



Sundance Energy Australia Limited

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Activities Report for the Quarter Ended 30 June 2014

Highlights

<p>Operating Results</p>	<ul style="list-style-type: none"> ✓ Production for the quarter increased to 5,798 Boe/d, net of royalties, an increase of 1,075 Boe/d (23 percent) compared to immediately preceding quarter. ✓ Revenue increased to \$39.3 million bringing 30 June 2014 year-to-date revenue to \$69.4 million. ✓ Adjusted EBITDAX and Adjusted EBITDAX Margin increased to \$30.3 million, or 77.1 percent of revenue, for the quarter ended 30 June 2014 and \$51.0 million, or 73.4 percent of revenue, for the six months ended 30 June 2014.
<p>Exploration & Development</p>	<ul style="list-style-type: none"> ✓ Subsequent to quarter-end, Sundance divested its remaining Denver-Julesburg Basin assets for approximately \$113.4 million in cash. ✓ Subsequent to quarter-end, Sundance divested its remaining holdings in the Bakken for approximately \$14.5 million. ✓ Subsequent to quarter-end, Sundance completed the acquisition of approximately 5,700 net Eagle Ford acres plus an additional 5,400 net Georgetown acres in South Texas for approximately \$35 million. Sundance has the option to acquire the Seller’s remaining working interests for an additional \$45 million. ✓ Sundance brought 23 gross (10.8 net) wells into production during the quarter including 10 gross (6.9 net) Sundance-operated horizontal wells. ✓ An additional 42 gross (27.0 net) wells were drilling, being prepared for fracture stimulation or testing at quarter-end.
<p>Corporate Developments & Liquidity</p>	<ul style="list-style-type: none"> ✓ Added to S&P/ASX 200 effective 2 May 2014. ✓ Ended the quarter with \$124 million of pro forma cash (adjusted for subsequent acquisition and divestiture).

All amounts shown in this report are unaudited.

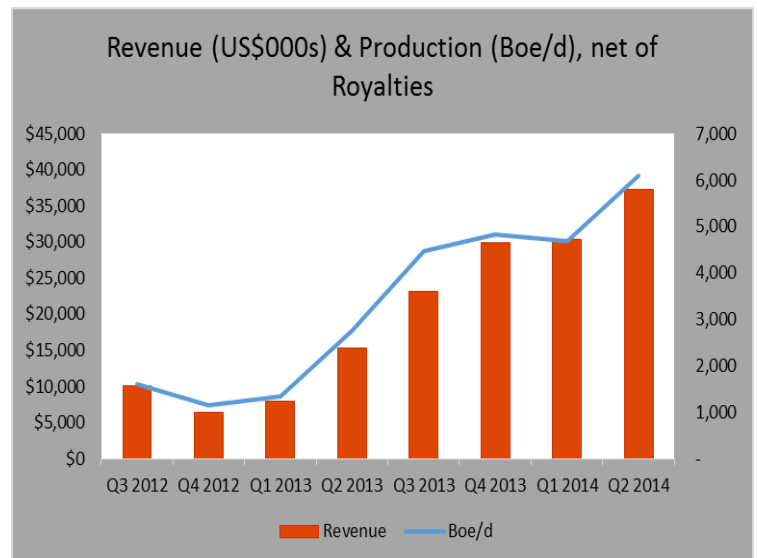
Operating Results

Unaudited	Units	Three Months Ended		Six Months Ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Production Summary, net of Royalties					
Oil Production	Bbls	358,095	171,318	636,386	257,521
Natural Gas Production, excluding flare	Mcf	452,758	258,074	805,351	417,636
NGL Production	Bbls	54,280	8,478	105,865	13,766
Total Production, excluding flare	Boe	487,835	222,809	876,475	340,893
Average Daily Production, excluding flare	Boe/d	5,361	2,448	4,842	1,883
Sales Revenue, net of Royalties					
Oil Sales	US\$000s	35,432	16,323	61,720	24,261
Natural Gas Sales	US\$000s	1,938	1,122	3,833	1,713
NGL Sales	US\$000s	1,892	282	3,859	483
Total Sales Revenue	US\$000s	39,262	17,727	69,412	26,457
Realised Product Pricing					
Oil	US\$/Bbl	98.95	95.28	96.99	94.21
Effect of Hedging	US\$/Bbl	(0.92)	(0.67)	(0.75)	(0.84)
Net Oil	US\$/Bbl	98.03	94.61	96.24	93.37
Natural Gas	US\$/Mcf	4.28	4.35	4.76	4.10
Effect of Hedging	US\$/Mcf	(0.07)	0.06	(0.14)	0.02
Net Natural Gas	US\$/Mcf	4.21	4.41	4.62	4.12
NGL	US\$/Bbl	34.86	33.23	36.45	35.11

NOTE: Production & Revenue figures are presented net of royalties.

Revenue for the quarter increased \$21.5 million, or 121.5 percent, to \$39.3 million compared to the same period in prior year. Increased production of 2,913 Boe/d from the Company's successful multi-rig drilling program contributed \$20.2 million and improved oil and NGL pricing contributed \$1.4 million to the increase in revenue.

For the current quarter, the Company realised \$98.95 per Bbl (3.8 percent increase compared to the same quarter in 2013) of oil and \$4.28 per Mcf (1.6 percent decrease compared to the same quarter in 2013) of natural gas, net of transportation and marketing fees.



For the quarter ended 30 June 2014, the Company produced approximately 5,798 Boe/d, which includes 437 Boe/d of flared gas. Pipeline construction is in progress and is expected to be completed in the third quarter of 2014.

Excluding flared gas, Sundance produced approximately 5,361 Boe/d, up 119.0 percent from 2,448 Boe/d in the same period in prior year.

All amounts shown in this report are unaudited.

Operating Results (continued)

For the six months ended 30 June 2014, Sundance produced approximately 4,842 Boe/d, up 157.1 percent from 1,883 Boe/d in the same period in prior year.

During the six-months ended 30 June 2014, the Company's oil, natural gas and NGL sales revenue increased \$43.0 million (162.4 percent) to \$69.4 million from \$26.5 million in the comparable period in the prior year. Increased production of 2,959 Boe/d contributed \$40.5 million and improved oil and NGL pricing contributed \$2.5 million to the increase in revenue.

Unaudited (US\$000s)	Three Months Ended		Six Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Operating Activity				
Sales Revenue, net of Royalties	\$ 39,262	\$ 17,727	\$ 69,412	\$ 26,457
Lease Operating Expenses (LOE)	(2,465)	(1,598)	(6,267)	(2,764)
Production Taxes	(2,383)	(1,268)	(4,009)	(1,981)
General and Administrative	(4,690)	(5,422)	(8,701)	(8,466)
LOE/Boe:	\$ 5.05	\$ 7.17	\$ 7.15	\$ 8.11
Production taxes as a % of revenue	6.1%	7.2%	5.8%	7.5%
G&A/Boe:	\$ 9.61	\$ 24.33	\$ 9.93	\$ 24.83
Adjusted EBITDAX	\$ 30,261	\$ 10,266	\$ 50,981	\$ 14,363
Adjusted EBITDAX Margin	77.1%	57.9%	73.4%	54.3%

Lease operating expenses (LOE)

In early 2014, the Company implemented several changes in its field operation that has resulted in a reduction of \$2.12 LOE per Boe, or 29.6 percent, for the quarter ended 30 June 2014 compared to the same period in 2013. For the six-months ended 30 June 2014, LOE per Boe decreased by \$0.96, or 11.8 percent, to \$7.15 as compared to \$8.11 for the same period in 2013.

Production tax expense

As a result of the Company's continued production shift out of North Dakota (a higher production tax rate jurisdiction) and into Texas and Oklahoma (lower production tax rate jurisdictions), its average production tax expenses as a percentage of revenue has decreased 1.1 percentage points from 7.2 percent in 2013, to 6.1 percent for the quarter ended 30 June 2014. For the six-months ended 30 June 2014, production tax expenses as a percentage of revenue has decreased 1.7 percentage points from 7.5 percent in 2013 to 5.8 percent in 2014.

General and administrative costs (G&A)

G&A per boe decreased 60.5 percent to \$9.61 per boe for the quarter ended 30 June 2014 compared to the same period in 2013 as the Company captured economies of scale from increased production levels. For the six-months ended 30 June 2014, G&A per boe decreased to \$9.93, or 60.0 percent, as compared to the same period in 2013.

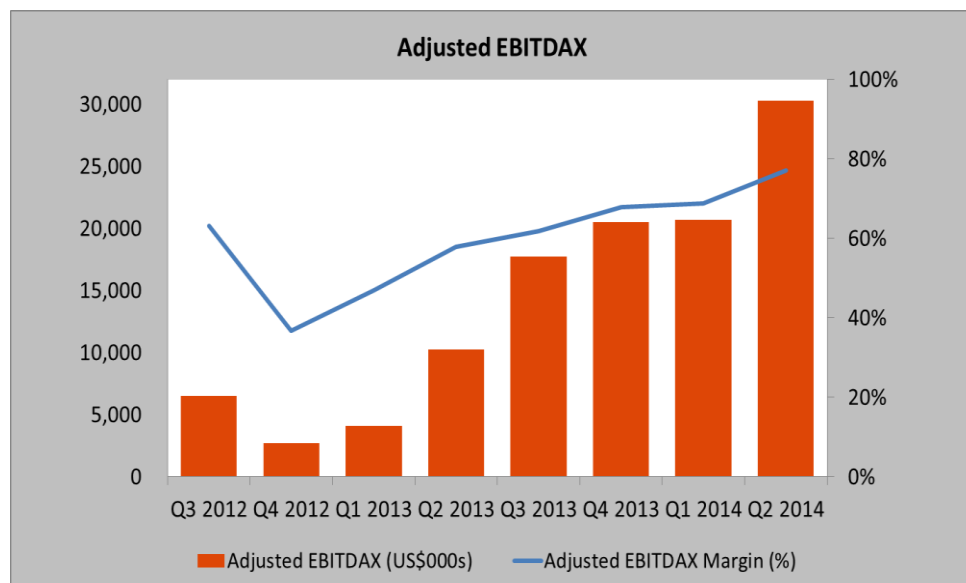
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Operating Results (continued)

Adjusted EBITDAX

Adjusted EBITDAX is defined as earnings before interest expense, income taxes, depreciation, depletion and amortisation, property impairments, gain/(loss) on sale of non-current assets, exploration expense, share-based compensation and gains and losses on commodity hedging, net of settlements of commodity hedging.

The Company's topline revenue growth and reduced operating expenses translated to growth in Adjusted EBITDAX, with the Company generating \$30.3 million in Adjusted EBITDAX, or 77 percent of revenue, for the quarter ended 30 June 2014 compared to \$10.3 million, or 58 percent of revenue, for the same period in 2013. For the six-months ended 30 June 2014, Adjusted EBITDAX was \$51.0 million, or 73 percent of revenue, compared to \$14.4 million, or 54 percent of revenue, from the same period in 2013.



The Company utilises derivative contracts to manage and protect against commodity price risk. As at 30 June 2014, the following derivative contracts were in place:

Year	Oil Derivative Contracts			Gas Derivative Contracts		
	Weighted Average			Weighted Average		
	Units (Bbls)	Floor	Ceiling	Units (Mcf)	Floor	Ceiling
2H 2014	198,000	\$ 95.25	\$ 101.11	300,000	\$ 4.25	\$ 4.42
2015	216,000	\$ 88.85	\$ 96.90	240,000	\$ 4.14	\$ 4.14

All amounts shown in this report are unaudited.

Exploration & Development

The Company's exploration and development activities are focused in the Eagle Ford formation (Texas) and the Mississippian/Woodford formations in the Greater Anadarko Basin (Oklahoma). Costs incurred for exploration, development and production expenditures in the quarter ended 30 June 2014 totaled \$106.2 million, in-line with the Company's capital guidance for the quarter and full year. This investment resulted in the addition of 23 gross (10.8 net) producing wells with an additional 42 gross (27.0 net) wells in progress as at 30 June 2014. We anticipate full year development capital expenditures of \$270 to \$290 million, in line with previous guidance.

In late 2013, the Company shifted to pad drilling in the Eagle Ford. All wells on the pads are planned to be drilled and completed prior to commencing production. In late May 2014, the Company's dedicated frac crew began completion operations in the Eagle Ford. During the second quarter of 2014, the Company completed 12 gross (8.5 net) wells in the Eagle Ford with 5 gross (3.5 net) of those wells beginning production. The Company expects initial production from 10 to 12 gross (8 to 10 net) Sundance operated Eagle Ford wells in the third quarter of 2014.

The Company's development activities for the quarter ended 30 June 2014 are summarised below:

	GROSS WELLS				PRODUCING			IN PROGRESS		
	31-Mar-14	New	Sold	30-Jun-14	Drilling	Waiting on Frac	Fracing/ Production Testing	Total		
Eagle Ford	25	5		30	1	14	7	22		
Anadarko Basin	34	9	(1)	42	1	11	4	16		
DJ Basin (1)	95	9	(1)	103	2	1	1	4		
Williston Basin (2)	71	-		71	-	-	-	-		
Total	225	23	(2)	246	4	26	12	42		

	NET WELLS				PRODUCING			IN PROGRESS		
	31-Mar-14	New	Sold	30-Jun-14	Drilling	Waiting on Frac	Fracing/ Production Testing	Total		
Eagle Ford	21.5	3.5		25.0	0.8	12.2	5.0	18.0		
Anadarko Basin	13.4	3.9	(0.9)	16.4	0.1	5.4	3.1	8.6		
DJ Basin (1)	68.8	3.4	(0.5)	71.7	0.3	0.1	0.0	0.4		
Williston Basin (2)	1.9	-	-	1.9	-	-	-	-		
Total	105.6	10.8	(1.4)	115.0	1.2	17.7	8.1	27.0		

(1) DJ Basin assets were disposed subsequent to quarter end

(2) Williston assets were disposed subsequent to quarter end

All amounts shown in this report are unaudited.

Exploration & Development (continued)

The Company's capital expenditures for the quarter ended 30 June 2014 are summarised below:

Unaudited (US\$000s)	Three Months Ended		Six Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Capital Expenditures				
Exploration & evaluation	15,924	2,870	19,340	4,940
Development & production	90,319	43,928	163,021	57,417
Total capital expenditures ⁽¹⁾	106,244	46,799	182,361	62,356

(1) Represents total costs incurred, not cash paid, for capital expenditures during the quarter. Amounts exclude costs incurred from acquisitions.

Eagle Ford

During the quarter, 5 gross (3.5 net) Eagle Ford wells began production. As at 30 June 2014, the Company had 22 gross (18.0 net) wells drilling, waiting on completion, fracing or production testing. Eagle Ford contributed 3,500 Boe/d (60.4 percent) of total production during the quarter compared to 1,213 Boe/d (49.5 percent) of total Boe/d produced during the same period of 2013. The Company operated 100 percent of the producing wells for the quarter.

Subsequent to 30 June 2014, Sundance completed the acquisition of approximately 5,700 net Eagle Ford acres plus an additional 5,400 net Georgetown acres in Dimmit County, South Texas, for approximately \$35 million. Sundance also has the option, at its sole discretion, to acquire the Seller's remaining working interests for an additional \$45 million.

Greater Anadarko Basin

During the quarter, 9 gross (3.9 net) Mississippian and Woodford wells had initial production; of which 5 gross (3.4 net) were Sundance-operated. As at 30 June 2014, Sundance had 16 gross (8.6 net) wells drilling, waiting on completion, fracing or production testing. Anadarko contributed 1,320 Boe/d (22.8 percent) of total production during the quarter compared to 310 Boe/d (12.8 percent) of total Boe/d produced during the same period of 2013. The Company operated 72.5 percent of the wells with production for the quarter.

Denver-Julesburg Basin

Subsequent to 30 June 2014, Sundance divested of its Denver-Julesburg Basin assets. The sale price of approximately \$113.4 million in cash includes the reimbursement of capital expenditures incurred on 8 gross (3.1 net) non-operated wells.

Williston Basin

The Company's Goliath prospect was its only remaining Bakken asset as at 30 June 2014. This prospect was sold in July 2014 for approximately \$14.5 million, which included \$10 million in cash and approximately \$4.5 million in settlement of a net liability due to the buyer.

All amounts shown in this report are unaudited.

As at 30 June 2014, the Company had approximately \$33 million of cash and cash equivalents. Subsequent to 30 June 2014, the Company received approximately \$113 million and \$10 million of proceeds for the disposition of DJ and Bakken assets and paid an additional \$32 million for the acquisition of additional working interests in Eagle Ford acreage, respectively. The Company's pro forma cash of \$124 million as of 30 June 2014 includes cash on hand of \$33 million, plus \$113 million in proceeds from the DJ disposition, plus \$10 million in proceeds from the Goliath prospect, less \$32 million for the Eagle Ford acreage acquisition.

In May 2014, the borrowing capacity under our credit facilities increased from an aggregate of \$63 million to \$135 million. The increase in the borrowing capacity was driven by the significant uplift of the Company's proved oil and gas reserves as of 31 December 2013. Subsequent to and contemporaneously with the increase in borrowing capacity, the Company drew an additional \$50 million under the credit facilities, of which \$35 million was used to acquire the additional Eagle Ford acreage, bringing total outstanding debt to \$80 million as at 30 June 2014 with \$55 million undrawn borrowing base capacity. In conjunction with the increase in the Company's borrowing base, the Company expanded the syndicate of banks under the Senior Credit Facility. Led by Wells Fargo, Bank of America, Merrill Lynch and the Bank of Nova Scotia have now joined the bank group.

Subsequent to 30 June 2014, the borrowing capacity increased an additional net \$10 million, to \$145 million, after taking into consideration the removal of proved oil and gas reserves associated with the DJ disposition and the development of proved oil and gas reserves in the Eagle Ford.

The following table is a summary of the Company's expected liquidity and cash flow for the second half of 2014:

Unaudited (US\$000s)

Pro forma cash ⁽¹⁾	124.0
Net non-cash working capital ⁽²⁾	<u>(60.0)</u>
Net working capital	64.0
2nd half 2014 projected EBITDAX ⁽³⁾	<u>96.0</u>
Total expected internally generated liquidity	160.0
Undrawn borrowing capacity ⁽⁴⁾	<u>65.0</u>
Total expected available liquidity	<u>225.0</u>

(1) Pro forma cash as at 30 June 2014 as discussed above.

(2) Includes accounts receivable and accrued revenue of approximately \$48 million, less accounts payable and accrued expenses of approximately \$113 million, plus relief from liability due to Bakken disposition of approximately \$5 million.

(3) Based on median projected analysts consensus.

(4) Includes additional \$10 million borrowing capacity obtained subsequent to 30 June 2014.

Total expected internally generated and available liquidity exceed the development and production capital expenditures projected for the second half of 2014 of approximately \$127 million.

All amounts shown in this report are unaudited.

Yours sincerely,
Sundance Energy Australia Limited



Eric McCrady
CEO and Managing Director

For further advice on this release, please contact:

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About Sundance Energy Australia Limited

Sundance Energy Australia Ltd (ASX: SEA) is an Adelaide-based, independent energy exploration Company, with a wholly owned US subsidiary, Sundance Energy, Inc., located in Colorado, USA. The Company is developing projects in the US where it is primarily focused on large, repeatable resource plays where it develops and produces oil and natural gas reserves from unconventional formations.

A comprehensive overview of the Company can be found on the Company's website at www.sundanceenergy.com.au.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Sundance Energy Australia Limited

ABN

76 112 202 883

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		US\$'000	(6 months) US\$'000
1.1	Receipts from product sales and related debtors	40,207	70,648
1.2	Payments (a) exploration & evaluation	(16,046)	(19,533)
	(b) development	(110,450)	(188,782)
	(c) production	(7,021)	(13,015)
	(d) administration	(5,569)	(9,134)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	106	106
1.5	Interest and other costs of finance paid	(1,014)	(1,445)
1.6	Income taxes paid	(1,651)	(14,171)
1.7	Other (derivatives)	(362)	(587)
Net Operating Cash Flows		(101,800)	(175,913)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (1)	(3,300)	(3,300)
	(b) equity investments	-	-
	(c) other fixed assets	(138)	(509)
1.9	Proceeds from sale of: (a) prospects (2)	(4,267)	(4,267)
	(b) equity investments	-	-
	(c) other fixed assets	-	107
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (changes in escrow)	-	(101)
Net investing cash flows		(7,705)	(8,070)
1.13	Total operating and investing cash flows (carried forward)	(109,505)	(183,983)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(109,505)	(183,983)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	17,120	68,502
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	65,000	80,000
1.17	Repayment of borrowings	(15,000)	(30,000)
1.18	Dividends paid	-	-
1.19	Other	(35)	(35)
	Net financing cash flows	67,085	118,467
	Net increase (decrease) in cash held	(42,420)	(65,516)
1.20	Cash at beginning of quarter/year to date	73,661	96,871
1.21	Exchange rate adjustments to item 1.20	1,355	1,241
1.22	Cash at end of quarter	32,596	32,596

(1) Relates to deposit paid for Eagle Ford acreage acquisition of 5,700 net acres, which closed subsequent to 30 June 2014.

(2) Final closing settlement related to post-closing adjustment on the Phoenix disposition.

**Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities**

		Current quarter US\$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	445
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes cash payments for salaries and fees paid to directors during the quarter.
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities (Senior and Junior Credit Facility)	135,000	80,000
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation (1)	(41,700)
4.2 Development	(70,000)
4.3 Production	(8,700)
4.4 Administration	(4,500)
Total	(124,900)

(1) Includes the acquisition of approximately 5,700 net acres in Eagle Ford.

Reconciliation of cash

	Current quarter US\$'000	Previous quarter US\$'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		
5.1 Cash on hand and at bank	32,596	73,661
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other		
Total: cash at end of quarter (item 1.22)	32,596	73,661

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Anadarko Basin	46,226	45,832
6.2	Interests in mining tenements acquired or increased	Eagle Ford Formation	8,316	13,955

(1) Excludes the 5,700 net acres acquired subsequent to 30 June 2014.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	548,714,663	548,714,663	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	21,802,939 Ordinary shares issued through capital raise, exercise of stock options, and conversion of RSUs	21,802,939 Ordinary shares issued through capital raise, exercise of stock options, and conversion of RSUs	
7.5	+Convertible debt securities (description)			

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	3,430,000 options 3,494,338 RSUs*		Weighted Average Option Exercise Price - A\$0.95	Weighted Average Remaining Option Term – 4.3 years
7.8	Issued during quarter	Nil options 2,839,626 RSUs*			
7.9	Options exercised and RSUs* converted to ordinary shares during quarter	291,666 options 1,038,802 RSUs*			
7.10	Expired during quarter	10,793 RSUs*			
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

* RSUs - Restricted share units

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 31 July 2014

Chief Executive Officer
Print name: Eric McCrady

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.