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Sundance Energy Australia Limited ABN 76 112 202 883

FOR IMMEDIATE RELEASE

27 May 2016

General Manager
The Company Announcements Office
Australian Securities Exchange

Chairman's Report May 2016 AGM

Dear Fellow Shareholders,

As shareholders, we are well aware that the oil and gas industry is cyclical, being principally driven by product supply and demand with a variety of geopolitical factors also at play which impact the business climate in which we operate. Price volatility is an ever present characteristic of commodity markets but 2015 was a particularly tough year due to the continued decline in commodity prices. Further deterioration was experienced in the early part of 2016 resulting in oil prices being the lowest seen for many years.

This prolonged period of depressed commodity prices has tested the resilience of the oil and gas industry. Revenues have decreased dramatically which presents challenges to managing liquidity, debt and funding growth. And we are all painfully aware of the adverse impact this has had on our share price.

However, the Board and Management of Sundance Energy has not wavered from their overall strategy of building a sustainable growth business and delivering superior shareholder returns in the medium to longer term. A major focus of this strategy is to expand and develop our valuable portfolio of Eagle Ford assets.

Periods of uncertainty are also periods of opportunity. The Board and Management of Sundance Energy have concentrated on identifying and taking advantage of such opportunities. One such opportunity has been to take advantage of the significant cost reductions in both operating costs and capital expenditures available in the current commercial environment. This aggressive program was applied across our full range of activities and has continued into 2016 with impressive results. These top tier cost reduction programs have made a significant contribution to our cash flows as well as the valuation of our oil and gas reserves which have been positively impacted by reductions in both operating costs and capital expenditures.

Another opportunity is in the area of asset acquisition during a time when valuations are depressed. The evaluation of these opportunities, combined with the consideration of funding options and timing, is a major ongoing area of endeavour for our management team and the Board. This is consistent with our core strategy of growing the Company.

2015 - Strong Performance in a Challenging Environment

The adverse market conditions resulted in an adjusted EBITDAX of US$ 64.8 million for 2015 compared with US$126.4 in 2014. However, it is important to note that our operations were cash flow positive in 2015 and this has continued into 2016. Despite the difficult operating environment in 2015, the Company:

- achieved an average production rate of 7,915 barrels of oil equivalent per day (boepd) and an exit rate of ~8,100 boepd while executing a down-cycle development program;
- reduced cash operating costs from US$15.20/Boe for year ended December 31, 2014 to US$14.21/Boe for 2015;
- achieved an adjusted EBITDAX margin of 70% for 2015 compared with 79% in 2014, despite a 51% reduction in realized oil price;
- funded development capital expenditures out of operating cash flow; and,
- increased oil and natural gas reserves by 1% to 26.2 mmboe.

The Board is very focused on implementing appropriately designed remuneration programs for our Executives. Long-term incentive compensation is dependent on meeting performance targets and is therefore at risk. No short term bonuses were paid to any of our Executives or staff relative to the 2015 financial year.

2016 - Continued Focus on Cost Containment

The Company reported Adjusted EBITDAX of US$9.8 million and an Adjusted EBITDAX margin 87.5% for the first quarter of 2016. The margin increase was driven by the implementation of various cost reduction initiatives and significant gains realized from the Company's commodity hedging program. In early 2016 the base salaries of our Executives were reduced by 10% and the Non-Executive Directors also resolved to reduce their total fees by 10%. In addition, we reduced our total headcount of staff by approximately 30% in January. For the quarter, lease operating expense decreased $1.17 per Boe to $5.79 per Boe which resulted in a further reduction of cash operating costs to US$12.26/Boe.

While production for the quarter of 6,304 Boe/d was below the low end of our production guidance for the year, we have reaffirmed the full year guidance of 6,800 – 7,400 Boe/d due to the scheduled completions of several wells and various production optimisation projects planned for the remainder of 2016.

During the first quarter of 2016 our development expenditures were modest and focused on production enhancements and field-level optimization projects. In addition to funding development expenditures, a US$7.8 million reduction in current liabilities was funded out of operating cash flows.

As of 31 March 2016, the Company's revolving credit facility with Morgan Stanley was fully drawn with US$67 million outstanding, and US$125 million outstanding on the term loan. During May 2016, the semi-annual redetermination of the borrowing base under the revolving credit facility was completed and the borrowing base was reaffirmed at US$67 million.

Safety and Environment

The Board and Management of Sundance have continued to promote a strong, company-wide culture of safety to ensure that high standards of safety are maintained throughout the organisation, and that all of our operations are conducted in an environmentally responsible way. During 2015 we improved our safety record compared with the previous year and made further enhancements to our already comprehensive safety program.

Outlook for 2016

Significant improvements in the commodity cycle are not possible to predict, and we are not standing still waiting for this to happen but taking a proactive yet prudent approach to managing the business. The priority will continue to be on positioning the Company for sustained value creation, while adopting prudent measures to manage our balance sheet.

Sundance Energy has a highly competent and hardworking management team very ably led by Eric McCrady our Managing Director, and supported by a Board with the appropriate skillset. I believe that we are well positioned to provide value to our shareholders in the medium to longer term.

In closing I would like to thank our management team and staff for their hard work and dedication over the past year and to you, our shareholders, for your loyalty and patience during a turbulent time in our industry. I would also like to record my appreciation of the strong contribution to Board activities made by my fellow Non-Executive Directors.

Yours sincerely,

Mike Hannell
Chairman