SUNDANCE energy

28 Greenhill Road, Wayville, South Australia 5034 ACN112 202 883
Telephone: +61 8 8363 0388 Facsimile: +61 8 8132 0766 www.sundanceenergy.com.au
Sundance Energy Australia Limited ABN 76 112 202 883

FOR IMMEDIATE RELEASE

25 May 2017

General Manager
The Company Announcements Office
Australian Securities Exchange

Chairman's Report May 2017 AGM

Dear Fellow Shareholders,

As I remarked last year, and as shareholders are well aware, the oil and gas industry is cyclical, being principally driven by supply and demand with a variety of geopolitical factors interacting that impact on the business environment in which we operate.

Following on from a difficult year in 2015, 2016 presented unique challenges for the industry and for Sundance. In February 2016, the price of crude oil plunged to its lowest point in over a decade. This severely tested the resilience of the oil and gas industry, and during the year, more than 60 US-based oil and gas companies filed for bankruptcy. In the face of these challenges, Sundance proactively managed its assets, its balance sheet, and its cost structure. Maintaining capital expenditure discipline and a strong focus on reducing operating costs during this prolonged downturn has positioned Sundance to be able to pursue opportunities that emerge in the upturn part of the cycle.

The adverse market conditions in 2016 resulted in an adjusted EBITDAX of US$47.9 million compared with US$64.8 million in 2015, with our Adjusted EBITDAX margin (as a percent of revenue) being 72% and 70% respectively. In order to protect our cash flows and balance sheet, we have an active hedging program, and during 2016 our operations were cash flow positive. This has continued into 2017.

An equity raise of nearly A$90 million in mid-2016 allowed us to accelerate development on our Eagle Ford acreage and acquire approximately 5,180 net acres in our core area with approximately 950 boe/d of production. We brought 19 gross (11 net) wells onto production during the year and increased proved reserves to 33.8 Mmboe, a year-over-year increase of 29%.

Throughout 2016, we focused on cost reductions across all aspects of the organization. Those efforts resulted in a reduction in lease operating expenses from $6.96 per barrel in 2015 to $5.79 per barrel in 2016. General and administrative expense declined from $6.48 per barrel in 2015 to $5.42 per barrel in 2016. These per barrel decreases were achieved despite a 16% year-over-year decline in our average daily production rate that occurred due to a scaled-down development program over the last two years.

In general, we were pleased with the early stage production profiles of new wells brought on line during 2016 and with the initial results with our re-fracking program. Nevertheless, our production performance in the fourth quarter was below our expectations principally due to some unforeseen timing issues, operational decisions taken to maximize revenue, as well as some unplanned downtime related to surface and downhole equipment in the field.

Our strategy continues to focus on growing our asset base in the Eagle Ford area in South Texas. In 2016, we completed two acquisitions in our McMullen County area within the Eagle Ford that added 5,180 net acres and 10.6 net producing wells for $23.1 million. In late 2016, we divested of an acreage block containing 2,709 net acres located in Atascosa County for $7.1 million. This acreage was undeveloped and outside the Company's core project development area. As of yearend, our Eagle Ford position had grown to 42,700 net acres with nearly 500 gross undrilled locations.

During the first quarter of 2017, we resolved the majority of our field related operational issues and we are now focused on production optimization and efficiently implementing our development program, while maintaining a strong focus on cost reductions.

Regarding our development program in 2017, we have budgeted to fund capital expenditures out of EBITDA and proceeds from the Oklahoma asset sale. During the first quarter, we drilled 5 wells (3 in McMullen and 2 in Dimmit) and the remainder of the drilling program will be substantially completed by the end of May (10 out of 14 wells drilled). The frac crew mobilized in mid-March and is scheduled to complete 7 wells in the second quarter and 5 wells in the third quarter. We have scheduled 4 wells to begin production in the second quarter with initial production weighted towards the end of the quarter.

Net production for the first quarter of 2017 was 6,685 Boe/d, in line with our expectations for the quarter. It is anticipated that second quarter 2017 production will be 5,300-5,700 boe/d. The expected decline is caused by approximately 1,000 boe/d of production declines from wells producing as of December 31, 2016 ("PDP Wells") and the sale of approximately 650 boe/d with the Oklahoma asset sale. In the second half of 2017, the expected decline from PDP Wells drops to approximately 9.5% per quarter. The Company has begun flow back on 4 gross (4 net) wells through the second quarter that will all produce for portions of the second quarter. These new wells will partially offset the production declines.

We expect full year production of 7,700-8,500 boe/d with an exit rate of between 9,000 to 10,000 boe/d. This takes into account the sale of our Oklahoma assets which closed during May for US$16.6 million. Simultaneously, our borrowing base was reaffirmed at US$67 million by Morgan Stanley demonstrating our sound balance sheet and providing additional liquidity to execute our 2017 development plan. This represents a significant milestone as we have achieved our goal of becoming a pure-play Eagle Ford operator.

The Board continues to be very focused on designing and implementing remuneration programs for our executives that balance shareholder interests with the need to motivate and to retain our key executives, all of whom are based in the US. Long-term incentive compensation is dependent on meeting performance targets relating to our share price and is therefore completely at-risk. No short-term bonuses were paid to any of our Executives or staff during the 2016 financial year.

We continue to place a high priority on further improving our safety record and on conducting our operations in an environmentally responsible manner. This focus extends not only to employees, but also to contractors and vendors who work with the Company. This will continue to be a top priority as we execute our strategy in 2017 and beyond.

It is during challenging times that the support of all the Company's stakeholders is even more critical. The accomplishments and progress we were able to achieve over the last year would not have been possible without the significant contributions from our dedicated and hardworking management team and staff, and my fellow members of the Board of Directors. Those efforts, coupled with the continued support of our shareholders, were instrumental in positioning the Company for continued growth and value creation.

On behalf of the Board and Company, I would like to thank everyone for your support. The Board and Management continues to be focused on creating additional value for shareholders, and we believe that the Company is well positioned to take advantage of improving conditions in the industry and of the emerging opportunities.

Yours sincerely,

Mike Hannell
Chairman