

# Notice of Annual General Meeting 2015

*Sundance Energy Australia Limited*

*ABN 76 112 202 883*

**Date:** Thursday 28 May 2015  
**Time:** 10:00 am (Adelaide time)  
**Venue:** Minter Ellison Boardroom  
Level 10, 25 Grenfell Street  
Adelaide, South Australia





Dear Shareholder,

Notice is hereby given that the Annual General Meeting of the shareholders of Sundance Energy Australia Limited (**Company**) will be held at the Minter Ellison Boardroom, Level 10, 25 Grenfell Street, Adelaide, South Australia on Thursday 28 May 2015, at 10:00 am (Adelaide time) for the purpose of transacting the business referred to in this Notice of Annual General Meeting.

The Explanatory Memorandum that accompanies and forms a part of this Notice of Annual General Meeting describes the matters to be considered at the meeting.

## GENERAL BUSINESS

### 2014 Financial Statements and Reports

To receive and consider the financial statements of the Company for the year ended 31 December 2014, and related Directors' Report, Directors' Declaration and Auditor's Report.

## ORDINARY BUSINESS

To consider, and if thought fit, to pass, with or without modification, the following Ordinary Resolutions:

### Ordinary Resolution 1: Adoption of Remuneration Report

*'That the Remuneration Report for the year ended 31 December 2014, as set out in the Annual Report for that period, be adopted.'*

Note: the vote on this resolution is advisory only and does not bind the Directors or the Company.

#### Voting Exclusion Statement

In accordance with the Corporations Act, a vote must not be cast on this resolution in any capacity (and will be taken not to have been cast if cast contrary to this restriction) by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report, and any closely related party of such a member.

However, the member or any closely related party of such a member may vote if:

- a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution, or by a person who is the chair of the meeting at which the resolution is voted on and the appointment does not specify the way the proxy is to vote on the resolution and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel; and
- b) it is not cast on behalf of the member or any closely related party of such a member.

See note on 'Voting Entitlements' below.

### Ordinary Resolution 2: Re-election of Michael Damer Hannell as a Director

*'That Michael Damer Hannell, a Director retiring by rotation in accordance with ASX Limited (ASX) Listing Rule 14.4 and clause 59.1 of the Constitution of the Company, being eligible, is re-elected as a Director of the Company.'*

### Ordinary Resolution 3: Re-election of Henry Weldon Holcombe as a Director

*'That Henry Weldon Holcombe, a Director retiring by rotation in accordance with ASX Limited (ASX) Listing Rule 14.4 and clause 59.1 of the Constitution of the Company, being eligible, is re-elected as a Director of the Company.'*



## SPECIAL BUSINESS

### Ordinary Resolution 4: Approval to Issue Restricted Share Units to Managing Director

*'That for the purposes of the Corporations Act 2001 and ASX Listing Rule 10.14 and all other purposes, approval is given for the issue of 3,090,226 Restricted Share Units (in relation to the 31 December 2014 Financial Year), and the issue of any shares upon vesting of those units, under the Company's Long Term Incentive Plan to Eric McCrady, Managing Director of the Company, being:*

- *1,545,113 Time Based Vesting units each carrying a right to receive one ordinary fully paid share in the Company subject to the terms of issue; and*
- *1,545,113 Relative Total Shareholder Return units each carrying a right to receive a maximum of two ordinary fully paid shares in the Company subject to the terms of issue, (with the final number of shares received based on performance compared with a representative group of the Company's peers),*

*any such issue to take place within one month of the date of this resolution, and otherwise on the terms and conditions summarised in the accompanying Explanatory Memorandum.'*

#### Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this ordinary resolution by any director or associate of any director and any votes cast as a proxy by any member of the Company's key management personnel and any closely related party of any member of the Company's key management personnel (each of whom will be a 'Prohibited Person'). However, the Company will not disregard a vote if:

- a) it is cast by a Prohibited Person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by a Prohibited Person who is 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.

Further, in accordance with the Corporations Act, a vote must not be cast on this resolution (and will be taken not to have been cast if cast contrary to this restriction) by a Prohibited Person, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution or expressly authorises the person who is the chair of the meeting to exercise the proxy. However, the Prohibited Person may vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution or by a person who is the chair of the Meeting at which the resolution is voted on and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

*See note on 'Voting Entitlements' below.*

## OTHER BUSINESS

To deal with any other business that may legally be brought forward in accordance with the Constitution and the Corporations Act.

Explanatory notes for the Agenda items appear on the following pages.

You may review the Company's Annual Report for the year ended 31 December 2014 at the Sundance Energy website.

[www.sundanceenergy.net/annual-report-2014](http://www.sundanceenergy.net/annual-report-2014)

The Annual Report has not been sent to members unless the member has specifically requested a printed copy.

**By order of the Board**

*Damien Connor*  
*Company Secretary*

20 April 2015



## VOTING ENTITLEMENTS

The Board has determined that, in accordance with the Company's Constitution and the Corporations Regulations 2001 (Cth), the members entitled to attend and vote at the Annual General Meeting shall be those persons who are recorded in the register of members at 7.00pm Sydney time on Tuesday 26 May 2015.

### PROXIES

#### Appointment of a proxy

A shareholder who is entitled to attend and vote at the Annual General Meeting may appoint up to two proxies to attend and vote on behalf of that shareholder. A proxy form is included with this Notice of Annual General Meeting.

If a shareholder appoints two proxies, the appointment of the proxies may specify the proportion or the number of that shareholder's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the votes. Fractions of votes will be disregarded.

A proxy need not be a shareholder of the Company. Proxies given by corporate shareholders must be executed in accordance with their constitutions, or signed by a duly authorised officer or attorney.

To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney or authorised officer, the authority under which the proxy form is signed (or a certified copy of the authority) by **no later than 10:00 am (Adelaide time) on Tuesday 26 May 2015, by post or fax to:**

- the Company's registered office at 32 Beulah Road, Norwood, South Australia 5067 (facsimile number (08) 8132 0766);
- the Company's share registrar, Computershare Investor Services Pty Limited, as listed below; or
- **Custodian Voting** – for Intermediary Online subscribers only (Custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

Mail:	Fax:
Sundance Energy Australia Limited C/- Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001 Australia	Sundance Energy Australia Limited C/- Computershare Investor Services Pty Limited (within Australia) 1800 783 447 (outside Australia) +613 9473 2555

*If you require an additional proxy form, please contact Computershare Investor Services Pty Limited.*

#### Appointment of company representative

A body corporate may elect to appoint a representative, rather than appoint a proxy, in accordance with the Corporations Act. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the meeting.

#### Voting by proxies

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit. If a proxy abstains from voting and the directions on the proxy require that person to vote, the votes not exercised by the proxy will be given to the Chair to vote in accordance with the directions on the proxy form.

Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.

If the Chair or a member of the key management personnel or one of their closely related parties is appointed as a proxy, they are not permitted to vote undirected proxies on various matters, including some remuneration matters and related party matters, subject to limited exceptions.

**Please read the directions on the proxy form carefully, especially if you intend to appoint the Chair of the meeting or a member of the key management personnel as your proxy.**



## Annual General Meeting – Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of shareholders in connection with the Annual General Meeting (AGM) of shareholders to be held on:

**Date:** Thursday 28 May 2015

**Time:** 10:00 am (Adelaide time)

**Venue:** Minter Ellison Boardroom, Level 10, 25 Grenfell Street, Adelaide, South Australia

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting, and is a brief explanation of Resolutions 1 to 4 in the Notice of Annual General Meeting, and why the Company is seeking shareholder approval.

### GENERAL BUSINESS

#### 2014 Financial Statements and Reports

The Corporations Act requires the Financial Report (which includes the Financial Statements and Directors' Declaration), the Directors' Report and Auditor's Report to be laid before the AGM. There is no requirement either in the Corporations Act or the Company's Constitution for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports.

While no resolution is required in relation to this item, the auditor of the Company or their representative will be available to receive questions relevant to:

- a) the conduct of the audit;
- b) the preparation and content of the Auditor's Report;
- c) the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- d) the independence of the auditor in relation to the conduct of the audit.

A shareholder of the Company who is entitled to cast a vote at the AGM may submit a written question to the auditor if:

- a) the question is relevant to:
  - i) the content of the Auditor's Report to be considered at the AGM; or
  - ii) the conduct of the audit of the annual financial report to be considered at the AGM; and
- b) the shareholder gives the question to the Company no later than the fifth business day before the day on which the AGM is held.

### ORDINARY BUSINESS

#### Ordinary Resolution 1: Adoption of Remuneration Report

In accordance with section 250R of the Corporations Act, the Company submits to shareholders for consideration and adoption, by way of a non-binding resolution, its remuneration report for the year ended 31 December 2014.

The remuneration report is a distinct section of the Directors' Report that deals with the remuneration of directors and other key management personnel of the Company and is contained in the Company's Annual Report for the year ended 31 December 2014 which is also available on the Company's website at [www.sundanceenergy.com.au](http://www.sundanceenergy.com.au).

The Remuneration Report sets out the Company's remuneration arrangements for its directors, officers and senior management.

*Shareholders are asked to keep in mind that the Company's operations are now all in the US, and the Company's management team and technical and administrative staff are based in the US. The US employment market for oil and gas personnel is very competitive, and the Company is required to offer comparable remuneration to attract and retain suitably qualified US executives and technical staff.*



## Annual General Meeting – Explanatory Memorandum

### Ordinary Resolution 1: Adoption of Remuneration Report *Continued*

Section 300A of the Corporations Act requires the directors to include a Remuneration Report in their Annual Report for the financial year. Section 250R(2) of the Corporations Act requires the Remuneration Report be put to the vote at the Company's AGM. Shareholders should note that the vote will be advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

In relation to the non-binding shareholder vote, if 25% or more of the votes that are cast are against the adoption of the Remuneration Report at an AGM and comments are made on the Remuneration Report, the company's subsequent Remuneration Report is required to include an explanation of the board's proposed action or why no action has been taken.

Where 25% or more of the votes that are cast are against the adoption of the Remuneration Report at a company's second AGM, then if shareholders at that second AGM pass an ordinary resolution to hold a further meeting ("Spill Resolution"), the directors who approved the directors' report, other than the managing director, must resign or cease to hold office and may be reappointed to the vacated positions.

At the 2014 AGM, the Company's Remuneration Report for the financial year ended 31 December 2013 received more than 96% of votes cast for the Remuneration Report.

Shareholders attending the AGM will be given a reasonable opportunity to discuss the Remuneration Report.

The vote on this resolution is advisory only, and does not bind the Directors or the Company.

If you elect to appoint a member of the key management personnel (other than the Chair) or a closely related party of such a person as a proxy, then you must direct the proxy how they are to vote. Undirected proxies granted to these persons will not be included in any vote on Resolution 1. If you elect to appoint the Chair as your proxy, you do not need to direct the Chair how you wish the Chair to exercise your vote on this resolution. However please carefully read the proxy form enclosed with this Notice of Meeting before completing it.

In completing the proxy form, if you appoint the Chair as your proxy and do not direct the Chair how to vote and provide the relevant authorisation to the Chair, this will allow the Chair to exercise their discretion in exercising your proxy, even though this resolution is connected directly or indirectly with the remuneration of the key management personnel, which includes the Chair.

If your proxy is not a member of the key management personnel or one of their closely related parties and is not the Chair, you do not need to direct your proxy how to vote.

### Directors' Recommendation

The Directors, while noting that each Director has a personal interest in their own remuneration from the Company, recommend that Shareholders vote in favour of adopting the Remuneration Report.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 1, subject to compliance with the voting restrictions discussed above.

### Ordinary Resolution 2: Re-Election of Michael Damer Hannell as a Director

In accordance with clause 59.1 of the Constitution, at every Annual General Meeting one third of the Directors for the time being (excluding the Managing Director) must retire from office and are eligible for re-election.

ASX Listing Rule 14.4 provides that a director (excluding the Managing Director) must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is longer. However, a director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next AGM of the entity.



## Annual General Meeting – Explanatory Memorandum

Michael Damer Hannell (Mike) retires by rotation and offers himself for re-election pursuant to ASX Listing Rule 14.4 and the Company's Constitution. The qualifications and experience of Mike are set out below.

### **Michael D Hannell**

*BSc Eng (Hons), FIEAust*

**(Director since March 2006)**

Mike has been a Director of Sundance since March 2006 and Chairman of our Board of Directors since December 2008. Mike is Chairman of the Company's Remuneration and Nominations Committee, and he is also a member of the Company's Audit and Risk Management Committee and Reserves Committee.

Mike has over 45 years of experience in the oil and gas industry, initially in the downstream sector and subsequently in the upstream sector. His extensive experience has been in a wide range of design and construction, engineering, operations, exploration and development, marketing and commercial, financial and corporate areas in the United States, United Kingdom, continental Europe and Australia at the senior executive level with Mobil Oil (now Exxon) and Santos Ltd. Mike recently finished his term as the chairman of Rees Operations Pty Ltd (trading as Milford Industries Pty Ltd), an Australian automotive components and transportation container manufacturer and supplier. He has also held a number of other board appointments including the chairman of Sydac Pty Ltd, a designer and producer of simulation training products for industry. Mike has also served on a number of not-for-profit boards, with appointments as president of the Adelaide-based Chamber of Mines and Energy, president of Business SA (formerly the South Australian Chamber of Commerce and Industry), chairman of the Investigator Science and Technology Centre, chairman of the Adelaide Graduate School of Business, and a member of the South Australian Legal Practitioners Conduct Board. Mike holds a Bachelor of Science degree in Engineering (with Honors) from the University of London and is a Fellow of the Institution of Engineers Australia.

The Board considers Mike to be an independent director.

### **Directors' Recommendation**

The Directors (other than Director Hannell, who makes no recommendation) recommend that shareholders approve Resolution 2 for the re-election of Michael Damer Hannell as a Director of the Company.

The Chairman of the Meeting (being one of the other Directors, chairing the meeting while Resolution 2 is considered) intends to vote all undirected proxies in favour of Resolution 2.

### **Ordinary Resolution 3: Re-Election of Henry Weldon Holcombe as a Director**

In accordance with clause 59.1 of the Constitution, at every Annual General Meeting one third of the Directors for the time being (excluding the Managing Director) must retire from office and are eligible for re-election.

ASX Listing Rule 14.4 provides that a director (excluding the Managing Director) must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer. However, a director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the entity.

Henry Weldon Holcombe (Weldon) retires by rotation and offers himself for re-election pursuant to ASX Listing Rule 14.4 and the Company's Constitution. The qualifications and experience of Weldon are set out below.





## Annual General Meeting – Explanatory Memorandum

### Ordinary Resolution 3: Re-Election of Henry Weldon Holcombe as a Director *Continued*

#### H Weldon Holcombe

*BSc Eng*

**(Director since December 2012)**

Weldon has been a Director since December 2012 and is Chairman of the Company's Reserves Committee. Weldon is also a member of the Company's Remuneration and Nominations Committee.

Weldon has over 30 years of onshore and offshore U.S. oil and gas industry experience, including technology, reservoir engineering, drilling and completions, production operations, construction, field development and optimization, Health, Safety and Environmental ("HSE"), and management of office, field and contract personnel. Most recently, Weldon served as the Executive Vice President, Mid Continental Region, for Petrohawk Energy Corporation from 2006 until its acquisition by BHP Billiton in 2011, after which he served as Vice President of New Technology Development for BHP Billiton. In his capacity as Executive Vice President for Petrohawk Energy Corporation, Weldon managed development of leading unconventional resource plays, including the Haynesville, Fayetteville and Permian areas. In addition, Weldon served as President of Big Hawk LLC, a subsidiary of Petrohawk Energy Corporation, a provider of basic oil and gas construction, logistics and rental services. Weldon also served as corporate HSE officer for Petrohawk and joint chairperson of the steering committee that managed construction and operation of a gathering system in Petrohawk's Haynesville field with one billion cubic feet of natural gas of production per day. Prior to Petrohawk, Weldon served in a variety of senior level management, operations and engineering roles for KCS Energy and Exxon. Weldon holds a Bachelor of Science degree in civil engineering from the University of Auburn.

The Board considers Weldon to be an independent director.

#### Directors' Recommendation

The Directors (other than Director Holcombe, who makes no recommendation) recommend that shareholders approve Resolution 3 for the re-election of Henry Weldon Holcombe as a Director of the Company.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 3.

### SPECIAL BUSINESS

#### Ordinary Resolution 4: Approval to Issue Restricted Share Units to Managing Director

The Company proposes to issue 3,090,226 Restricted Share Units to Eric McCrady, Managing Director of the Company. The Restricted Share Units will be granted at no cost to the Managing Director, and on vesting will entitle the holder to fully paid ordinary shares in the Company, on the terms summarised in this Explanatory Memorandum. All of those Restricted Share Units are proposed to be granted in relation to the Financial Year commencing 1 January 2014 and ending 31 December 2014.

The Board seeks shareholder approval under ASX Listing Rule 10.14 for the issue of Restricted Share Units and/or shares to the Managing Director, under the Long Term Incentive Plan which forms part of the Company's overarching Incentive Compensation Plan, or any successor or amended plan (the LTI Plan). The Restricted Share Units have been designed to assist the Company to attract and retain key members of management and officers, since those units will generally be forfeited if the holder leaves the service of the Company before the units vest. Under the ASX Listing Rules, the Company may not issue securities (including shares, options over unissued shares and other convertible securities) to Directors and various other parties without shareholder approval. For this reason, shareholder approval is sought for the proposed issue of Restricted Share Units and shares to the Managing Director, under the LTI Plan.

#### *Eric McCrady – Managing Director*

Eric McCrady joined the Company in June 2010 as Chief Financial Officer and has been Managing Director of the Company since November 2011. Eric has responsibility for building the Company's operating capability and implementing the Company's approved growth strategy, which includes the exploration and development program and opportunities relating to asset acquisitions and divestments. Eric has corporate, financial, and oil and gas experience.



## Annual General Meeting – Explanatory Memorandum

### *Remuneration Committee*

The Remuneration Committee has reviewed the market standard of remuneration for the position of the Managing Director of a publicly listed company with all operations in the US, and of a size comparable to the Company. Findings indicate that providing equity-based remuneration, with vesting restrictions tied to performance and continued service, is customary among public oil and gas companies in the US, as a means to link the Managing Director's interests with those of shareholders, and deliver competitive remuneration to promote retention of critical talent. In addition, the Remuneration Committee has employed the services of a US-based remuneration consultant, to advise it on best practice remuneration policies in the environment in which the Company operates in the United States. Based on both of these inputs, the Remuneration Committee considers it appropriate to issue 3,090,226 Restricted Share Units to the Managing Director, based on achievement of performance hurdles during 2014 as detailed below. These Restricted Share Units are subject to vesting conditions as described below, including the holder still being employed by the Company, or providing services to the Company, at the relevant vesting date, as well as performance conditions where applicable, as described below.

The Remuneration Committee believes that the grant of the Restricted Share Units is appropriate and reasonable in all the circumstances, as part of the remuneration of the Managing Director. Therefore, the Company considers that the grant of the Restricted Share Units comes within one of the exceptions to Chapter 2E of the Corporations Act 2001, and shareholder approval is not required for that purpose.

Resolution 4 seeks shareholder approval to the allotment and issue of these Restricted Share Units for the purpose of ASX Listing Rule 10.14. ASX Listing Rule 10.14 provides that a company must not issue or agree to issue securities under any employee incentive scheme to a related party, including a director, without first obtaining the approval of shareholders. ASX Listing Rule 10.14 provides that the following information must be provided to shareholders:

- the Restricted Share Units are proposed to be issued to Eric McCrady at no cost under the LTI Plan, and on the terms summarised in this Explanatory Memorandum;
- the total number of Restricted Share Units to be issued under Resolution 4 is 3,090,226;
- the Restricted Share Units will be issued as soon as practicable after this meeting and in any event no later than 1 month after the date of this meeting;
- the Restricted Share Units will be held and exercised in accordance with the terms and conditions as summarised below;
- the Restricted Share Units will vest as described below, subject to various conditions. Each share issued pursuant to the vesting of the Restricted Share Units will rank *pari passu* with all existing ordinary fully paid shares of the Company; and
- no funds will be raised by the issue of the Restricted Share Units, and no loans will be made in relation to the Restricted Share Units.

See below for a summary of the terms of the LTI Plan and the Restricted Share Units.

In accordance with Listing Rule 14.11.1, the Managing Director (since he is eligible to participate in this employee incentive scheme in relation to the Company) and his associates are excluded from voting on this resolution. The voting exclusion statement (required under ASX Listing Rule 10.15) is contained in the Notice of Meeting.

### *Summary of the LTI Plan and terms of issue of Restricted Share Units*

The objectives of the LTI Plan are to:

- reward the Managing Director, executives, and employees of, and consultants to, the Company and its subsidiaries, for achieving the Company's financial and operational performance targets established by the Board;
- align the interests of executives and other recipients, and shareholders;
- attract and retain executives and other potential recipients; and
- form part of a competitive incentive package.

Under the LTI Plan, the Board may offer Restricted Share Units to the Managing Director, executives, employees and consultants of the Company and its subsidiaries. The Restricted Share Units carry the right to receive ordinary fully paid shares in the Company, subject to the terms of issue, and on the terms summarised in this Explanatory Memorandum.

## Annual General Meeting – Explanatory Memorandum

### Ordinary Resolution 4: Approval to Issue Restricted Share Units to Managing Director *Continued*

#### *Introduction of Performance Based Restricted Share Units*

The Board in the past has only offered time based Restricted Share Units under the LTI Plan, with vesting tied to continued employment. In 2014 the Board undertook a detailed review of the structure of the LTI Plan, and obtained advice from its appointed independent US-based remuneration consultant (**Remuneration Consultant**).

Following that review, the Board decided to update the LTI Plan to also incorporate performance based Restricted Share Units, with vesting tied to the Company's success, essentially measured by relative total shareholder return over a 3 year period (**RTSR Restricted Share Units**). The Board considered it important to provide an 'at risk' incentive to the Managing Director, executives, employees and consultants of the Company and its subsidiaries. The number of shares issued when the RTSR Restricted Share Units vest will depend on total shareholder return (**TSR**) relative to a representative set of the Company's Australian and US peers as measured at the end of the three year period. The initial peer set was determined based on advice from the Company's Remuneration Consultant, and is subject to review to take into account relevant corporate events over that period, e.g. takeovers.

This is a change from the Company's historical design where typically Restricted Share Units granted in the past were earned based on 1 year performance, where 25% of the units would vest and earn shares on grant (after completion of the 1 year performance period before the grant was made). The remaining 75% would vest (in 3 tranches of 25% each) over the following 3 years, based on continued service to the Company. The addition of RTSR Restricted Share Units is intended to better align the Company's executives' pay with longer-term future performance and shareholder value creation.

The number of shares that can be earned based on TSR performance ranges from 0% to 200% of the number of RTSR Restricted Share Units awarded. If the Company's TSR percentile rank is at the median (50th percentile), then each RTSR Restricted Share Unit will carry the right to 1 share. If Sundance's TSR is between any of the percentile ranks listed in the table below, the number of shares earned as a percentage of the number of RTSR Restricted Share Units will be adjusted accordingly (on an interpolated basis). If the Company's TSR is negative for the 3 year period, but still above median, the number of shares earned will be capped at 1 share per RTSR Restricted Share Unit (100%), regardless of the TSR. The maximum number of shares that can be earned is 3,090,226 (where the threshold of 90% is achieved, as described below).

In summary the holder of RTSR Restricted Share Units will receive:

- a maximum of 2 ordinary fully paid shares for each unit, if the maximum relative TSR threshold of 90th percentile is achieved;
- a minimum of 0.5 ordinary fully paid share for each unit, if the minimum relative TSR threshold of 30th percentile is achieved; and
- nothing if the minimum relative TSR threshold of 30th percentile is not achieved (in which case the RTSR Restricted Share Units will be forfeited),

as described below.

The value of the RTSR Restricted Share Units will depend on the Company's performance over the relevant 3 year period, and in the ordinary course the holder will not receive any benefit unless the minimum relative TSR threshold of 30% is achieved.

The current peer group list is as follows:

#### **Company**

Abraxas Petroleum Corp/NV  
Antares Energy Ltd  
Approach Resources Inc  
Austex Oil Ltd  
Beach Energy Ltd  
Bonanza Creek Energy Inc.  
Callon Petroleum CO/DE  
Carrizo Oil & Gas Inc  
Contango Oil & Gas Co  
Diamondback Energy Inc  
Drillsearch Energy Ltd

Emerald Oil Inc  
Goodrich Petroleum Corp  
Lonestar Resources Ltd  
Matador Resources Co  
Midstates Petroleum Co Inc  
Panhandle Oil & Gas Inc  
Rex Energy Corp  
Sanchez Energy Corp  
Senex Energy Ltd  
Synergy Resources Corp  
Triangle Petroleum Corp

## Annual General Meeting – Explanatory Memorandum

### Background to the two different types of Restricted Share Units

When the Board decided to introduce the RTSR Restricted Share Units, the Board decided to retain the time based vesting Restricted Share Units (**TBV Restricted Share Units**). This is consistent with standard remuneration practice in the US for executives in the oil and gas sector. The Remuneration Consultant recommended that the Company continue to offer a time based incentive, to retain US executives. The Board has adopted that recommendation.

The Board also revised the vesting schedule of the TBV Restricted Units, to provide that in the usual course the units will vest over a 3 year period, and Tranche 1 will not vest until at least the following year after the units are granted (see the explanation below). The Board considers that a combination of RTSR Restricted Share Units and TBV Restricted Share Units will best achieve the objectives of the LTI Plan, allowing the Company to attract and retain key executives, while providing those executives with an incentive to increase total shareholder return, and further aligning the interests of executives with the interests of shareholders.

Under the LTI Plan, the Restricted Share Units will be granted to executives in 2 equal tranches, as follows:

- 50% - RTSR Restricted Share Units; and
- 50% - TBV Restricted Share Units

### Vesting - RTSR Restricted Share Units

Under the terms of issue of the RTSR Restricted Share Units, the RTSR Restricted Share Units will usually vest on the 3rd anniversary of the Commencement Date, provided the holder is still employed by the Company, or providing services to the Company, at the relevant vesting date. This is subject to limited exceptions. If not vested, each RTSR Restricted Share Unit will be forfeited at the date of termination, subject to the terms of the LTI Plan.

When the RTSR Restricted Share Units vest, the holder will be issued with fully paid ordinary shares in the Company, based on the TSR Performance Factor (provided the 30% threshold is first satisfied). The number of shares issued may range between 50% and 200% of the RTSR Restricted Share Units, depending on relative TSR. Refer to the example below.

### Vesting - Performance Hurdle - RTSR Restricted Share Units

The RTSR Restricted Share Units will vest, or be forfeited, based on relative TSR. The Board will determine the TSR Performance Factor for these purposes, in accordance with the LTI Plan. The first step is to calculate TSR, being the change in the price of the Company's ordinary shares in the 3 year period from the Commencement Date, essentially calculated by deducting the Company's share price at the Commencement Date from the share price on the 3rd anniversary of the Commencement Date (typically using the weighted average share price in the immediately preceding period). That TSR is then compared to the equivalent TSR of the peer set of oil and gas exploration and production companies headquartered in the United States and Australia, to assess the relative TSR. The Company's TSR will then be ranked to calculate the applicable percentile, and then that TSR percentile rank will be used to calculate the TSR Performance Factor. The Commencement Date will be 31 January in the year the RTSR Restricted Share Units are granted.

The TSR Performance Factor will be determined as follows:

TSR Percentile Rank Categories	TSR Percentile Rank	TSR Performance Factor*
Maximum (90%)	90th and above	200%
Target (50%)	50th	100%
Threshold (30%)	30th	50%
Below threshold	Below 30th	0%

\* *Sliding scale - for each TSR percentile rank increment above the rank noted above, 2.5% is added to the TSR Performance Factor, while for each TSR percentile rank increment below the rank noted above, 2.5% is subtracted from the TSR Performance Factor. The maximum TSR Performance Factor is 200%, and where the TSR percentile rank is below 30, the TSR Performance Factor is 0%.*

## Annual General Meeting – Explanatory Memorandum

### Ordinary Resolution 4: Approval to Issue Restricted Share Units to Managing Director *Continued*

The number of RTSR Restricted Share Units held by the executive is then multiplied by that TSR Performance Factor, to calculate the number of shares to be issued to the executive on vesting. See the table below, showing an example of how the TSR Performance Factor will operate.

Number of RTSR Restricted Share Units	TSR Performance Factor	Shares issued on vesting of RTSR Restricted Share Units
100,000	200%	200,000
100,000	100%	100,000
100,000	50%	50,000
100,000	0%	0

#### *Vesting - TBV Restricted Share Units*

Under the terms of issue of the TBV Restricted Share Units, the TBV Restricted Share Units will usually vest over a 3 year period in 3 equal tranches, as follows:

- Tranche 1 (33.33%) – on the 1st anniversary of the Commencement Date (as defined in the LTI Plan);
- Tranche 2 (33.33%) – on the 2nd anniversary of the Commencement Date; and
- Tranche 3 (33.33%) – on the 3rd anniversary of the Commencement Date,

provided the holder is still employed by the Company, or providing services to the Company, at the relevant vesting date. This is subject to limited exceptions. If not vested, each TBV Restricted Share Unit will be forfeited at the date of termination, subject to the terms of the LTI Plan. The Commencement Date will be 31 January in the year the TBV Restricted Share Units are granted rather than the Grant Date, to take into account the time required to obtain shareholder approval at the Company's AGMs for the grant.

For example, if TBV Restricted Share Units are granted in May 2015 after shareholder approval is obtained, the Commencement Date will be 31 January 2015. Tranche 1 will vest on 31 January 2016, with Tranche 2 vesting on 31 January 2017, and Tranche 3 vesting on 31 January 2018. (In the case of Restricted Share Units granted in the past, those units typically vested in 4 equal tranches, with Tranche 1 (25%) vesting on the Grant Date. In contrast, the TBV Restricted Share Units will not vest until the following year after the Grant Date per the vesting schedule above, subject to limited exceptions).

When the TBV Restricted Share Units vest, the holder will be issued with fully paid ordinary shares in the Company, on the basis 1 unit entitles the holder to 1 ordinary fully paid share.

#### *Vesting – Example*

The TBV and RTSR Restricted Share Units are designed to vest over a 3 year period, providing a mixture of short term and medium term incentives. See the table below, showing an example of how the different vesting terms will operate. (Note - the term 'conversion' is used for convenience, however technically the Restricted Share Units carry a right to receive shares, subject to the LTI Plan, and are not converted into shares).

## Annual General Meeting – Explanatory Memorandum

Year	Outcome
0	Long Term Incentive (LTI) awards under the Plan are determined by the Remuneration and Nominations Committee.
1	RSUs granted All RSUs are unvested at time of grant – Grant Date used to calculate relevant Commencement Date to ‘start the clock’ 50% of LTI awarded as TBV RSUs 50% of LTI awarded as RTSR RSUs
2	1st anniversary of Commencement Date 33.33% of TBV RSUs vest (1:1 ‘conversion’ to shares)
3	2nd anniversary of Commencement Date 33.33% of TBV RSUs vest (1:1 ‘conversion’ to shares)
4	3rd anniversary of Commencement Date 33.33% of TBV RSUs vest (1:1 ‘conversion’ to shares) The ‘conversion’ ratio of the RTSR RSUs will depend on TSR performance in the period from the Commencement Date to the 3rd Anniversary of the Commencement Date. The RTSR RSUs will ‘convert’ into shares at a ratio of between 50-200% depending on TSR percentile rank among the peer group, as long as the Company’s TSR is at least at the 30th percentile at the conclusion of the 3-year performance period.

### *Vesting – General (RTSR and TBV Restricted Share Units)*

In summary, if the holder ceases employment with the Company before the vesting of their Restricted Share Units (whether RTSR or TBV Restricted Share Units), those units will be forfeited, unless a relevant exception applies. In limited cases, including where the holder dies, becomes disabled or is made redundant, the Board may, acting in good faith, deem some or all unvested Restricted Share Units to be vested.

A holder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless the Restricted Share Units have vested before the record date for determining entitlements to the new issue of securities, and the holder participates as a result of holding shares.

The holder does not pay anything for the shares. The conditions of the Restricted Share Units do not restrict the holder from transferring any of the shares acquired on vesting of the units, or using them as security for a loan, or dealing with them in any other way.

### *Calculation of number of LTI Restricted Share Units*

The number of total Restricted Share Units to be granted is calculated by multiplying the Managing Director’s base salary of US\$370,000 by 3.25, which gives a total of US\$1,202,500. The multiplier of 3.25 was recommended by the Remuneration Consultant, to be used to calculate a suitable long term target for executives under the LTI Plan. The Board has adopted that recommendation.

The total number of Restricted Share Units to be granted to the Managing Director is 3,090,226, calculated by dividing US\$1,202,500 by US\$0.38913. US\$0.38913 is the weighted average share price for the last twenty trading days of the measurement period (1 January 2014 to 31 December 2014), converted into US dollars using the average Australian/US dollar exchange rate for that period. The total number of Restricted Share Units is then divided equally between TBV Restricted Share Units and RTSR Restricted Share Units, with 1,545,113 each to be granted.

In the case of the RTSR Restricted Share Units:

- if the performance at the end of the 3 years is above target at the 90th percentile rank, then the number of shares to be issued on vesting is 200%, ie  $1,545,113 \times 2 = 3,090,226$  shares;
- if the performance at the end of the 3 years is above target at the 60th percentile rank, then the number of shares to be issued on vesting is 125%, ie  $1,545,113 \times 1.25 = 1,931,391$  shares;
- if the performance at the end of the 3 years is below target at the 35th percentile rank, then the number of shares to be issued on vesting is 62.5%, ie  $1,545,113 \times 0.625 = 965,696$  shares; and
- if the performance at the end of the 3 years is below the 30th percentile rank, then no shares are issued and the RSUs are forfeited.



## Annual General Meeting – Explanatory Memorandum

### Ordinary Resolution 4: Approval to Issue Restricted Share Units to Managing Director *Continued*

#### *Term*

The terms of Restricted Share Units are intended to be for up to 3 years, subject to the relevant vesting date, commencement date and the terms of grant.

#### *Change in Control*

While offers under a takeover bid remain open for acceptance, or on the occurrence of a Change in Control event (as defined in the LTI Plan), the Board in its absolute discretion (and subject to any applicable laws and the ASX Listing Rules) may do a number of things, including accelerating vesting of unvested Restricted Share Units, or cancelling Restricted Share Units in return for a cash payment equal to the then market value of the Restricted Share Units.

#### *Loans*

No loans will be made by the Company under the LTI Plan.

#### *Ordinary Shares Issued*

Shares acquired by a participant on vesting of the Restricted Share Units will be ordinary fully paid shares in the Company, and the Company will apply for listing of those shares.

#### *Claw Back Conditions*

In limited cases under the LTI Plan the Board may, at its absolute discretion, claw back and cancel without compensation Restricted Share Units granted under the LTI Plan. For example the Board may do so where there is evidence of fraud by an employee, resulting in a material adverse change to the Company's financial statements, or where there is a material adverse change in the circumstances of the Company.

Capital Reconstruction participants will have their entitlements in respect of Restricted Share Units adjusted to take account of capital reconstructions and bonus issues, to comply with the ASX Listing Rules or ensure that participants are not unfairly disadvantaged and do not receive a benefit that shareholders do not receive.

### **Important information for ASX purposes**

#### *Disclosure of previous grants*

This is the fourth time shareholders have been asked to approve grants of Restricted Share Units. The third time was at the Company's 2014 Annual General Meeting held on Friday 30 May 2014.

In accordance with ASX Listing Rule 10.15.4, the Company is required to inform shareholders of the number of Restricted Share Units and/or shares granted under the LTI Plan since the date of the approval most recently given by shareholders, together with details of persons who have received Restricted Share Units and/or shares under the LTI Plan since the last approval. The table below sets out the required information.

Details of persons who have received Restricted Share Units and/or shares under the LTI Plan since the Company's 2014 Annual General Meeting are shown in the following table:

Details of persons who have received RSUs and/ or shares under the LTI Plan since the Company's 2014 Annual General Meeting	Number of RSUs and/or shares granted under the LTI Plan since the Company's 2014 Annual General Meeting
<b>Eric McCrady</b> Managing Director of the Company	<b>RSUs granted</b> 671,988 RSUs (in relation to the 2012/13 financial year) – 167,997 of these RSUs have vested and been satisfied by the grant of shares* <b>Shares granted</b> 73,500 shares granted in respect of vested 2011 RSUs (in relation to the 2010/2011 Financial Year). 100,446 shares granted in respect of vested 2012 RSUs (in relation to the 2011/2012 Financial Year). 93,562 shares granted in respect of vested SY2012 RSUs (in relation to the July-December 2012 Financial Year). 167,997 shares granted in respect of vested 2013 RSUs (in relation to the 2012/13 financial year).





## Annual General Meeting – Explanatory Memorandum

Details of persons who have received RSUs and/ or shares under the LTI Plan since the Company's 2014 Annual General Meeting	Number of RSUs and/or shares granted under the LTI Plan since the Company's 2014 Annual General Meeting
<b>US employees</b> (note – no shareholder approval was required in these cases to grant RSUs under the LTI Plan, since these employees are not Directors or associates of Directors)	<b>RSUs granted</b> 2,167,638 RSUs (in relation to the 2012/13 financial year) – 568,997 of these RSUs have vested and been satisfied by the grant of shares* <b>Shares granted</b> 15,000 shares granted in respect of vested 2011 RSUs (in relation to the 2010/2011 Financial Year). 252,230 shares granted in respect of vested 2012 RSUs (in relation to the 2011/2012 Financial Year). 210,181 shares granted in respect of vested SY2012 RSUs (in relation to the July-December 2012 Financial Year). 622,450 shares granted in respect of vested 2013 RSUs (in relation to the 2012/13 financial year).
<b>Total</b>	<b>RSUs granted</b> 2,839,626 RSUs – 790,447 of these RSUs have vested and been satisfied by the grant of shares* <b>Shares granted</b> 88,500 shares granted in respect of vested 2011 RSUs (in relation to the 2010/2011 Financial Year). 352,676 shares granted in respect of vested 2012 RSUs (in relation to the 2011/2012 Financial Year). 303,743 shares granted in respect of vested SY2012 RSUs (in relation to the July-December 2012 Financial Year). 790,447 shares granted in respect of vested 2013 RSUs (in relation to the 2012/13 financial year).

\* or are expected to be satisfied by the grant of shares in the near future, at which time the Company will make a new issue announcement giving details of the shares issued.

### Participation

The LTI Plan provides that in the case of any grant to a non-executive of the Company and its subsidiaries, only TBV Restricted Share Units will be granted, with RTSR Restricted Share Units only to be granted to executives. Currently none of the Non-Executive Directors participate in the LTI Plan and there is no intention that they participate in future.

### Voting exclusion

In accordance with Listing Rule 14.11.1, each of the Directors (since they are each eligible to participate in this employee incentive scheme in relation to the Company) and any of their associates, are excluded from voting on this resolution. The voting exclusion statement (required under ASX Listing Rule 7.2, exception 9(b)) is contained in the Notice of Meeting.

Please note, in accordance with sections 250BD(1) and (2) of the Corporations Act, the Chairman will not vote any undirected proxies in relation to this Resolution unless the Shareholder expressly authorises the Chairman to vote in accordance with the Chairman's stated voting intentions. Please note that if the Chairman of the meeting is your proxy (or becomes your proxy by default) by completing the attached proxy form, you expressly authorise the Chairman to exercise your proxy on this Resolution even though this Resolution is connected directly or indirectly with the remuneration of a member of key management personnel for the Company, which includes the Chairman.

### Directors' Recommendation

The Directors (other than Director McCrady, who makes no recommendation) recommend that shareholders approve Resolution 4 for the grant of Restricted Share Units to the Managing Director.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 4, where permitted to do so under the Listing Rules and the Corporations Act.





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[www.sundanceenergy.com.au](http://www.sundanceenergy.com.au)

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 556 161  
(outside Australia) +61 3 9415 4000

## Proxy Form

 **For your vote to be effective it must be received by 10:00am ( Adelaide time) Tuesday 26 May 2015**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** ➔



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**



**Review your securityholding**



**Update your securityholding**

**Your secure access information is:**

**SRN/HIN:**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

IND


## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Sundance Energy Australia Limited hereby appoint

☐ the Chairman of the Meeting **OR**

 **PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Sundance Energy Australia Limited to be held at Minter Ellison Boardroom, Level 10, 25 Grenfell Street, Adelaide, South Australia on Thursday 28 May 2015, at 10:00am (Adelaide time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 1 and 4** (except where I/we have indicated a different voting intention below) even though **Items 1 and 4** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 1 and 4** by marking the appropriate box in step 2 below.

### STEP 2 Items of Business



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

#### ORDINARY BUSINESS

1. Adoption of Remuneration Report

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Re-Election of Michael Damer Hannell as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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3. Re-Election of Henry Weldon Holcombe as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

#### SPECIAL BUSINESS

4. Approval to Issue Restricted Share Units to Managing Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /

SEA

280515C

Computershare 