise of vested SARs by transferring or issuing them to the Mr Davies (or nominee) or to an employee share trust on behalf of Mr Davies (or nominee) in accordance with SARs Plan Rules. Award Shares will be fully paid ordinary Senex shares ranking pari passu with existing ordinary Senex shares.
- 23 The amount of the FY16 LTI award actually received by Mr Davies will depend on:
- the extent (if any) to which the Company achieves the LTI Performance Conditions for each tranche;
 - Mr Davies being an employee of Senex on the LTI Vesting Date for each tranche;
 - the Maturity Value of any vested SARs that Mr Davies exercises, which will be the amount (if any) by which the Maturity Price of those SARs exceeds their Starting Price; and
 - The value of Senex shares on the Exercise Date of any vested SARs.

Clawback

- 24 The STI and LTI offered to Mr Davies for FY16 will be subject to clawback. In the event that any measure of performance is subsequently discovered to have been misstated, the Board will have a right at its discretion to clawback out of any unvested entitlements (including unvested Rights and SARs) and any vested but unexercised entitlements (including vested Rights and SARs) that Mr Davies holds at that time or subsequently the amount or value of any incentive remuneration (e.g. the number of Rights or SARs, if any) that vested incorrectly in reliance on the misstated level of performance.
- 25 The Board believes that the amount, terms and structure of the TRP, TFR, STI and LTI offered to Mr Davies for FY16, including the number of FY16 STI Rights and FY16 LTI SARs to be issued, are appropriate in the circumstances. The Board obtained advice from an independent remuneration consultant regarding the Managing Director's STI and LTI.

Shareholder approval

- 26 ASX Listing Rule 10.14 requires a listed company to obtain shareholder approval (by ordinary resolution) prior to the issue of securities under an employee incentive scheme to a director of the company. Further, Listing Rule 10.11 requires a listed company to obtain shareholder approval (by ordinary resolution) prior to the issue of securities to a related party of the company. If shareholders approve the issue of securities under Listing Rule 10.14, the listed company is not required to obtain shareholder approval for the issue under Listing Rule 10.11 or 7.1 and the securities issued will not be counted in the company's 15% restriction under Listing Rule 7.1.
- 27 Mr Davies, as Managing Director, is a related party of the Company. Accordingly, shareholder approval is sought in accordance with Listing Rule 10.14 for the issue of:
- (a) 1,921,233 FY16 STI Rights to Mr Davies or his nominee under the EPRP¹; and
 - (b) 6,647,882 FY16 LTI SARs to Mr Davies or his nominee under the SARP¹.
- 28 The Company will issue the FY16 STI Rights and FY16 LTI SARs within one month after the meeting at which shareholders approve the issue of those Rights and SARs.

Board discretion

- 29 The Board will determine in its sole discretion whether and to what extent the performance conditions for the FY16 STI and LTI are satisfied, and where the performance conditions have not been satisfied in full, the extent (if any) to which Mr Davies' FY16 STI Rights or FY16 LTI SARs may vest.
- 30 If the Board determines, in its discretion, that the performance condition for FY16 STI Rights is wholly or partly satisfied, and that some or all of Mr Davies' FY16 STI Rights may vest, he will be entitled to receive, without payment, on the Vesting Date one fully paid ordinary share in the Company (ranking pari passu with existing ordinary shares) for each vested FY16 STI Right.
- 31 If the Board determines, in its discretion, that the performance conditions for FY16 LTI SARs are wholly or partly satisfied, and that some or all of Mr Davies' FY16 LTI SARs will vest, he will be entitled to exercise his vested FY16 LTI SARs within the Exercise Period.
- 32 Upon exercise of vested FY16 LTI SARs, Mr Davies will be entitled to receive without payment the number of Award Shares that represent the Maturity Value of the exercised SARs, unless the Board determines in its discretion to make an Award Payment for part or all of the Maturity Value of the exercised SARs.
- 33 To the extent that the Board determines that the performance condition for the FY16 LTI SARs is not satisfied (in full or in part), part or all of the FY16 LTI SARs will lapse.

Effect of the FY16 STI and LTI proposal - Managing Director's current shareholding and dilutionary effect

- 34 At the date of this explanatory memorandum Mr Davies holds, directly or indirectly:
- (a) 2,679,047 fully paid ordinary shares;
 - (b) 3,466,000 unlisted options; and
 - (c) 1,644,851 contingent Rights.

Mr Davies acquired these equity interests in the following ways:

Shares	1,197,178	shares Mr Davies purchased on market
FY12 STI Shares	443,775	shares received from the Company for his performance in achieving FY12 STI performance targets
FY12 LTI Shares	667,000	shares received on exercise of 667,000 FY12 LTI Options
FY14 STI Shares	371,094	shares received from the Company for his performance in achieving FY14 STI performance targets (another 410,156 FY14 STI Rights lapsed on 22/08/2014 to the extent that performance conditions were not satisfied)

¹ Approval is not required under Listing Rule 10.11 if shareholders approve the issue under Listing Rule 10.14.

FY11 LTI Options	2,800,000	unlisted options granted as LTI remuneration for FY11 with shareholder approval (1,200,000 FY11 LTI Options lapsed on 09/09/2015)
FY12 LTI Options	666,000	unlisted options granted as LTI remuneration for FY12 with shareholder approval (Mr Davies exercised 667,000 FY12 LTI Options on 1 July 2014 and 667,000 FY12 LTI Options were cancelled for no consideration on 30/06/2015)
FY14 LTI Rights	937,500	Rights granted as LTI remuneration for FY14 with shareholder approval and subject to satisfaction of a performance condition and a vesting condition over the three year period ending 30 June 2016
FY15 LTI Rights	707,351	Rights granted as LTI remuneration for FY15 with shareholder approval and subject to satisfaction of a performance condition and a vesting condition over the three year period ending 30 June 2017

35 If resolution 4 is approved, Mr Davies will hold, directly or indirectly:

- (a) 2,679,047 fully paid ordinary shares;
- (b) 3,466,000 unlisted options;
- (c) 3,566,084 contingent Rights; and
- (d) 6,647,882 SARs.

36 The following table demonstrates the dilution of all other shareholders' holdings in the Company if all of the FY16 STI Rights to be issued to Mr Davies under resolution 4 vest and the Company issues new shares to satisfy its obligation to provide Senex shares to Mr Davies for all of his vested Rights:

Shares on issue at the date of this explanatory memorandum	1,152,686,422
Shares currently held, directly or indirectly, by Mr Davies	2,679,047
% of shares currently held, directly or indirectly, by Mr Davies	0.23%
Maximum shares to be issued assuming vesting of all FY16 STI Rights to be issued under resolution 4	1,921,233
Total Shares on issue assuming vesting of all FY16 STI Rights to be issued under resolution 4 ²	1,154,607,655
Shares that would be held, directly or indirectly, by Mr Davies, assuming vesting of all FY16 STI Rights to be issued under resolution 4 ³	4,600,280
% of shares that would be held, directly or indirectly, by Mr Davies, assuming vesting of all FY16 STI Rights to be issued under resolution 4 ⁴ .	0.40%

Note: It is not possible to calculate the possible dilution of the number of Senex shares on the assumption that all FY16 LTI SARs vest, as the number of shares to be issued (if the Company issues new shares to satisfy its obligation to provide Senex shares to Mr Davies for all vested SARs he exercises) depends on the Maturity Price – the market value of Senex shares on each day that vested SARs are exercised.

² Excludes any shares to be issued after the date of this explanatory memorandum as a result of the exercise of options, the vesting of performance rights or otherwise, other than those shares to be issued on the vesting of the performance rights that are the subject of resolution 4.

³ Excludes any shares to be issued after the date of this explanatory memorandum as a result of the exercise of options, the vesting of performance rights or otherwise, other than those shares to be issued on the vesting of the performance rights that are the subject of resolution 4.

⁴ Excludes any shares to be issued after the date of this explanatory memorandum as a result of the exercise of options, the vesting of performance rights or otherwise, other than those shares to be issued on the vesting of the performance rights that are the subject of resolution 4.

Value of the securities

- 37 The likely future value of the FY16 STI Rights on the date they vest is unable to be precisely estimated because of uncertainty as to whether those FY16 STI Rights will vest and what number may vest. The FY16 STI Rights have been priced at STI Grant Date at the 10 day VWAP of Senex shares up to 9 September 2015, which was \$0.146 per share. On that basis, the FY16 STI Rights granted to Mr Davies, subject to shareholder approval, represent a maximum contingent STI entitlement of \$280,500 on STI Grant Date.
- 38 While the grant of FY16 LTI SARs is intended to encourage Mr Davies to continue as Managing Director and incentivise high performance over the long-term performance period, the value of the FY16 LTI SARs at the date of this explanatory memorandum and the likely value of the FY16 LTI SARs on the date they are exercised is inherently unclear because of uncertainty as to whether any FY16 LTI SARs will vest, what number may vest, and what the value of Senex shares may be at the time any vested FY16 LTI SARs are exercised. The FY16 LTI SARs granted to Mr Davies, subject to shareholder approval, represent a maximum contingent LTI entitlement of \$425,000 on LTI Grant Date.
- 39 In order for the maximum number of FY16 STI Rights to vest, the performance condition would have to be satisfied in full and Mr Davies would have to be a Senex group employee on the STI Vesting Date.
- 40 In order for the maximum number of FY16 LTI SARs to vest, the Relative TSR Performance Condition and the 2P Reserves Target Performance Condition would have to be satisfied at stretch level at the end of the three year performance period and Mr Davies would have to be a Senex group employee on the LTI Vesting Date.⁵

Other information

- 41 The only director who is eligible to participate in the EPRP and the SARP is the Managing Director, Mr Davies. No other director is eligible to participate in any employee incentive scheme offered by the Company.
- 42 Other than the FY16 STI Rights that are the subject of resolution 4 and the FY14 Rights and FY15 Rights approved by shareholders at the 2013 AGM and 2014 AGM, no other securities have been issued under the EPRP to persons referred to in ASX Listing Rule 10.14 since the EPRP was last approved by shareholders at the 2014 AGM.
- 43 This explanatory memorandum sets out the SARs that the Company has agreed to grant and the SARs the Company has issued at the date of this explanatory memorandum.
- 44 The FY16 STI Rights and FY16 LTI SARs will be granted for nil consideration and as such no funds will be raised by the issue of the Rights or SARs nor will any loan be made in connection with the Rights or SARs. If, in the Board's discretion, the Performance Measures are wholly or partly satisfied, and any FY16 STI Rights vest, Mr Davies will be entitled to receive, without payment or other consideration, on the Vesting Date, one fully paid ordinary Senex share for each vested FY16 STI Right.
- 45 If, in the Board's discretion, the LTI Performance Conditions are wholly or partly satisfied, and any FY16 LTI SARs vest, then upon exercise of any such vested FY16 LTI SARs, Mr Davies will be entitled to receive, without payment or other consideration, within 30 days of that exercise, the number of Award Shares calculated by dividing the Maturity Value of the exercised SARs by the Maturity Price and rounding to the nearest whole share. The Company will provide the Award Shares to Mr Davies without payment within 30 days of exercise of vested SARs by transferring or issuing them to the Participant or to an employee share trust on behalf of the Participant in accordance with SARs Plan Rules. Award Shares will be fully paid ordinary Senex shares ranking pari passu with existing ordinary Senex shares.

Recommendation

- 46 Mr Davies has an interest in the resolution and therefore does not make a recommendation. The other directors unanimously recommend that you vote in favour of resolution 4.

⁵ FY16 LTI SARs may vest earlier or automatically in certain circumstances - see Schedule 1.

Schedule 1

Summary of Senex Share Appreciation Rights Plan (SARP)

What are share appreciation rights?

A share appreciation right (**SAR**) is a right granted to an eligible employee of Senex Energy Limited (**Company**) or any Senex subsidiary (**Group Company**) under the Company's Share Appreciation Rights Plan (**SARP**).

A SAR is an equity security that, subject to satisfaction of a performance condition and a vesting condition, confers on an employee a right to a reward, and the value of the reward is calculated by reference to the positive increase in the market price of the Company's shares over a defined share price performance period. The Company provides the reward to the employee in the form of Senex shares (which may be existing shares or newly issued) unless the Company elects to provide part or all of the reward in cash. Even when both the performance condition and the vesting condition are satisfied, the SAR only has a value if there is a positive increase in the value of the Company's shares over the share price performance period.

Background

Under the rules of the SARP (**Rules**) the Board can determine how certain key concepts operate for each grant of SARs. For the SARs granted to the Company's Managing Director (subject to shareholder approval) and senior executives on 9 September 2015, as their long term incentive for FY16 (**FY16 LTI SARs**), the Board determined that these important concepts would operate as follows:

- **Maturity Value** means the amount (if any) per SAR by which the Maturity Price exceeds the Starting Price.
- **Maturity Price** means the market price of a Senex share when a Vested SAR is exercised.
- **Starting Price** is the market price of a Senex share when a SAR is granted to a Participant.
- **Performance Conditions** are the long term performance hurdles set by the Board when a SAR is granted that must be met in order for the SAR to vest.
- **Vested SARs** are SARs that have vested in favour of a Participant but have not yet been exercised by that Participant.

Summary

The Company may grant SARs under the SARP to eligible employees (**Participants**) subject to Performance Conditions and other conditions determined by the Board.

If:

- the Board determines that the Performance Conditions for a SAR are satisfied on the testing date set by the Board; and
- the Participant is an employee of the Company on the vesting date set by the Board (**Vesting Condition**);

then that SAR will vest in favour of the Participant and become a Vested SAR. The extent to which Performance Conditions are met may mean some, but not all, SARs will vest on the vesting date (the balance will lapse).

A Participant is entitled to exercise Vested SARs within the Exercise Period (which commences on the vesting date and ends on the expiry date set by the Board) to receive their Maturity Value.

The Maturity Value may be cash or equity-settled at the Board's discretion. The Board's current intention is that exercised SARs will be equity settled.

The number of Senex shares that the Participant will receive (**Award Shares**) will be calculated as follows:

$$\text{Award Shares} = \frac{\text{Number of exercised SARS} \times \text{Maturity Value}}{\text{Maturity Price}}$$

Grant of SARS

Under the Rules the Company may, at the discretion of the directors, grant SARS to an employee or the employee's associate. An employee or associate to whom SARS are granted is a Participant in the SARP. A Participant is not required to pay for the grant of SARS.

Under the Rules the Board determines the **Participation Price** of SARS – the price that determines the number of SARS to be granted to each Participant on a particular grant date. For the offers of FY16 LTI SARS granted 9 September 2015, the Board determined that the Participation Price was \$0.061 for Tranche 1 SARS and \$0.072 for Tranche 2 SARS. Those Participation Prices were the Company's determination of the value of each FY16 LTI SAR granted 9 September 2015 taking into account the Performance Conditions, the Vesting Condition, the Starting Price, the Exercise Period, the prices at which Senex shares trade on ASX and the risk and volatility of the ASX market in Senex shares. With assistance from an external valuation adviser, the Company determined the value of the SARS using the Black Scholes or Monte Carlo valuation models that factor in risk and volatility.

The different Performance Conditions attaching to each tranche resulted in the different value (and different Participation Price) for each tranche.

Under the Rules the Board determines the number of SARS to be granted to eligible employees. The number will typically be calculated by reference to their total fixed remuneration (**TFR**). For the offers of FY16 LTI SARS granted 9 September 2015, the Board determined that the numbers to be granted would be calculated as follows:

$$A = \frac{B \times 50\% \times C}{D}$$

where:

A = the number of Tranche 1 SARS or Tranche 2 SARS to be granted to the Participant

B = Participating TFR = as defined below

C = tranche size (70% for Tranche 1 SARS, 30% for Tranche 2 SARS)

D = Participation Price as defined above

Participating TFR for each Participant was the proportion of their annual fulltime equivalent TFR (**FTE TFR**) for FY16 calculated as follows:

Participating TFR for FY16 =

$$\frac{(\text{Participant's FTE TFR for FY16}) \times (\text{Participant's paid working days in FY16})}{(\text{total Senex paid working days in FY16})}$$

No shareholder rights

A Participant is not entitled to vote or receive dividends and has no other rights of a shareholder in respect of a SAR or in respect of shares the subject of a SAR. A Participant only acquires the rights of a shareholder if shares are issued or transferred to the Participant, and only has those rights in respect of shares that the Participant holds.

Lapse of SARS

A Participant's SARS may lapse if the employee ceases employment with a Group Company (subject to some exceptions), if a Performance Condition applicable to those SARS is not satisfied at the end of the Performance Period, or if the Board determines that a SAR should lapse. If a SAR lapses, it is immediately cancelled and is not capable of vesting. Vested SARS lapse on the expiry of the Exercise Period if not exercised or deemed to be exercised earlier (the Board determined that the Expiry Date for FY16 LTI SARS is the seventh anniversary of LTI Grant Date).

Vesting

A SAR only confers an entitlement to receive cash or shares (at the Board's discretion) upon exercise.

A SAR can only be exercised if it has vested.

A SAR only vests if:

- the Board determines that the performance conditions for that SAR are satisfied on the testing date (set by the Board); and
- the Participant is an employee of Senex group on the vesting date (set by the Board);

The Board may determine, in its discretion, that unvested SARs (or a percentage of them) may vest earlier in certain circumstances (such as bona fide retirement, ill health, or termination by the Company without cause).

Exercising Vested SARs

A Participant may elect to exercise some or all of their Vested SARs at any time in the Exercise Period, which commences on the vesting date and ends on the Expiry Date (for FY16 LTI SARs the seventh anniversary of LTI Grant Date). The exercise of a Vested SAR in effect liquidates that Vested SAR into a right to receive either cash or Senex shares (at the Board's discretion). It is the Board's current intention that exercised SARs will be equity settled.

On the date that a Vested SAR is exercised, unless the Board elects to cash settle that SAR, the Participant becomes entitled to receive the number of Senex shares (**Award Shares**) calculated as follows:

$$\text{Award Shares} = \frac{\text{Number of exercised SARs} \times \text{Maturity Value}}{\text{Maturity Price}}$$

Performance Conditions

Under the SARP the Board can impose one or more Performance Conditions that must be satisfied before a SAR vests.

Change of Control and corporate events

If a Change of Control occurs, (unless any Takeover Bid to which the Change of Control relates also includes an equivalent offer to the Participant to acquire all or a substantial portion of their SARs) all unvested SARs will either vest or lapse on the basis set out in below and all Vested SARs (including those that vest on Change of Control) will be deemed to have been exercised at the time the Change of Control occurs.

Unvested SARs will vest on Change of Control on the following basis:

- * unvested SARs that are subject only to a Vesting Condition will immediately vest at the time the Change of Control occurs;
- * unvested SARs that are subject to a Performance Condition other than a Vesting Condition will be tested under Test #1 and Test #2 at the time the Change of Control occurs.

For each Participant:

- o the number of their unvested SARs in each tranche eligible to Vest under Test #1 or the number of their unvested SARs in that tranche eligible to Vest under Test #2 (whichever the greater) shall immediately vest at the time the Change of Control occurs;
- o the number of their unvested SARs in each tranche not eligible to vest under Test #1 or the number of their unvested SARs in that tranche not eligible to vest under Test #2 (whichever the lesser) will lapse at the time the Change of Control occurs; and

- the Board may exercise an overriding discretion to vest or increase vesting of unvested SARs in each tranche at the time the Change of Control occurs.

Test #1:

- the number of SARs in each tranche eligible to vest is reduced pro rata to the extent of the Performance Period elapsed (reduced period); and
- the performance hurdle against which performance over the reduced period is tested is reduced in the same proportion.

Test #2:

- the number of SARs in each tranche eligible to vest is tested against the original performance hurdle, regardless of the extent of the Performance Period elapsed and the number eligible to vest is only reduced pro rata if and to the extent that the original performance hurdle is not satisfied.

Amendment

The Board may amend the SARP at any time. However, any change that is prejudicial to the rights of Participants requires Participant consent.

Schedule 2

FY16 Short Term Incentive Performance Conditions


Area of Focus	KPI	unit of measurement	calculation
Licence to operate	improvement in TRIFR	Total Recordable Injury Frequency Rate (TRIFR)	Recordable Injuries ÷ million man-hours worked
Licence to operate	process safety	Loss of Containment Incident (LOCI)	LOCI Tier 1, calculated in accordance with APPEA guidelines
Production	Production (mmboe)	mmboe produced	barrels of oil equivalent produced at well head in performance period
Reserves	Reserves Replacement Ratio (%)	% of produced boe	2P Reserves added * ÷ produced boe * excluding acquisitions & divestments
Financial Performance	Oil Unit Operating Cost (\$/bbl)	\$ per produced bbl	(cost of sales – deprec & amort – royalties) ÷ produced bbl
Financial Performance	Net G&A expense (\$m)	\$ millions	Net G&A as reported, but subject to adjustment for purpose of assessment to ensure fair comparison on basis of material assumptions underlying budget
Integrity and Core Values	Senex values	delivery, ownership, collaboration and integrity, underpinned by safety	Board assessment


LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Senex Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
02 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Senex Energy Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **9:30am on Wednesday, 18 November 2015 at The Grand Ballroom, Stamford Plaza, corner of Edward & Margaret Streets, Brisbane (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolutions 2, 3 and 4: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2, 3 and 4, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.


VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

STEP 2

Resolutions

Resolutions	For	Against	Abstain*	For	Against	Abstain*
1 Election of Mr Trevor Bourne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Directors' remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of the Senex share appreciation rights plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of proposed issue of FY16 STI Rights and FY16 LTI SARs under the Managing Director's remuneration package	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30am on Monday, 16 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Senex Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

02 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)


**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**


LODGE YOUR QUESTIONS

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
 Senex Energy Limited
 C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia

 **BY FAX**
 02 9287 0309

 **BY HAND**
 Link Market Services Limited
 1A Homebush Bay Drive, Rhodes NSW 2138; or
 Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
 Telephone: 1300 554 474



X999999999999

Please use this form to submit any questions about Senex Energy Limited (“the Company”) that you would like us to respond to at the Company’s 2015 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Memorandum. If your question is for the Company’s auditor it should be relevant to the content of the auditor’s report, or the conduct of the audit of the financial report.

This form must be received by the Company’s share registrar, Link Market Services Limited, by **Wednesday, 11 November 2015**.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised shareholder topics as possible and, where appropriate, will give a representative of the Company’s auditor, the opportunity to answer written questions submitted to the auditor. However, there may not be sufficient time available at the meeting to address all topics raised. Please note that individual responses will not be sent to shareholders.

My question relates to (please mark the most appropriate box)

- | | | |
|---|--|---|
| <input type="checkbox"/> Performance or financial reports | <input type="checkbox"/> A resolution being put to the AGM | <input type="checkbox"/> General suggestion |
| <input type="checkbox"/> Remuneration Report | <input type="checkbox"/> Sustainability/Environment | <input type="checkbox"/> Other |
| <input type="checkbox"/> My question is for the auditor | <input type="checkbox"/> Future direction | |

- | | | |
|---|--|---|
| <input type="checkbox"/> Performance or financial reports | <input type="checkbox"/> A resolution being put to the AGM | <input type="checkbox"/> General suggestion |
| <input type="checkbox"/> Remuneration Report | <input type="checkbox"/> Sustainability/Environment | <input type="checkbox"/> Other |
| <input type="checkbox"/> My question is for the auditor | <input type="checkbox"/> Future direction | |

QUESTIONS