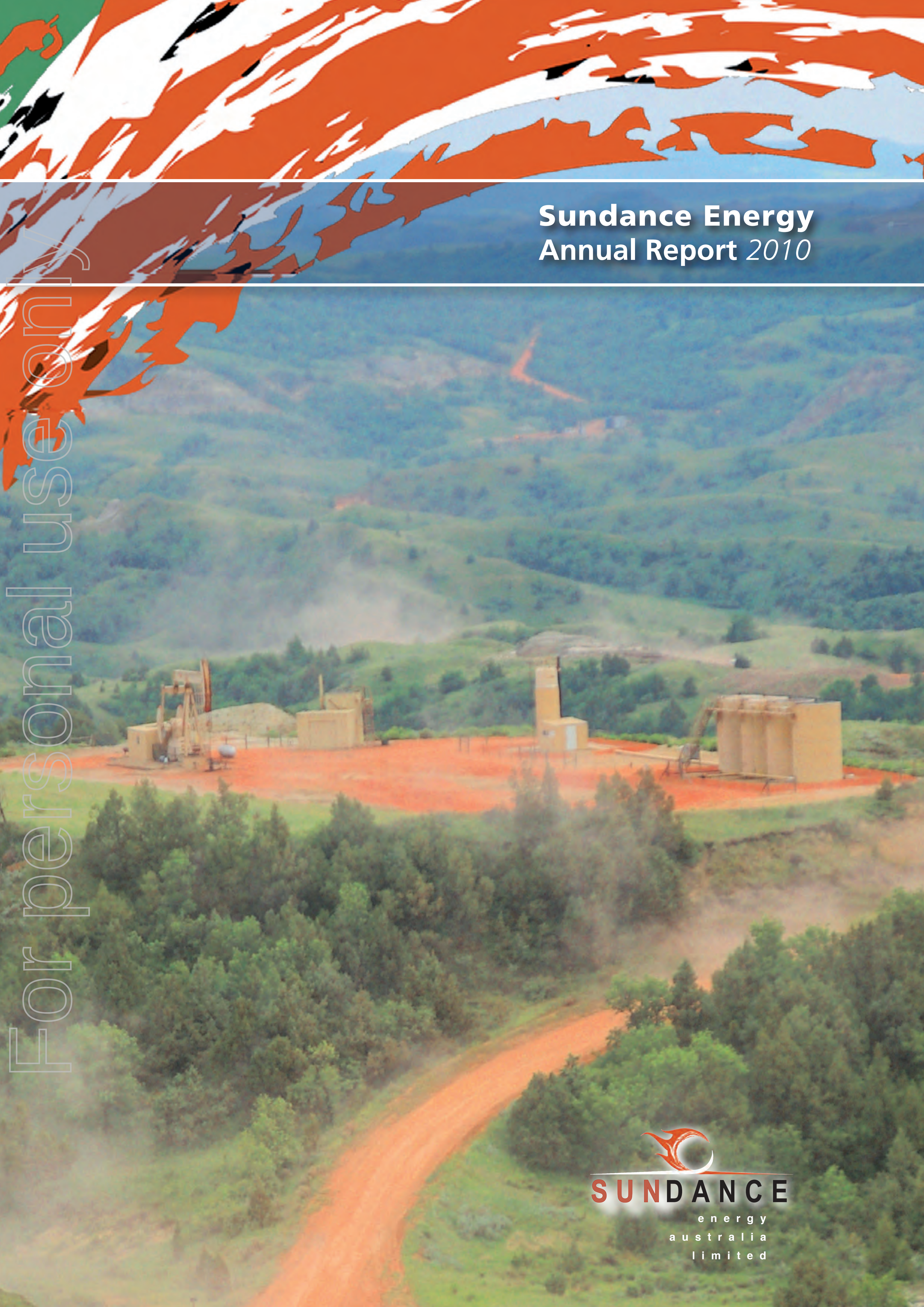
Sundance Energy
Annual Report *2010*



SUNDANCE
energy
australia
limited

Contents

Sundance Energy Australia Limited
ABN 76 112 202 883

Chairman's Letter

Dear Shareholder,

Overview for 2009 – 2010

I am pleased to report that Sundance Energy has had another very successful year. The fast paced drilling and enhanced fracture stimulation program has produced very encouraging results with notably positive impacts on the Company's revenue and production. Sundance remains debt free and operationally cash flow positive, owns an increasingly large and impressive suite of very prospective mineral acreage in the US, and is steadily building its reserves. Indeed, the Company has an excellent outlook for further increasing production to more than 900 barrels of oil equivalent per day by the end of 2010 as the development program progresses.

The Board and Management remain highly focused on creating value for shareholders and, in the considered opinion of the Board, the Company has a well founded strategic business plan.

In summary this is to:

- Locate early stage unconventional resource plays with an oil focus;
- Acquire good quality drilling block positions at low cost;
- Do initial development work to help prove up the plays while larger companies enter the area;
- Divest a portion of the portfolio to significant operators once the plays are de-risked and acreage values increase in order to capture the highest IRRs; and,
- Retain a material interest as plays are developed with free carry for early wells creating production and cash flow upside for future reinvestment in the business model.

The Review of Operations report comments in detail on the wide range of operations that the Company was involved in this past year. Highlights that I would like to emphasize were:

- The Company had to manage a number of issues including low oil prices at the beginning of the reporting period which initially curtailed drilling. However, as the economic outlook improved and commodity prices increased, the drilling program across a number of prospects substantially ramped up with the primary focuses being in the Bakken fields in the Williston Basin in North Dakota and the Denver Julesburg ("DJ") Basin in Colorado. This resulted in as many as 38 wells being drilled during the financial year under review with the Company on track to reach its calendar 2010 projections of participating in 50 or more wells.

It is noteworthy that the horizontal well completion technology being employed in the Williston Basin is steadily improving. Well completions now feature a larger number of fracture stimulation stages, with some wells having up to 30 frac stages. These increased fracture stimulation densities have resulted in some very encouraging initial production rates.

- Whilst Sundance's production for the quarter ended June 30 decreased modestly due, in significant part, to a slowdown in well completions as a result of the heightened drilling activity across the Williston Basin, it is expected that the Company's production and revenue will increase significantly over the coming months as new wells are brought into production.
- The Company continued to enhance its prospect acreage portfolio. As of June 30, 2010, the Company owned approximately 114,238 net acres in the US spread across multiple, primarily high interest prospects each located in some of the most prospective oil and gas shale basins in the country. This represents a 67% increase over the period, notwithstanding some strategic divestments during the same time.
- This increase has focused on a number of exciting lease acquisition programs in the DJ Basin in North Eastern Colorado where significant quantities of oil and gas have been produced for many decades. These prospects target multiple tight sand and shale formations.

  Of particular note, the Company acquired approximately 18,357 acres in the Niobrara Shale prospects in the DJ Basin as of the end of June. There is widespread belief in the Niobrara shale by the US oil and gas industry as a future significant oil resource play, with acreage values continuing to rise sharply based upon the very encouraging results from the initial wells that have been drilled so far.
- Sundance's primary development activity was in the Williston Basin in North Dakota where the Company has ownership interests in many successful, producing wells across its Bakken prospects; these wells are a cornerstone of Sundance's ongoing production and revenue. And, it is anticipated that will continue to be the case as the Company has projected participating in as many as 40 new wells across these prospects in 2010. During the past quarter, Sundance participated in a total of 21 wells in its Goliath, Phoenix and South Antelope prospects.

  As at this date, Sundance has 10 rigs running across the Basin and a further 5 wells which are drilled, cased and awaiting completion.

- Starting in the final calendar quarter last year and proceeding into the past financial quarter, Sundance has been participating in a 17 well drilling program in the heart of the DJ Basin's Wattenberg Field with a 12.5% working interest and a 9.375% net revenue interest. This field has over 12,000 producing wells exploiting multiple pay formations.

  As at this date, all 17 of the program's wells have been successfully drilled and completed. Each well will also undergo multiple fracs in the future in order to access additional producing horizons; hydrocarbons from multiple horizons will then be produced simultaneously. Each well is modeled at Estimated Ultimate Recoverable ("EURs") of 65,000-100,000 BOE per well.

- An independent verification of US oil and gas reserves carried out by Netherland Sewell confirmed that the Company owned Proven Reserves (1P) of 5,074,005 boe, being 3,730,528 barrels of oil and 8,060,862 million cubic feet of gas. This represents a pre tax future net cash flow of US$68.03 million on a PV10 basis. The report also concluded that Probable Reserves (2P) were 3,100,000 boe, being 2,469,802 barrels of oil and 3,784,093 million cubic feet of gas. It is important to note that the report covered less that 5% of the Company's total acreage which excludes 26% of our Williston Basin acreage and all of our DJ Basin, Niobrara Shale, Arriba and New Albany Shale prospects. Whilst the report only considered 1P and 2P reserves, the Company anticipates that its 3P reserve upside potential is substantial.

- A prime example of the Company's strategic business model in action was the sale of 20% of its ownership interests in its Arriba project to T H McElvain Oil and Gas, Ltd, whilst retaining 80% of the leasehold interests and being named the Operator. The purchase price returned to Sundance over 90% of the total capital invested by the Company in the interests sold. In addition, the Company retained an overriding royalty interest on production, as well as agreeing an Area of Mutual Interest that allows each party to participate in the other's ongoing acreage acquisitions across the project area.

- In order to assist in organic growth, the Company successfully completed a capital raise of $6.5 million before costs to help fund its various development programs.

- During October, Sundance and Beach Energy entered into a Memorandum of Understanding to enable the companies to work collaboratively in identifying, evaluating and acquiring interests in unconventional oil and gas plays in Australasia, and perhaps, other parts of the World. Beach also subscribed for 17.5 million Sundance shares at $0.135 per share. Subsequently, and in furtherance of this exciting new alliance, Beach acquired 50% of Sundance's interests in two spacing units of the South Antelope prospect allowing Beach to participate in two horizontal Bakken wells there. The first well that was subsequently drilled demonstrated very good initial production rates.

In addition to these activities, the Company is continually reviewing other corporate opportunities including merger and acquisition.

Regarding governance, the Board is aware of the need to broaden its independence and has continued to take steps to implement this during the year. This activity is reported on in more detail in the section entitled "Corporate Governance".

Also in keeping with best practice governance policies, both the Audit Committee and the Remuneration Committees continue to be active, with the members being Non Executive Directors.

My fellow Directors and I are very pleased to welcome Reg Nelson to the Board as a Non Executive Director. Reg brings an enviable resume and a strong suite of skills relevant to the petroleum industry and I am very confident that his contribution to the Board's deliberations will be of great benefit to our shareholders. I certainly look forward to working with Reg as we position Sundance for further success.

I am also very pleased to welcome Eric McCrady to the management group as Chief Financial Officer. His contribution will undoubtedly add to the strength of an already strong and committed team.

I am pleased to report that the share price increased to $0.17 at the end of June. Since then it has continued to increase as the calendar year progressed, and in early September it was trading in the range of $0.30. The Board and management believe that at the time of issuing this report the share price still does not adequately reflect the value of the underlying suite of assets owned by the Company, and looks forward to further price appreciation.

In conclusion I would like to thank my fellow Board members, management, staff and consultants for their hard work, dedication and commitment on behalf of Sundance Energy and its loyal shareholders.

Yours sincerely,

Mike Hannell
Chairman

24th September , 2010

Review of Operations

Company Overview

The Company had a very successful 2009-2010 financial year, executing a broad scale development program across several of its US prospects which will translate directly into continued steady growth in both its revenue and production. Additionally, Sundance's acreage portfolio continued to grow notwithstanding some strategic, and quite profitable, acreage divestitures. Beyond those fundamental growth parameters, the Company also successfully concluded a number of corporate transactions that expanded and enhanced its platform for future growth.

Continued Growth through the Drill Bit

Despite the ongoing difficult economic conditions that existed for much of calendar 2009, the Company's developmental drilling efforts across the 2009-2010 financial year were impressive. The first two quarters saw Sundance initiate a 17 well drilling program in its Boomerang Prospect located in the Wattenberg Field in Colorado's DJ Basin, as well as successfully fracture stimulate a new, productive zone in one of its 100% owned May Jon wells there. Additionally, the Company utilized the slow down in drilling across the Bakken fields in North Dakota during the first half of the year to complete work overs on several of its high interest wells located there. These activities were but a prelude to the launch of a very dynamic 2010 drilling campaign which anticipated Sundance participating in up to 50 wells in calendar 2010, 40 in its Williston Basin Bakken prospects and 10 across its DJ Basin prospects. And, as of the end of the Financial Year, the Company was well on the way to accomplish, and likely exceed, those developmental goals. Sundance's successful drilling activity continues to bolster its mounting production, revenue and booked reserves.

Successful Prospect Monetization and Acreage Acquisitions

Sundance's primary strategic business model has always been to focus on the acquisition and early stage development of US resource plays and then to monetize some portion of them, positioning the Company to take advantage of new strategic acquisitions while retaining a meaningful equity position in each play. Sundance was able to employ this model successfully during the financial year under review. As is discussed in greater detail below, the Company participated in a number of strategic transactions arising directly from the implementation of its base model: Acquiring inexpensive acres in early stage resource plays for initial development with an eye towards selling a portion of that primarily non-producing acreage at very positive multiples to sophisticated operators while retaining material equity interests in the acres. This strategy allows the Company to redeploy its profits into new, exciting resource play projects while insuring its shareholders an ongoing stake in the development of the more established plays.

Reserve Report

The Company secured an Independent Reserve report from Netherland Sewell that verified the strong growth during the financial year in Sundance's base of hydrocarbon reserves. The highlights of that report were as follows:

- Based upon Nymex strip oil and gas prices, this report confirmed Total Reserves of 8,174,000 boe including Proven Reserves (1P) of 5,074,000 boe and Probable Reserves (2P) of 3,100,000 boe.
- Established a Total PV10 (pre tax future net cash flows discounted at 10%) for Sundance of US$99.1 million (AU$116.6 million) including Proven PV10 of US$68.0 million (AU$80.0 million).
- The report covered less than 5% of the Company's total acreage which excludes 26% of its Williston Basin acreage and all of its DJ Basin Niobrara Shale, Arriba and New Albany Shale prospects.

May-Jon 23-5D#3 located in Weld County, Colorado, USA

NYMEX Strip Escalating Pricing Case at June 30, 2010

	Net Oil bbls	Net Gas mcf	Total boe	PV10 USD	PV10 AUD
Proved Developed Producing	564,211	1,173,057	759,721	18,688,000	21,986,000
Proved Developed Not-Producing	203,879	748,275	328,592	6,485,800	7,630,000
Proved Undeveloped	2,962,438	6,139,530	3,985,693	42,858,700	50,422,000
Sub-Total Proved Reserves	3,730,528	8,060,862	5,074,005	68,032,500	80,038,000
Probable	2,469,802	3,784,093	3,100,484	31,115,500	36,606,000
Proved & Probable Reserves	6,200,330	11,844,955	8,174,489	99,148,000	116,644,000

Constant Pricing Case*

	Net Oil bbls	Net Gas mcf	Total boe	PV10 USD	PV10 AUD
Proved Developed Producing	557,408	1,127,923	745,395	16,099,900	18,941,000
Proved Developed Not-Producing	200,086	718,372	319,815	5,257,300	6,185,000
Proved Undeveloped	2,938,458	6,049,937	3,946,781	27,963,600	32,898,000
Sub-Total Proved Reserves	3,695,952	7,896,232	5,011,991	49,320,800	58,024,000
Probable	2,452,942	3,757,128	3,079,130	20,021,400	23,555,000
Proved & Probable Reserves	6,148,894	11,653,360	8,091,121	69,342,200	81,579,000

* *First of month average pricing from the past twelve months adjusted for product quality, basis differentials and transportation costs. Market price for oil of US$76.19 and natural gas of US$3.85.*

3P Reserves and other acreage

While this study was limited to 1P and 2P reserves, based upon its conclusions, the Company anticipates that its 3P reserve upside is substantial. Netherland Sewells' report did not consider:

- 26%, or 2,124 acres, of the Company's Williston Basin holdings; or
- The Company's DJ Basin Niobrara Shale, Arriba, or New Albany Shale prospects.

Beach Energy Strategic Alliance Advances: Nelson Joins Company Board

As was announced to the ASX on 22 October 2009, Beach Energy Ltd., and Sundance entered into a Memorandum of Understanding ("MOU") to enable the companies to work collaboratively in identifying, evaluating and acquiring interests in unconventional oil and gas plays in Australasia and, perhaps, other parts of the world. The two companies agreed to form a joint project team to evaluate and, if agreed, bid for opportunities to develop such plays.

Beach also agreed to subscribe for 17.5 million Sundance shares at $0.135 per share, providing Sundance with an additional $2,362,500 to develop its current asset base and to pursue new opportunities, including those arising from this strategic alliance. Following the placement, Beach held approximately 9% of Sundance's expanded share capital. As a component of the MOU, it was also agreed that Beach would nominate one Director to join Sundance's Board. And, at its AGM on 30 November, the Company announced the appointment of Australian oil and gas industry leader Reg Nelson, Beach's Managing Director, as a non-executive Sundance Director, to be effective early in 2010; and, Mr Nelson formally joined the Board on 2 February 2010. Mr Nelson's career spans nearly four decades as an exploration geophysicist in the minerals and petroleum industries. He is a member and previous Chairman of the Australian Petroleum Production and Exploration Association (APPEA).

In furtherance of this exciting new relationship, a joint project team met in late February and March to commence the work of identifying attractive unconventional resource play opportunities. And, as at the date of this report, the Company and Beach had concluded the first two transactions to arise under the auspices of the MOU. In them, Beach acquired approximately 50% of Sundance's interests in two spacing units of the Company's South Antelope Prospect allowing Beach to participate in the drilling of two horizontal Bakken wells there. These strategically focused investments, in addition to furthering the new relationship between the two companies, provided Beach first hand experience with the rapidly evolving technology associated with oil and gas production from unconventional shale horizons, while keeping Sundance's interest on the wells in line with its preferred risk profile for any single well.

Producing oil

Boomerang Well drilling

Capital Raise

On 16 March, primarily in light of up paced drilling programs at several of its Bakken Prospects, Sundance announced plans to raise additional capital from a Share Placement and Share Purchase Plan ("SPP"). Euroz Securities Limited acted as lead manager to the Placement and SPP.

In all, the Company was able to raise approximately $6.5 million through the issuance of approximately 48 million new shares.

Share Placement

Sundance raised approximately $4.7 million through a share placement made in two tranches. The first tranche, comprising approximately 28.5 million shares, was issued under the Company's 15% placement capacity to institutional, sophisticated and professional investors. The second tranche, comprising approximately 6.3 million shares, was issued to parties related to Sundance, including some of the Directors of the Company; this portion of the Placement was subject to shareholder approval which was obtained at an extraordinary general meeting of the Company's shareholders in early May.

Share Purchase Plan

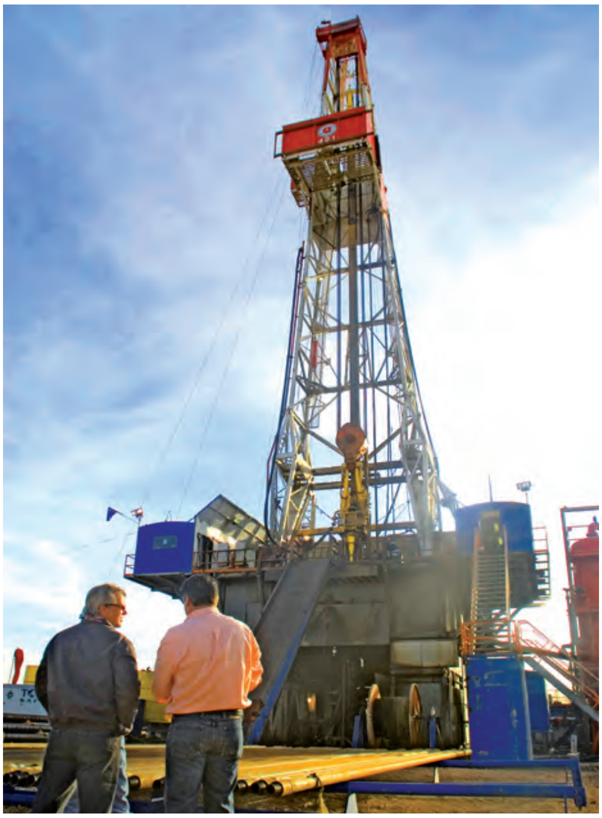
Sundance also undertook a non-underwritten SPP by which its shareholders had the opportunity to subscribe for up to $15,000 worth of new fully paid ordinary shares at $0.135 per share. This SPP issue price represented a discount of approximately 13.5% from the volume weighted average closing market price traded on the ASX over the five business days on which the stock traded prior to the Company's announcement, and a discount of 12.9% from the closing price on 12 March, the last trading day prior to the announcement. In formulating the SPP issue price, Sundance's Board considered the Placement issue price and determined that the SPP issue price should be the same.

Use of Funds

Along with existing cash in hand and expected forward cash flow, these funds are being used to further the Company's drilling programs at its Williston Basin Bakken Shale projects in North Dakota, advance its exploration and development programs across its DJ Basin projects in Colorado and Wyoming, and place it in a position to participate in further opportunities anticipated to arise, including under its Memorandum of Understanding with Beach.

New Hedging Program

During the first half of calendar year 2010, the Company instituted a hedging program to protect cash flow against declining oil prices. Sundance entered a series of hedging transactions in which it acquired puts for approximately 150,000 barrels of oil for delivery between February 2010 and June 2011. The puts give the Company the right to sell oil at US$60 per barrel at specified delivery dates. Based on Sundance's production forecast for that time period, this protects approximately 55% of Sundance's oil production from market price declines. As at 30 June, Sundance had the right to sell approximately 125,000 barrels of oil under these hedging transactions.



Chase Well

Prospect Tour

During the week of 23 June, the Company, along with Beach, hosted a number of Australian financial and industry guests for a tour of its Williston and DJ Basin Prospects. The tour was conceived of as an effective mechanism to assist those interested parties, and the market in general (through the issue of a comprehensive presentation-see the Company's website or its ASX release dated 23-6-10) in coming to better understand Sundance's underlying business model as well the exciting dynamics surrounding the leading resource plays in the US. The trip was deemed a great success by the Company and has, it is believed, lent significant support to the recent accretion in Sundance's share price.

New CFO

Following an extensive talent search, Sundance announced on 17 June that it had hired Eric McCrady as its new Chief Financial Officer. Mr McCrady is based at Sundance's US headquarters in Broomfield, Colorado.

Mr McCrady has a significant track record in corporate finance, including initial public offerings, going private transactions, and senior and mezzanine debt transactions. He has led and participated in the negotiation and closing of multiple strategic ventures with major energy companies such as Bucyrus, Caterpillar, Macquarie, Elmrock Capital, Orlando Utility Commission, Headwaters, Shell and Whiting Petroleum. Prior to joining Sundance, Mr McCrady held various roles with The Broe Group, GE Capital and American Coin Merchandising.

Mr McCrady is responsible for the financial oversight and forward capital management of the Company. He is overseeing finance, corporate controls, accounting and risk management.

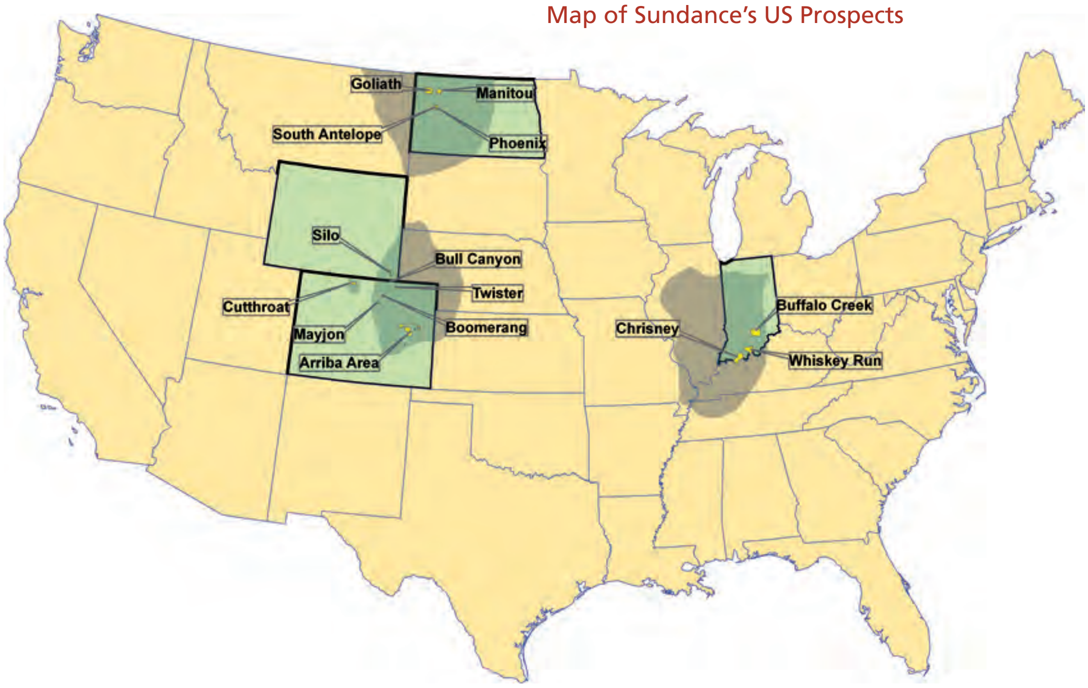
Other 2009 - 10 Highlights Discussed Below

1. *Prospect Acreage Update*
2. *Production and Revenue Review*
3. *Bakken Prospects Update*
4. *DJ Basin Prospects Update*

Helis Tanks

United States Development Interests

Map of Sundance's US Prospects



Sundance's 2009-2010 financial year exploration and development efforts focused upon large, unconventional resource shale plays in the US. The Company's primary development activity occurred on its prospects located in the Williston Basin in North Dakota and the DJ Basin in Colorado; the Company was also quite active in the DJ from an acreage acquisition perspective.

Frac of Goliath Well

Prospect Acreage Update

As is set forth in the table below, at 30 June 2010, the Company owned approximately 114,238 net US acres in primarily high ownership interest plays located in some of the most prospective oil and gas shale basins in the country. As at 30 June 2009, Sundance owned approximately 76,497 net acres in the US. This represents an increase of approximately 67% on a year over year basis, demonstrating the Company's ongoing commitment to one of its core skill sets: the accumulation of valuable mineral acres at an early stage.

Sundance's acreage position throughout the US provides a multi-year inventory of prospective drilling locations. All of Sundances's prospects are discussed in more detail below.

As at 30 June 2010

Prospects	Gross	Net
Goliath	88,572	2,799
Manitou	6,000	342
South Ant	27,355	4,034
Phoenix	9,606	1,521
Buffalo Creek	28,782	13,046
Whiskey Run	49,196	24,598
Chrisney	22,190	11,095
May-Jon	160	160
North Washington	282	22
Boomerang	402	50
Cutthroat	6,402	4,985
South Silo	7,852	3,888
Twister	17,510	7,140
Bull Canyon	6,332	2,343
Arriba	47,768	38,215
US totals	**318,409**	**114,238**
PEL 100	147,002	34,300
Grand Total	**465,411**	**148,538**

**Acreage totals subject to rounding, lease acquisition and expiration and ongoing title examination.*

Production Update and Revenue Update

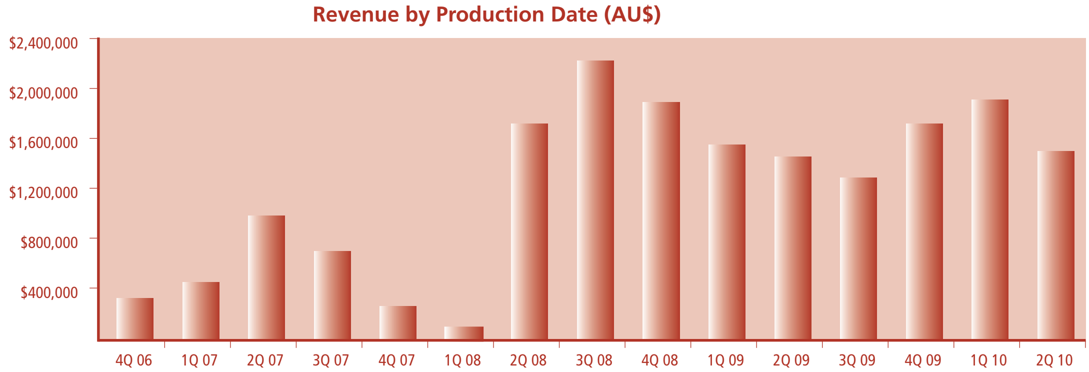
Sundance's producing mineral assets continued their steady commercial hydrocarbon output throughout financial year 2009-1010. And, the new frac technologies being employed in 2010 by the Company's Bakken operators proved an effective means to significantly enhance initial production; it is anticipated that these technologies will have an equally salubrious impact on the long-term productive capabilities of these wells. The Company's revenue provided the means for Sundance to establish positive operating cash flow in each of the four past financial quarters. As is set forth in the tables below, while Sundance's production for the quarter ended 30 June decreased modestly due, in significant part, to a slow down in well completions as a result of the heightened drilling activity across the Williston Basin, it is expected that the Company's revenue and production will increase significantly over the coming months as many new wells are brought into production.

At the beginning of calendar 2010, there were approximately 102 rigs drilling in the North Dakota; as of the date of this report, there were 140 with more arriving each week. This significant increase in drilling activity has pressured the supporting service industry resulting in operational delays, especially in well completions. This has been further exacerbated by the fact that essentially every completion in the area now involves between 15 and 30 fracture stages, which means that fracture jobs that once took a single day now can take as many as 5. All of these factors, in combination with fall offs in global oil pricing, currency fluctuations and declining production from the Company's older wells, resulted in modest drops in Sundance's production and revenue in the past quarter. Never the less, Sundance anticipates a material 2010 year-end ramp up in both production and revenue given the continued fast pace of its various drilling and completion programs. As an example, as at 30 July, the Company had 8 wells awaiting stimulation all of which have now been completed and are producing.

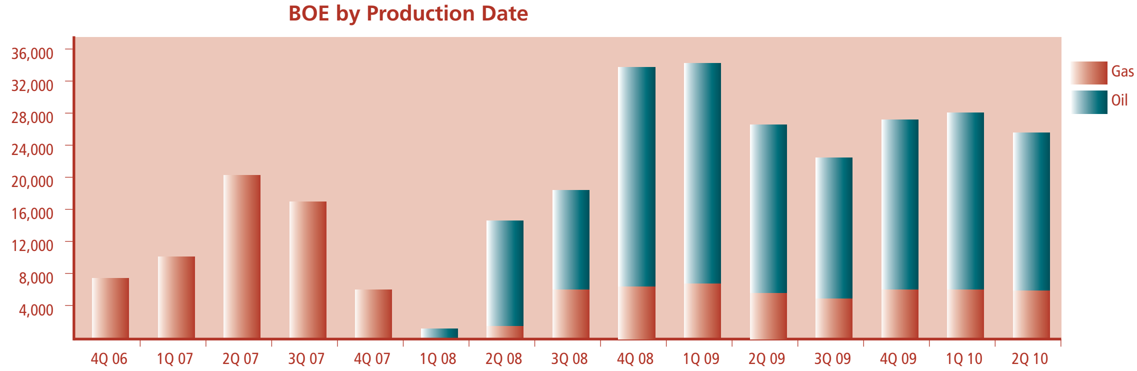
U.S. Selected Financial Data (AU$) (thousands)

Calendar Quarter *Fiscal Quarter*	*2Q 2010* *Fiscal 4Q*	*1Q 2010* *Fiscal 3Q*	*4Q 2009* *Fiscal 2Q*	*3Q 2009* *Fiscal 1Q*	*2Q 2009* *Fiscal 4Q*	*1Q 2009* *Fiscal 3Q*
Barrels sold	19,443	21,605	21,299	17,765	20,914	27,369
Mcf sold	35,913	37,980	36,326	28,652	33,574	41,443
BOE sold (6:1)	25,429	27,935	27,353	22,540	26,510	34,276
BOE per day	279	310	297	245	291	381
Wellhead Price per barrel	$63.79	$77.39	$70.75	$66.61	$63.72	$49.30
Wellhead Price per Mcf	$4.81	$6.29	$6.04	$3.96	$3.82	$4.96
Oil revenue	$1,240	$1,672	$1,507	$1,183	$1,333	$1,349
Gas revenue	173	239	220	113	128	206
Total revenue	**1,413**	**1,911**	**1,727**	**1,297**	**1,461**	**1,555**
Payments for production	(184)	(416)	(268)	(468)	(462)	(353)
Payments for administration	(832)	(836)	(597)	(522)	(706)	(722)
Cash operating income	$397	$659	$862	$307	$293	$480
Payments for exploration & evaluation	$(578)	$(774)	$(525)	$(429)	$(192)	$(914)
Payments for development	(368)	$(1,133)	$(983)	$(372)	$(4,595)	$(9,051)
Total capital expenditures	$(946)	$(1,907)	$(1,508)	$(801)	$(4,787)	$(9,965)
Total Net acres (US)	114,239	108,730	112,557	99,109	76,497	84,324
Qtr / Qtr % change in Acreage	5%	-3%	14%	30%	-9%	8%

Revenue by Production Date (AU$)



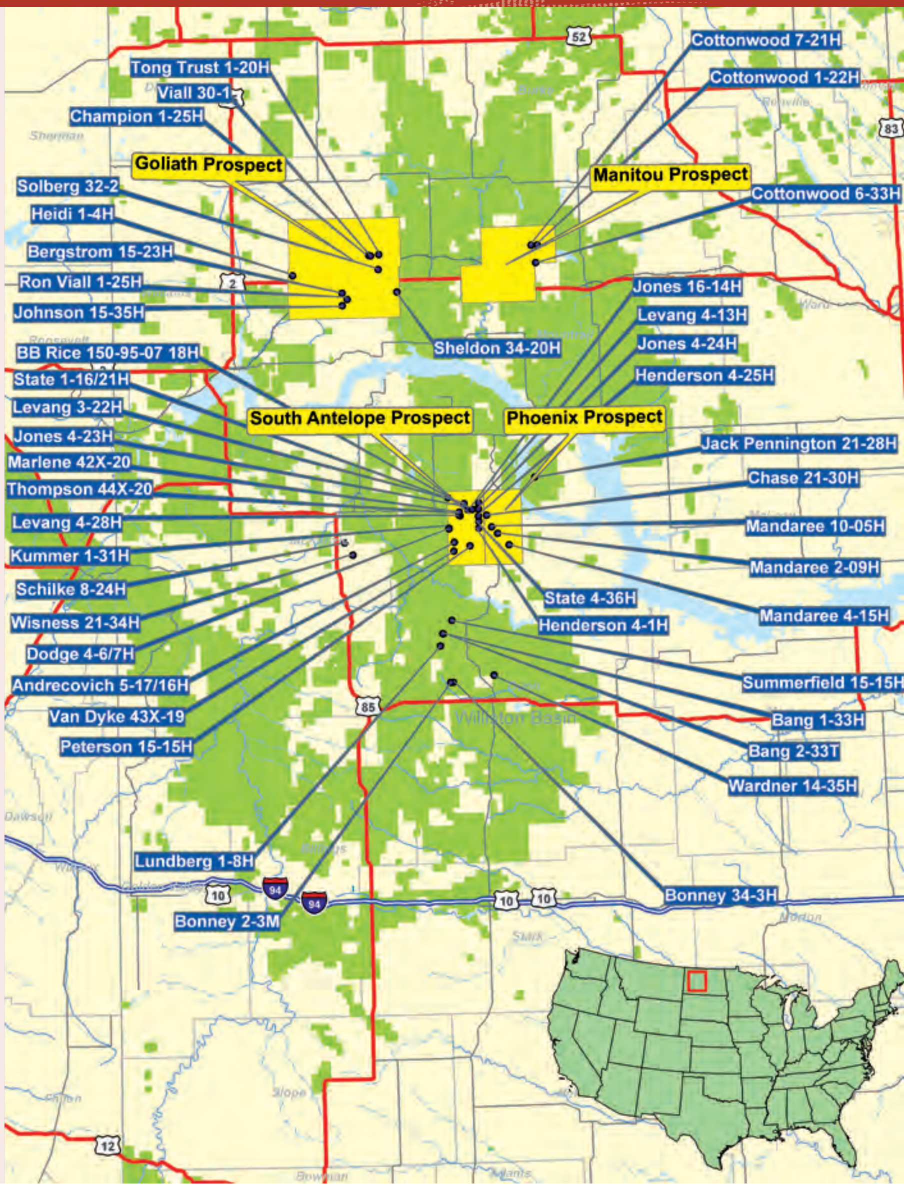
BOE by Production Date



Williston Basin Prospects

The Company has equity interests in four plays in the Williston Basin which has been, and remains, one of the most prospective oil regions in the US. This basin has produced over 50 billion barrels of oil since its first production in the 1950s, and its Bakken Shale has long been considered the most important oil discovery in the US since Alaska's North Slope. The Basin's Bakken Shale is a prolific, over pressured shale reservoir. Each of Sundance's Bakken prospects' primary target formation is the oil-rich Bakken Shale; secondary target horizons include the oil-bearing Mission Canyon, Nisku, Duperow and Red River formations.

The Bakken formation is widespread and relatively uniform throughout the North Dakota portion of the Williston Basin. This formation consists of the upper shale, middle member and, locally, a lower shale. The shales are highly organic, thermally mature and over-pressured, acting as both a source and reservoir for oil. Horizontal drilling and advanced fracture stimulation technologies have enabled tremendously successful commercial recovery from this historically non-commercial reservoir.



Sundance's Bakken Wells

Generally, the Bakken formation is drilled horizontally on either 640 or 1,280-acre units to vertical depths ranging from 9,000 to 10,500 feet (2,743–3,200 metres) with horizontal laterals extending between 4,500 feet (1,372 metres) and 9000 feet (2,743 metres) for a total drilled footage of approximately 14,000 to 21,000 feet (4,267–6,400 metres). The wells are typically fracture stimulated to maximize recovery and economic returns.

Current Williston Basin Development Update

The Company has ownership interests in many successful, producing wells across its Bakken prospects that are a cornerstone of Sundance's ongoing production and revenue. And, it is anticipated that will continue to be the case as the Company has projected participating in as many as 40 new wells across these prospects in 2010. During the past quarter, Sundance participated in a total of 21 wells in its Goliath, Phoenix and South Antelope Prospect's.

As at this date, Sundance has 10 rigs running across the Basin and a further 5 wells which are drilled, cased and awaiting completion.

Phoenix Prospect - North Dakota

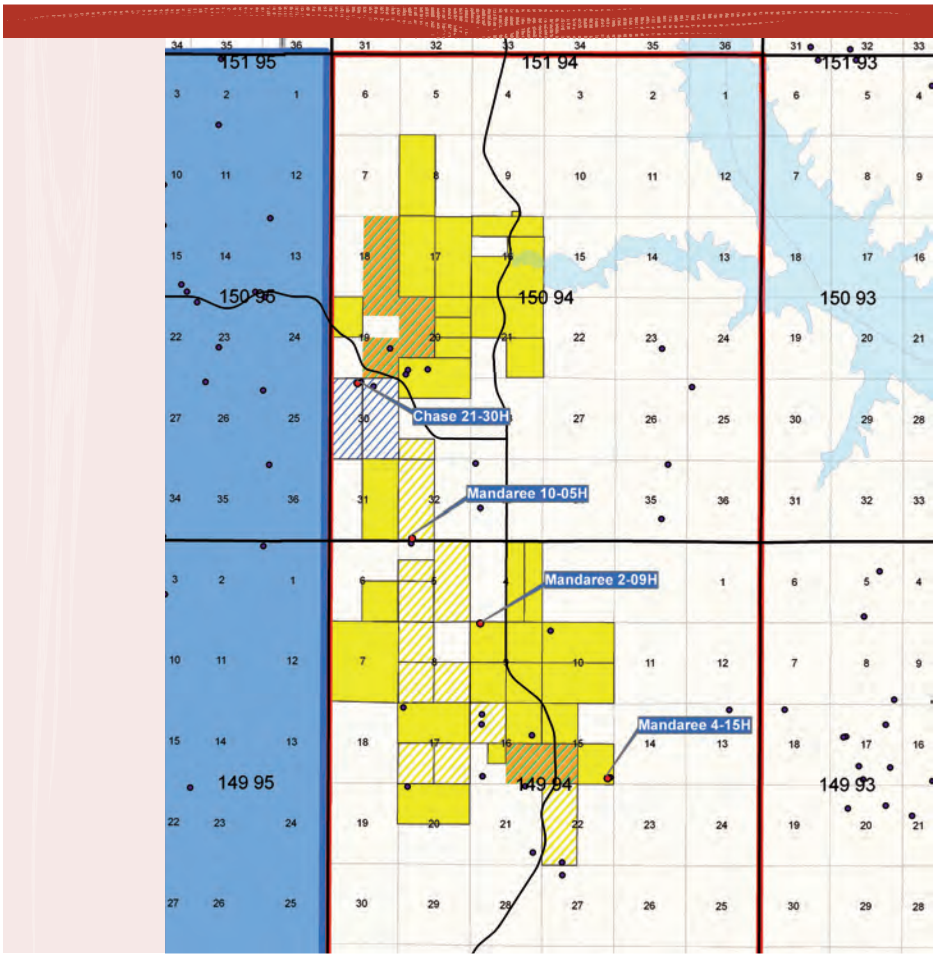
(Sundance owns 10%)

Located in the centre of the Williston Basin in McKenzie County, North Dakota, the Phoenix Prospect is immediately southeast of the Blue Buttes Unit operated by Hess Corp. This prospect is operated by EOG Resources (NYSE: EOG).

EOG's 2010 drilling program commenced in the Phoenix Prospect during the past quarter with two rigs working full time. As at this date, Sundance has participated in 7 EOG operated wells there in each of which it has between a 6-10% working interest. 2 of these wells are currently drilling while 3 have been cased and fracced and 2 are awaiting completion operations. Sundance expects to participate in at least 10 EOG wells here in 2010.

Future Phoenix Development

EOG's drilling program is scheduled to proceed continuously throughout 2010 and beyond. EOG's horizontal drilling operations on the prospect include increased densities on the massive hydraulic fracturing of the well bores, employing approximately 15-20 separate frac stages per 1 mile lateral (a "short lateral") which is expected to materially increase these wells' initial and long term productive capabilities.



Phoenix Prospect

South Antelope Prospect

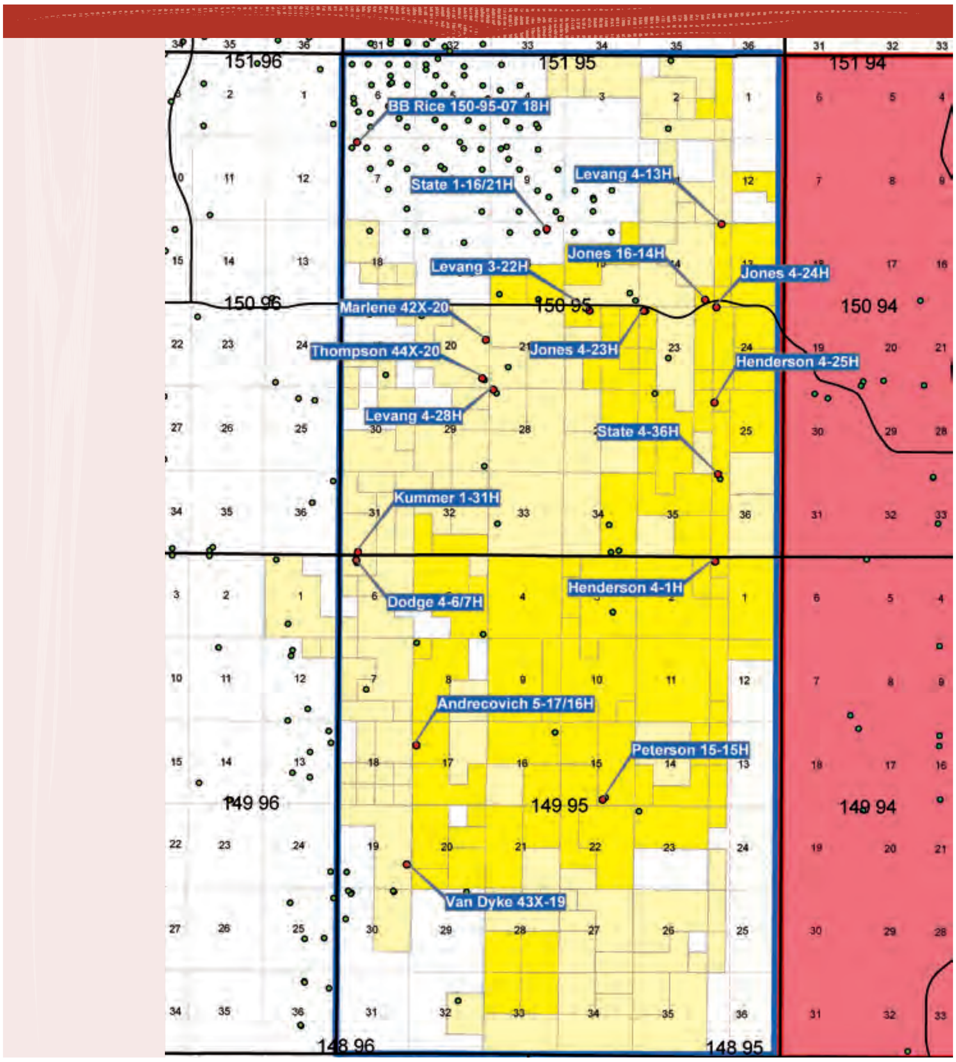
(Sundance owns 7 - 50%)

Helis Oil & Gas, an exploration and production company with operations in the onshore and offshore Gulf of Mexico and in the Northern Rockies, is the operator of the South Antelope Prospect.

Since Helis recommenced drilling operations earlier this year, Sundance has participated in 5 new Helis operated wells in this prospect; it has also participated in 1 operated by Continental, 2 by XTO and 1 by SM Energy. Sundance expects to participate in at least 10 Helis wells in 2010 in which the Company's ownership interest will vary between 7% and 30%.

As at 30 June, the Company owned an interest in the following eighteen wells in South Antelope:

• Levang 3-22H (Helis)	Sundance owns 3.2% WI
• Jones 4-23H (Helis)	Sundance owns 44% WI
• Jones16-14H (Helis)	Sundance owns 47% WI
• Peterson 15-15H (Helis)	Sundance owns 7.1% WI
• Levang 4-28H (Helis)	Sundance owns 6.8% WI
• Levang 4-13H (Helis)	Sundance owns 50% WI
• State 4-36H (Helis)	Sundance owns 50% WI
• Henderson 4-1H (Helis)	Sundance owns 36% WI
• Jones 4-24H (Helis)	Sundance owns 49% WI
• Thompson 44X-20 (XTO)	Sundance owns 1.1% WI
• BB Rice 150-95-0718H (Hess)	Sundance owns .74% WI
• Van Dyke 43X-19 (XTO)	Sundance owns 1.12% WI
• Kummer #1-30H (Continental Resources)	Sundance owns 1.1% WI
• Dodge 4-6/7HR (Helis)	Sundance owns 7% WI
• Andrecovich 5-17/16H (Helis)	Sundance owns 7% WI
• Henderson 4-25H (Helis)	Sundance owns 24.02% WI
• Marlene 42X-20 (XTO)	Sundance owns 1.32% WI
• State 1-1621H (Helis)	Sundance owns 4.532% WI



South Antelope Prospect's Wells

Manitou Prospect – North Dakota

(Sundance owns 25%)

The Manitou prospect lies in the heart of the Bakken play. This prospect's acreage is spread across a number of tracts, all of which are located north east of the Phoenix Prospect and just north of EOG's very successful Parshall Field, home to some of the Williston Basin's largest producing Bakken wells. 75% of the Company's interest in this prospect was sold to EOG along with the Phoenix Prospect acreage in 2009; in addition to the cash consideration, Sundance retained an overriding royalty interest of approximately 1% on all future production from this acreage.

As at 30 June, the Company owned an interest in the following three wells in Manitou:

• Cottonwood 1-22H (EOG)	Sundance owns 1.56% WI
• Cottonwood 7-21H (EOG)	Sundance owns .39% WI
• Cottonwood 6-33H (EOG)	Sundance owns 1.59% WI

Goliath Prospect - North Dakota

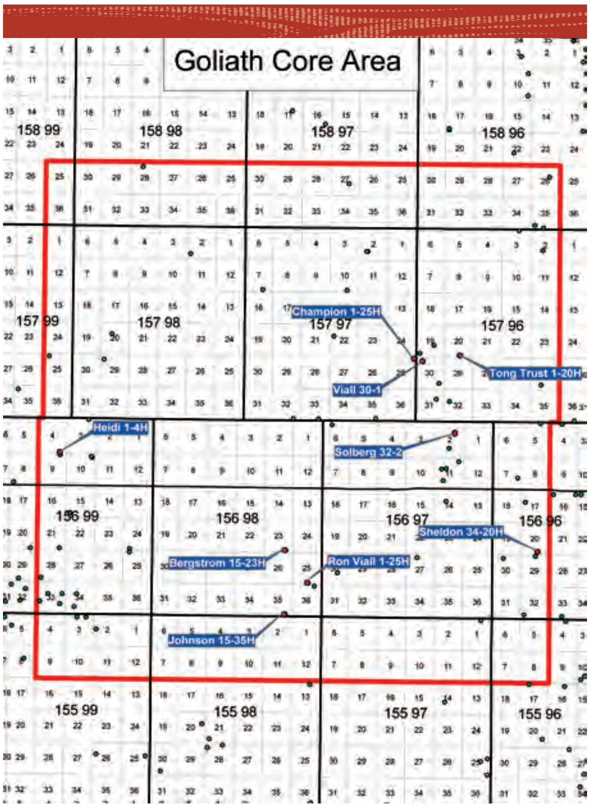
(Sundance~5%)

This highly prospective Bakken oil play sits on the Western flank of the Williston Basin's Nesson anti-cline. The prospect's primary target horizon is, again, the oil bearing Bakken Shale which lies approximately 10,000 feet (3,050 metres) deep in the area with secondary target horizons including the oil bearing Mission Canyon, Nisku, Duperow and Red River formations. The Goliath Prospect boasts an Area of Mutual Interest encompassing approximately 142,000 acres in which the joint venturers, American Oil & Gas, Inc., (AMEX:AEZ) (which owns 95% of the prospect) and Sundance (which owns 5% of the prospect) together own approximately 88,572 gross acres, or approximately 2,799 acres net to the Company's interests.

As at 30 June, Sundance had ownership interests in the following nineteen wells on Goliath:

• Champion 1-25H (Evertson)	Sundance owns 2% WI
• Solberg 32-2 (Whiting)	Sundance owns 1.19% WI
• Jack Pennington 21-28H	Sundance owns 1.25% WI
• Sheldon 34-20H	Sundance owns 1.20% WI
• Wardner 14-35H (Marathon)	Sundance owns .625% WI
• Bang 1-33H (Continental)	Sundance owns .31% WI
• Bonney 34-3H (Burlington)	Sundance owns .25% WI
• Viall 30-1 (Evertson)	Sundance owns 3.43% WI
• Tong Trust 1-20H (American)	Sundance owns 1.35% WI
• Lundberg 1-8H (Continental)	Sundance owns .625% WI
• Heidi 1-4H (Newfield)	Sundance owns .288% WI
• Bang 2-334 (Continental)	Sundance owns .31% WI
• Summerfield15-15H (American)	Sundance owns 2.187% WI
• Schilke 8-24H (Peak)	Sundance owns .016% WI
• Ron Viall 1-25H (American)	Sundance owns 4.59% WI
• Bergstrom 15-23H (American)	Sundance owns ~ 4% WI
• Johnson 15-35H (American)	Sundance owns ~ 5% WI
• Wisness 21-34H (Peak)	Sundance owns .31% WI
• Bonney 2-3M (Continental)	Sundance owns .31% WI

Sundance expects that development efforts throughout this prospect will remain very active this year with 6 rigs currently running; the Company anticipates participating in as many as 25 wells here during calendar 2010.



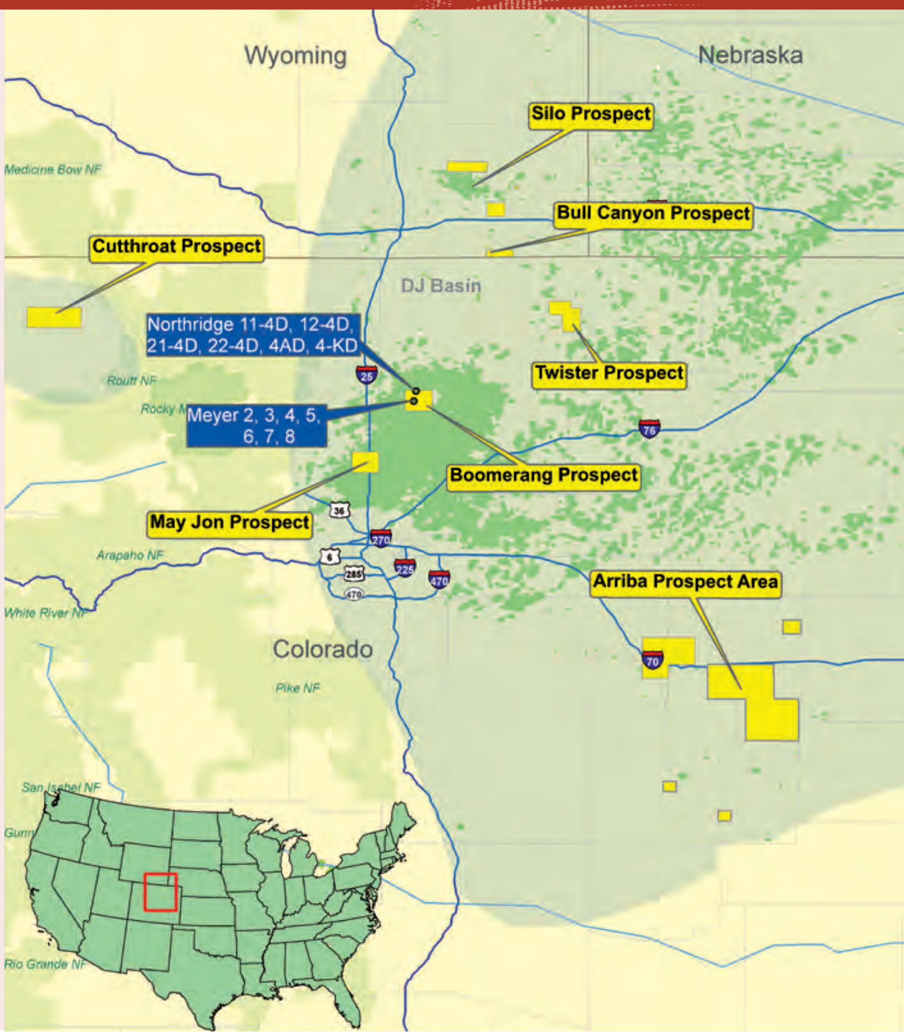
Colorado Prospects

The DJ Basin Prospects

The Company has several active development projects in the Denver Julesberg ("DJ") Basin which is located in north eastern Colorado and south eastern Wyoming; significant quantities of oil and gas have been produced from the DJ Basin. The Company's DJ prospects each target multiple tight sand and shale formations that may be developed both vertically and horizontally. The basin has a thick stack of source rocks which Sundance believes is well suited to the horizontal drilling and fracture stimulation techniques that have proven so successful for it elsewhere, including in the Arkoma and Williston Basins. Recent significant discoveries in the area by, among others, EOG Resources, clearly support the Company's assessment of these prospects' potential resource play prospectivity.

The DJ Basin is located primarily in eastern Colorado, but also extends into south east Wyoming, western Nebraska, and western Kansas. The basin has been a prolific producer of oil and gas since 1901. The most significant field – the Wattenberg Field – is one of the largest natural gas deposits in the United States. The field has produced more than 4.0 trillion cubic feet (TCF) of natural gas from the Lyons Sandstone, J Sandstone, Codell Sandstone, Niobrara Shale, Hygiene Sandstone and Terry Sandstone. In 2007, the field made 11 million barrels of oil and 170 billion cubic feet of gas with cumulative production of over 4TCF, from more than 14,000 wells, making it the 9th largest source of natural gas in the United States.

During the past quarter, Sundance announced its intention to commence its' Northern DJ Basin development program with a 3D seismic program undertaken together with its joint venture partner, McElvain; the program targets the Niobrara Shale and includes the Twister, Silo and Bull Canyon Prospects. The program also targets multiple secondary objectives which include the Parkman, Codell, Muddy (J) and Lyons sandstones. As at 30 June, the joint venture owned approximately 23,000 net acres in the four prospects. Sundance is the designated operator of each of these prospects, and owns a 60% equity interest in them, netting the Company approximately 14,000 acres; the joint venture continues its leasing activity.



The Niobrara shale play is now emerging as a significant oily unconventional resource play. Interest has intensified on the back of EOG Resources' Jake 2-01H well, a horizontal Niobrara discovery in Colorado's Weld County, in the northern DJ Basin. According to Colorado state records, this well, after being fracture stimulated, flowed an average 1,750 bbl of oil and 360,000 cu. ft. of gas per day for its first eight days on production in October 2009.

Two other wells drilled since the Jake well, one drilled by EOG and the other drilled by St. Mary Land and Exploration, have produced 1,100 and 1,200-1,500 bopd, respectively, from unstimulated (un-fractured) horizontal laterals. EOG continues to be very active in the area with as many as 15 wells permitted and about 30 drilling permits pending in the northern part of the play area.

In its 4th Q 2009 earnings call, Houston-based independent Noble Energy said that it conducted a three-well horizontal Niobrara program late in 2009, after extensive study of the opportunity, and encouraging results from an earlier 2009 test. Two of the recent wells have been completed, with the third completion scheduled to commence shortly. This year, Noble plans to have one rig in Wattenberg field area focused on horizontal Niobrara drilling which will result in approximately 20 new horizontal Niobrara tests. Additionally, Noble will drill some horizontal Niobrara oil tests outside of Wattenberg during the second half of the year.

All of this activity further substantiates the Company's belief that the Niobrara Shale is developing into a world-class resource play.

Arriba Project Area *(Sundance Owns 80%)*

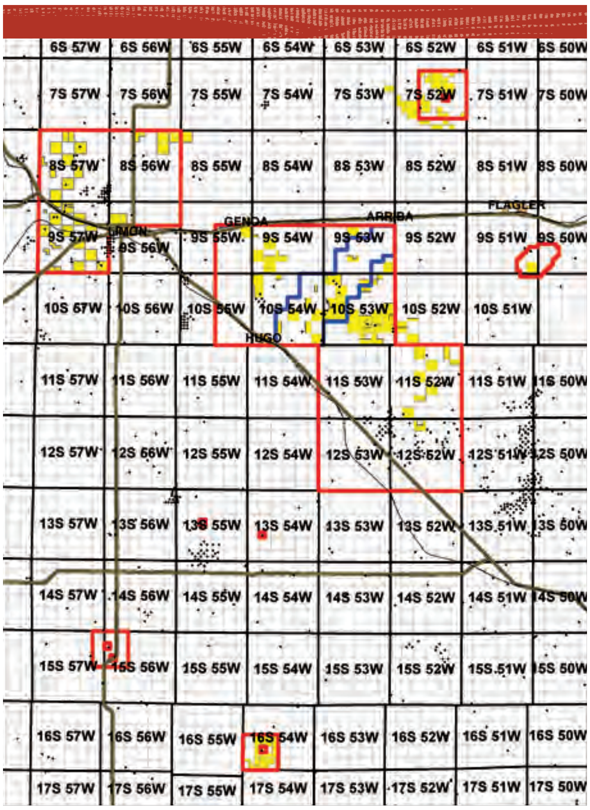
This exciting project now encompasses as many as 8 distinct prospects, each located in the south eastern part of DJ Basin; each's primary target horizon is the oil bearing Atoka Formation with secondary target horizons in the Morrow Sandstone, Cherokee, Marmaton, Missouri, Dakota J Sand and Codell Sandstone. Other operators in the area include Running Foxes, Wiepking-Fullerton, Murfin Drilling, Newfield Exploration, Ritchie Exploration, Anadarko Petroleum and Unit Petroleum.

From the early 1960's, hundreds of wells have been drilled through the Atoka and shallower targets exploring for production from the Morrow which is a prolific producer in this area (EURs of 500,000-1,000,000 barrels per well). Almost all of these wells have logs through the shallower formations, allowing for good log analysis throughout the prospect area. The Company has contracted the services of a consulting geologist with extensive experience in these shale and carbonate sections, and he has studied the logs and other tests in all of the wells in the prospect area in addition to the strong body of DST and core data from a number of those wells. Many of the wells have attempted vertical completions in the conventional and unconventional reservoirs described above with results of 20,000-150,000 BO reserves. Recent activity has been driven by Wiepking-Fullerton and Running Foxes; both have successfully drilled or re-entered wells specifically targeting the Atoka, Marmaton and Cherokee Formations.

Following the sale in the third financial quarter of 20% of its ownership interests in its Arriba Project to T. H. McElvain Oil & Gas Limited Partnership ("McElvain"), the Company was left with 80% of the leasehold interests in this prospect and was named its operator. The purchase price returned to Sundance in excess of 90% of the total capital invested by the Company in the interests sold. In addition, Sundance retained an overriding royalty interest on production from those acres. The two companies also agreed to establish an Area of Mutual Interest allowing each to participate in the other's ongoing acreage acquisitions across the project area.

Continuing with our strategy of accumulating acres in early stage plays, during the past quarter, Sundance added approximately 5,700 acres in its Arriba Project Area targeting the Atoka and Cherokee shales in addition to conventional development opportunities. As at 30 June, the Company had more than 38,215 net acres in hand.

Sundance anticipates commencing a re-entry program in the Arriba Project Area later this calendar year.



Twister, Silo and Bull Canyon Prospects

(Sundance Owns 60%)

Joint ventured with McElvain, each of these prospects is designed to build developmental drilling blocks in the DJ. As at 30 June, the Company had acquired approximately 31,694 gross and 13,372 net acres across these prospects. Sundance is the designated operator of each of these prospects, and is continuing to lease throughout the area.

Further, EOG Resources recently reported maximum test rates for three horizontal Niobrara wells located adjacent to the Company's Bull Canyon and Twister Prospects as follows:

- Jake 2-01H: 1,558 bbl/d
- Elmer 8-32: 730 bbl/d
- Red Poll 10-16H: 1.100 bbl/d (unstimulated)

During the past quarter, major US oil and gas companies began targeting the Niobrara shale in the DJ Basin as the next significant resource play. Sundance's acreage position is located in the heart of this play and, as is indicated above, initial development of horizontal Niobrara wells with multi-stage fracture stimulations by SM Energy (NYSE: SM), EOG Resources (NYSE: EOG) and Noble Energy (NYSE: NBL) have yielded strong results.

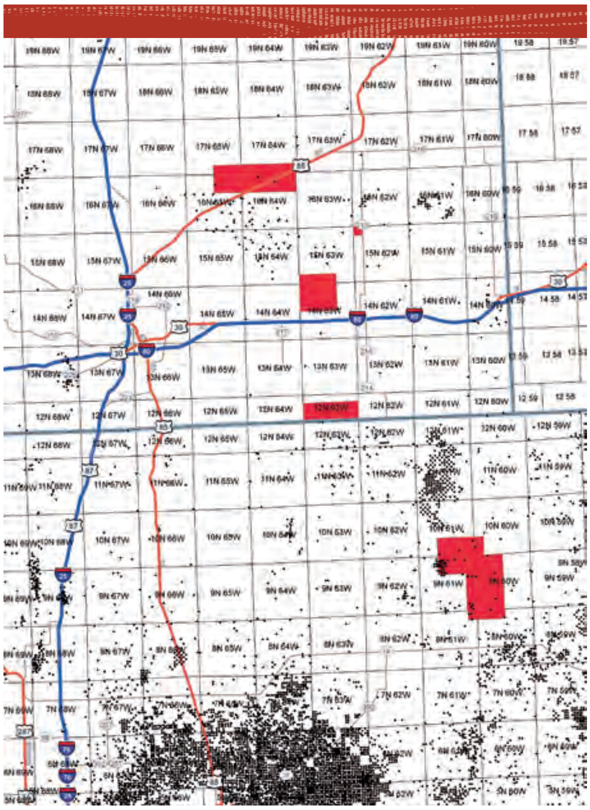
Boomerang Prospect

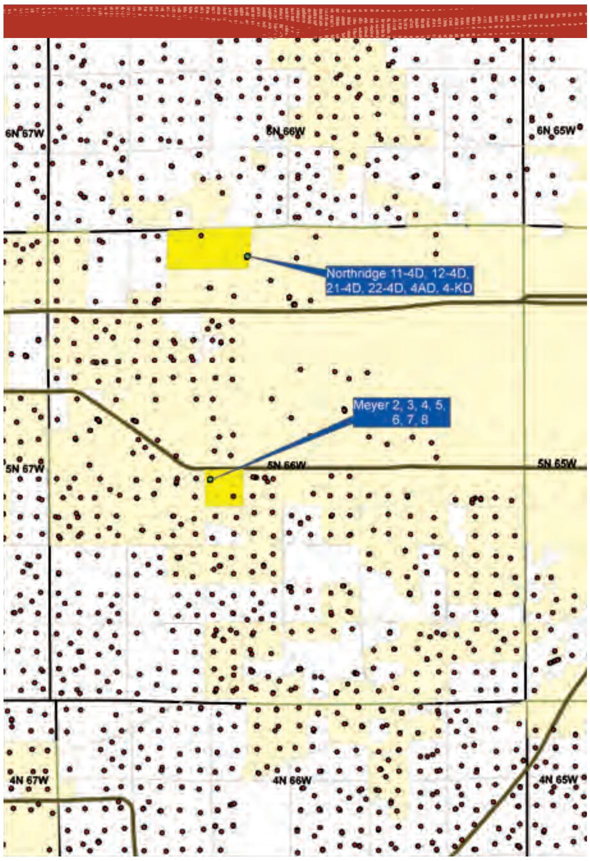
(Sundance Owns 12.5%)

Starting in the final calendar quarter last year and proceeding into the past financial quarter, Sundance participated in a 17 well drilling program in the heart of the DJ Basin's Wattenberg Field with a 12.5% working interest and a 9.375% net revenue interest. As was mentioned above, this field has over 12,000 producing wells exploiting multiple pay formations.

As at this date, all 17 of the program's wells have been successfully drilled and completed. Each well will also undergo multiple fracs in the future in order to access additional producing horizons; hydrocarbons from multiple horizons will then be produced simultaneously.

It is estimated that each well will ultimately cost US $600,000 and each is modelled at Estimated Ultimate Recoverable ('EURs') of 65,000-100,000 BOE per well.





May-Jon Prospect

(Sundance Owns 100%)

Sundance's owns 100% of two producing wells in the May Jon prospect, the May Jon 1 and the May Jon 23-5D#3. The May Jon 1 produces oil from the Codell formation while the May Jon 23-5D#3 was originally completed in the J Sand and has since been completed in the Codell formation as well.

The Company has the right to drill as many as 4 additional wells in the May Jon Prospect.

May-Jon

The Cutthroat Prospect

(Sundance Owns 100%)

This prospect is located in the heart of the Colorado Rocky Mountains. As at 31 December, Sundance owned approximately 4,985 net acres in Jackson County Colorado; Sundance owns 100% of the acquired leases and is the prospect's operator.

This play is built around EOG Resources' (NYSE: EOG) North Park Basin Prospect. EOG completed its first horizontal well in the basin in the late 2007, the Buffalo Ditch 1-32H, which had initial production of 550 Bopd and averaged 320 Bopd in its first thirty days. EOG remains very active in the play. Additionally, Laramie Energy, and several other high profile operators, have begun exploring the area.

The primary target of Sundance's Cutthroat Prospect is the oil bearing Niobrara formation which lies approximately 7,500 feet (2,286 metres) deep in the prospect area with a resource blanket ranging up to 450 feet (137 metres) in thickness. EOG has estimated preliminarily that there are 10,000,000 to 40,000,000 barrels in place per 640-acre spacing unit and expected EURs of approximately 250Mboe per well.

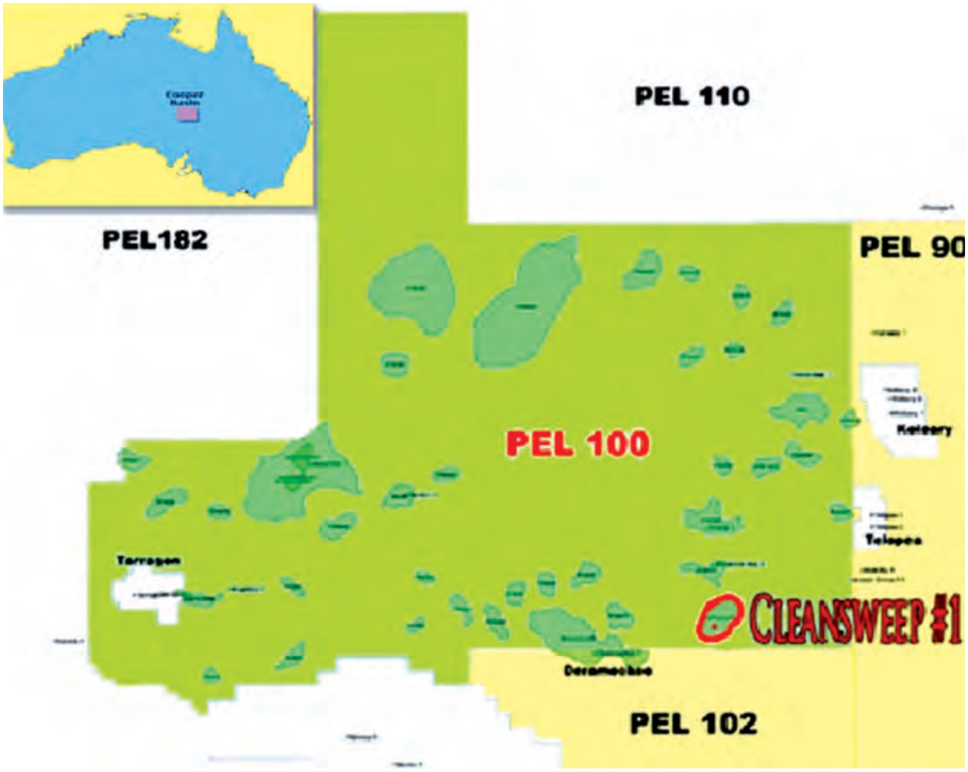
New Albany Prospects – Illinois Basin

(Sundance owns ~ 45%)

The New Albany Shale remains one of the most intriguing resources plays in the United States because of its shallow depth (656-1,640 feet (200-500 metres)) in the Company's prospect areas, making for reasonable development costs, lease terms of up to ten years which allow for a prudent development pace driven by operational controls rather than lease term, significant amounts of existing scientific control such as core data and production history, and an abundance of infrastructure, including established inter and intrastate pipeline capacity. Other US oil and gas explorers, including notably, El Paso Natural Gas Company, Aurora Oil and Gas, Diversified Operating and Noble Energy, have been quite successful in exploiting the New Albany Shale applying horizontal drilling technology. Each of the Company's three Illinois Basin prospects' primary target formation is the gas rich New Albany Shale.

In light of the current natural gas economics, there has been no development activity on these prospects during this financial year. It is important to note that the Company's' development plans are not driven by lease expiration concerns as all of the leases taken in these prospects have five year terms with five year options. Sundance will continue to review its development plans in light of current market conditions.

Australian Interests



PEL 100

This permit, comprising approximately 594 sq km, lies in the north east corner of South Australia. Geologically, the permit includes part of the Cooper/Eromanga Basin series of sediments which are productive of hydrocarbons elsewhere in the basin.

The joint venture has in place a modest budget to advance this prospect's future development, including further seismic studies. However, the license was recently temporarily suspended due to flooding in the Cooper Basin.

Participants in the license are:

• Stuart Petroleum Limited (Operator) (ASX: STU)	50.000%
• Sundance Energy Australia Limited (ASX: SEA)	23.333%
• Cooper Energy Limited (ASX:COE)	19.167%
• Traditional Oil Exploration Pty Ltd - Subsidiary of Enterprise Energy NL (ASX: EPE)	5.000%
• Liberty Petroleum Corporation	2.500%

Jayme A McCoy
Managing Director

Directors' Report

Your Directors present this report on the Company and its consolidated entities (Group or Consolidated Group) for the financial year ended 30 June 2010.

Directors

The names of Directors in office at any time during or since the end of the year are:

- *Michael D Hannell*
- *Charles CA Binks (resigned 28 August 2009)*
- *Jayme A McCoy*
- *Alexander M Hunter* III
- *Paul D Franks*
- *Damien A Hannes (appointed 28 August 2009)*
- *Reg Nelson (appointed 25 February 2010)*

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Craig Walford Gooden - Chartered Accountant. Craig Gooden performs the financial accounting and Company Secretary role in the Company. He has been a member of the Institute of Chartered Accountants in Australia since 1967 and has over 30 years experience in the resources industry. He is also the Company Secretary of UraniumSA Limited and Archer Exploration Limited.

Principal Activities

The principal activities of the Group during the financial year were:

- the exploration for and development and production of oil and natural gas in the United States of America; and,
- The continued expansion of its mineral acreage portfolio in the United States of America.

No significant changes in the nature of the activities of the Group occurred during the year

Operating Result

The loss of the Goup after providing for the income tax benefit of $465,698 amounted to $1,611,112 (2009: $8,541,255).

Dividends

No dividends were declared or paid during the financial year. No recommendation for payment of dividends has been made.

Review of Operations

The Group had a very successful 2009-2010 financial year, executing a broad scale development program across several of its US prospects which will translate directly into the continued steady growth of both Sundance's revenue and production. Additionally, the Group's acreage portfolio continued to expand notwithstanding some strategic, and quite profitable, acreage divestitures. Beyond those fundamental growth parameters, the Group also concluded a number of corporate transactions that expanded and enhanced its platform for future success.

Sundance's developmental drilling efforts across the 2009-2010 financial year were impressive. The first two quarters saw the Group initiate a 17 well drilling program in its Boomerang Prospect located in the Wattenberg Field in Colorado's DJ Basin, as well as successfully fracture stimulate a new, productive zone in one of its 100% owned May Jon wells. Additionally, the Group completed work overs on several of its high interest Williston Basin Bakken wells. Sundance also launched a very dynamic 2010 drilling campaign projecting participation in up to 50 wells in calendar 2010, 40 in its Williston Basin Prospects and 10 across its DJ Basin Prospects. And, as at the end of the financial year, the Group was well on its way to accomplish, and likely exceed, those developmental goals. Sundance's successful drilling activity continues to bolster its mounting production, revenue and booked reserves.

In addition to those fast paced drilling programs, Sundance also again demonstrated the efficacy of its primary strategic business model during the financial year under review. The Group participated in a number of strategic transactions arising directly from the implementation of its base model: Acquiring inexpensive acres in early stage resource plays for initial development with an eye towards selling a portion of that primarily non-producing acreage at very positive multiples to sophisticated operators while retaining material equity interests in the acres. This strategy allows the Group to redeploy its profits into new, exciting resource play projects while insuring its shareholders an ongoing stake in the development of the more established plays.

A full review of the Group's operations during the financial year is provided above in the Review of Operations section.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group during the financial year included:

- participation in several fast paced drilling programs in the Company's Williston Basin Bakken Prospects;
- participation in a 17 well drilling program in the Company's Boomerang Prospect;
- a 67% increase in the Company's US acreage portfolio;
- the conclusion of a strategic alliance with Beach Energy Ltd;
- the strategic disposition of 20% of its interests in the Arriba prospect;
- a capital raising of approximately $6.5 million; and,
- a reserve report covering less than 5% of the Company's total acreage confirming Total Reserves of approximately 8.2 million boe (being Proven Reserves (1P) of approximately 5.1 million boe and Probable Reserves (2P) of approximately 3.1 million boe) resulting in a Proven PV10 for Sundance of $80 million.

Other than the material changes noted here, and those discussed in more detail in the Review of Operations section above, there were no other material changes in the state of affairs of the Company.

Matters Subsequent to the End of the Financial Year

The following material matters have arisen since the end of the financial year:

As was reported to the ASX on 15 September 2010, the Company concluded a sale of 75% of its Twister Prospect located in the DJ Basin in Colorado to Noble Energy, Inc. The highlights of that transaction included;

- US$8.1 Million in cash and US$600,000 in carry in future drilling;
- the retention of an overriding royalty;
- Noble became the Twister Prospect operator; and,
- the establishment of an Area of Mutual Interest between Noble and the Company.

Sundance is of the view that this transaction was very favorable for its shareholders, and was in line with its primary strategic business model of focusing on the acquisition and early stage development of US resource plays for initial development leading to the monetisation of some portion of them, positioning the Group to take advantage of new strategic acquisitions while retaining a meaningful equity position in each play.

On 3 September 2010 5,366,667 options expired unexercised.

Future Developments, Prospects and Business Strategies

The developments in the operations of the Group and the expected results of those operations in future financial years have been included in the Review of Operations under Section 2 of this report. The Group's business strategies and prospects for growth in future financial years are presently concentrated on development of the Group's current resource plays and the acquisition of further plays which comport with the underlying development model.

Further information on likely development in the operations of the Group and expected results of operations have not been included because the Directors' believe it would result in unreasonable prejudice to the Group.

Environmental Issues

The Group's operations are subject to significant environmental regulation under laws of the Commonwealth and/or of a State or Territory. There are similar regulations under the laws of the United States. No notice of any breach has been received and the Directors believe no breach of any environment regulations has occurred.

Information on Directors

Michael Damer Hannell

Chairman BSc Eng (Hons), FIEAust, FAICD

Experience – Mike Hannell has over 40 years experience in both the upstream and downstream petroleum industry. He has been a Director of the Company since March 2006. His extensive experience has involved a wide range of engineering, operations, commercial, financial and corporate areas in the UK, USA, Europe and Australia. On being assigned to Australia in 1982, he was General Manager of Adelaide Refinery and subsequently Altona Refinery in Melbourne. In 1986 he joined Santos becoming the executive responsible for the South Australian business unit having responsibility for commercial and business development activities, exploration, development, engineering, operations and other support activities.

Mike was President of the Chamber of Mines and Energy from 1994 to 1997, President of Business SA from 1999 to 2001. He is an Australian citizen.

Interest in Shares: 835,398 ordinary shares in Sundance Energy Australia Limited.

Special Responsibilities: Chairman of the Audit Committee and member of the Remuneration Committee.

Other Directorships: He holds the position of Chairman for Rees Operations Pty Ltd (trading as Milford Industries Pty Ltd), and until recently the Chairman of Sydac Pty Ltd.

Jayme Anthony McCoy

Managing Director and CEO

Experience – With more than 25 years experience in the petroleum industry, he has been a Director of the Company since February 2005. Jayme combines an entrepreneurial focus and understanding of petroleum geology with professional expertise acquired with Freedom Energy, Inc., Farmoil, Inc. and Thompson Valley Gas, Inc. Jayme's experience includes the management of operations, gas contract negotiations and business development.

Jayme has also worked for other oil and gas companies, including Martin Exploration, Inc., where he worked as a well-site geologist on projects in the Rocky Mountain area and California and has consulted for many small to mid-sized independent oil and gas companies. He is a United States citizen.

Interest in Shares: 8,950,498 Ordinary Shares in Sundance Energy Australia Limited.

Special Responsibilities: Chief Executive Officer

Other Directorships: Nil.

Reginald George Nelson

Director, BSc,Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD
(Appointed February 2010)

Experience – Mr Nelson has been CEO or Managing Director of Beach Energy Limited (formerly Beach Petroleum Limited) since 1995, and has a career spanning nearly four decades as an exploration geophysicist in the minerals and petroleum industries. His industry credentials include former Chairman of peak industry organisations, the Australian Petroleum Production and Exploration Association (APPEA), where he remains a member of the council. He is an Australian Citizen.

Interest in Shares: 267,149 Ordinary Shares in Sundance Energy Australia Limited.

Beach Energy Limited is the registered holder of 22,685,185 ordinary fully paid shares in the Company. Reginald Nelson is a director of Beach Energy Limited. He has no relevant interest in the Beach Energy Limited shareholding other than as a shareholder of Beach Energy Limited.

Special Responsibilities: Member of the Audit Committee and the Remuneration Committee.

Other Directorships: He is a director of the following ASX listed companies. Beach Energy Limited, Monax Mining Limited, Marmota Energy Limited,and Ramelius Resources Limited and is a director the following unlisted public companies, South East Energy Limited, Petrogulf Resources Ltd, and GTL Energy Ltd.

Paul David Franks

Director

Experience – Paul has 25 years experience in the US oil and gas industry with expertise ranging from management of drilling operations and well acquisition to new-exploration activities. He has been a Director of the Company since February 2005. Paul has overseen the completion of more than 750 wells for some 50 companies, including Freedom Energy, Inc.

Paul's background also includes experience with Franks Independent Drilling, which operated in Texas, Oklahoma, Arkansas and California, as well as extensive expertise developed as an independent consultant to oil and gas exploration companies. He is a United States citizen.

Interest in Shares: 9,345,193 Ordinary Shares in Sundance Energy Australia Limited.

Special Responsibilities: Operations Manager

Other Directorships: Nil.

Alexander "Kip" Hunter, III

Director BS, JD

Experience – Kip has over 20 years of corporate transactional and litigation experience principally as the principal in the law firm of Hunter & Associates in New York City. He has worked across a broad range of industries, including the banking, insurance and corporate commercial finance sectors, in the areas of asset acquisitions, secured transactions and general corporate development and risk management. He has been a Director of the Company since February 2008. He is a United States citizen.

Interest in Shares and Options: 3,037,143 Ordinary Shares in Sundance Energy Australia Limited. 3,300,000 December 31, 2010 Options.

Special Responsibilities : General Counsel/Director of Communications.

Other Directorships: Nil

Damien Ashley Hannes

Director CPA, BBs

Experience – Damien has 25 years finance experience most recently completing 15 years with Credit Suisse in the Asia/Pacific region. He has a stong track record of building and managing successful businesses in Japan, Singapore, Hong Kong, Korea, India and Australia. His skills include management, interpersonal, strategic business planning as well as sales/marketing. He is an Australian Citizen.

Interest in Shares: 5,301,128 Ordinary Shares in Sundance Energy Australia Limited.

Special Responsibilities: Member of the Audit Committee and the Remuneration Committee.

Other Directorships: Nil

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Director of Sundance Energy Australia Limited and for the Key Management Personnel receiving the highest remuneration.

Remuneration Policy

The Board believes that individual salary negotiation is more appropriate than formal remuneration policies, and external advice and market comparisons are sought where necessary. The Company discloses the fees and remuneration paid to all Directors as required by the Corporations Act. The Board recognises that the attraction and retention of high calibre executives is critical to generating shareholder value.

The Australian Directors and executives receive a superannuation guarantee contribution required by the government which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. The US-based Managing Director and one of the other US-based Directors receive statutory retirement benefit payments to US Federal Governmental Social Security. At 30 June 2010, the remaining US-based executive Director was on contract and receives a monthly fee only.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.Shares issued to Directors and executives are valued at the difference between the market price of those shares and the amount paid by the Director or executive. Options are valued using the Black-Scholes methodology and recognised as remuneration in accordance with the attached vesting conditions.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee make recommendations to the Board in relation to payments to the Executive and Non-Executive Directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non- Executive Directors is not linked to the financial performance of the group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Each member of the executive team has signed a formal contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract sets out the specific formal job description.

Performance-based Remuneration

The elements of the Directors and Company and group executives' remuneration which are dependant on performance conditions are:

Jayme McCoy

Executive Director of Sundance Energy Australia Limited Chief Executive Officer –

The Managing Director's employment agreement commenced with effect 1 January 2005 and expires on 1 January 2015. Mr. McCoy is paid a base remuneration, and review of the remuneration package will take into account an assessment of performance based upon the following:

- Discharge of duties; and
- CPI movements

In undertaking any review of the remuneration package, Mr McCoy is not entitled, as of right, to an annual increase of the remuneration package. The Board retains the absolute discretion to determine the remuneration package review (if any), provided however that the remuneration shall not be reduced as a result of any annual review. Eligible for stock option awards.

Michael Hannell

Non-Executive Chairman, Sundance Energy Australia Limited –

Base remuneration. No applicable performance conditions.

Reg Nelson (appointed 25 February 2010)

Non-Executive Director, Sundance Energy Australia Limited –

Base remuneration. No applicable performance conditions.

Paul Franks

Executive Director of Sundance Energy Australia Limited, Operations Manager of Sundance Energy, Inc –

Base remuneration. To be reviewed annually by the Board. Eligible for stock option awards.

Alexander Hunter III

Executive Director of Sundance Energy Australia Limited, Legal Counsel / Director of Communications for Sundance Energy Australia Limited and Sundance Energy, Inc –

Base remuneration. To be reviewed annually by the Board. Eligible for stock option awards.

Damien Hannes (appointed 28 August 2009)

Non-Executive Director, Sundance Energy Australia Limited –

Base remuneration. No applicable performance conditions.

Details of remuneration for year ended 30 June 2010

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation;
- Transparency; and
- Capital management.

The names and positions held of the parent entity Directors are disclosed under Director Profiles, with the dates of directorship disclosed for each Director. Due to the size of the Company, it has only two employees that are considered to meet the criteria of Key Management Personnel.

Details of the remuneration of each Director and Key Management Personnel of Sundance Energy Australia Limited and its wholly owned subsidiary, including their personally related entities, are set out below for year ended 30 June 2010.

Director	*Salary and Fees*	*Superannuation Contribution*	*Non-Cash Benefits*	*Share Based Payments-Options*	*Total*
C Binks*	5,352	481	-	-	5,833
J McCoy	271,417	-	-	-	271,417
A Hunter III	233,780	-	-	-	233,780
P Franks	224,849	-	-	-	224,849
M Hannell	64,220	5,780	-	-	70,000
D Hannes**	27,110	2,440	-	-	29,550
R Nelson***	11,055	995	-	-	12,050
	837,783	**9,696**	**-**	**-**	**847,479**
Key Management Personnel					
E McCrady	9,394	-	-	-	9,394
C Gooden	83,978	-	-	-	83,978
	93,372	**-**	**-**	**-**	**93,372**
	931,155	**9,696**	**-**	**-**	**940,851**

* *Mr Binks resigned 28 August 2009*
** *Mr Hannes appointed 28 August 2009*
*** *Mr Nelson appointed 25 February 2010*

Details of the remuneration of each Director and Key Management Personnel of Sundance Energy Australia Limited and its wholly owned subsidiary, including their personally related entities, are set out below for year ended 30 June 2009.

Director	*Salary and Fees*	*Superannuation Contribution*	*Non-Cash Benefits*	*Share Based Payments-Options*	*Total*
C Binks	53,861	4,847	-	-	58,708
J McCoy	355,097	-	-	-	355,097
A Hunter III	300,514	-	-	-	300,514
P Franks	300,514	-	-	-	300,514
M Hannell	58,180	5,236	-	-	63,416
	1,068,166	**10,083**	**-**	**-**	**1,078,249**
Key Management Personnel					
G Layman	178,237	-	-	-	178,237
C Gooden	83,885	-	-	-	83,885
	262,122	-	-	-	262,122
	1,330,288	**10,083**	**-**	**-**	**1,340,371**

Mr G Layman resigned on 31 March 2009.

No options have been issued as part of Remuneration to Directors' or Key management Personnel for the year ended 30 June 2010 or 2009. No options previously granted as compensation in prior periods have been exercised.

Number of shares held by Key Management Personnel

2010

Key Management Personnel	*Balance 1.7.2009*	*Granted as Compensation*	*On Market Purchases*	*Net Other Changes*	*Balance 30.6.2010*
J McCoy	8,839,387	-	-	111,111	8,950,498
P Franks	9,234,082	-	-	111,111	9,345,193
A Hunter III	3,037,143	-	-	-	3,037,143
C Binks*	150,286	-	-	(150,286)	-
M Hannell	724,287	-	-	111,111	835,398
D Hannes	-	-	-	5,301,128	5,301,128
R Nelson**	-	-	156,038	111,111	267,149
C Gooden	347,858	-	-	111,111	458,969
E Mc Crady	-	-	-	-	-
Total	22,333,043*	-	156,038	5,706,397	28,195,478

* *Mr Binks retired in August 2009 and retained his 150,286 shares.*

** *Beach Energy Limited is the registered holder of 22,685,185 ordinary fully paid shares in the Company. Reginald Nelson is a director of Beach Energy Limited. He has no relevant interest in the Beach Energy Limited shareholding other than as a shareholder of Beach Energy Limited.*

Number of Options Held by Key Management Personnel

2010

Key Management Personnel	*Balance 1.7.2009*	*Granted as Compensation*	*Options Expired*	*Balance 30.6.2010*	*Total Vested 30.6.2010*	*Total Exercisable 30.6.2010*	*Total Unexercisable 30.6.2010*
Mr A Hunter III	4,300,000	-	(1,000,000)	3,300,000	3,300,000	2,200,000	1,100,000
Mr M Hannell	250,000	-	(250,000)	-	-	-	-
Mr C Gooden	325,000	-	(125,000)	200,000	200,000	133,334	66,666
Total	4,875,000	-	(1,375,000)	3,500,000	3,500,000	2,333,334	1,166,666

Employment Contracts of Directors

The employment conditions of the Managing Director, Mr McCoy, the Executive Directors and Key Management Personnel are formalised in contracts of employment, as follows:

Name	*Position*	*Duration of Contract*	*Period of Termination Notice*[4]	*Termination Payment provided for under the Contract*
Jayme McCoy[1]	Managing Director Sundance Energy Australia Limited	10 years[1]	14 days	Payment to termination date
Jayme McCoy[1]	Chief Executive Officer Sundance Energy, Inc	10 years[2]	15 days	Payment to termination date
Paul Franks[2]	Consultant	10 years[2]	15 days	Payment to termination date
Alexander Hunter III[3]	Legal Counsel /Director of Communication	5 years[3]	30 days	Payment to termination date

[1] Contract commenced 1 January 2005

[2] Contracts commenced 31 March 2005

[3] Contract commenced 1 January 2006

[4] For termination by Sundance Energy, Inc for good cause

Meetings of Directors

During the financial year, 20 meetings of the Board of Directors and 2 meetings of Committees of the Board were held. Attendance by each Director were as follows:

	Number of Directors meetings whilst a Director		*Number of Audit Committee meetings*		*Number of Remuneration Committee meetings*	
Director	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
C Binks	3	3	-	-	-	-
M Hannell	20	20	2	2	1	1
J McCoy	20	20	-	-	-	-
P Franks	20	20	-	-	-	-
A Hunter III	20	19	2	1	-	-
D Hannes	17	16	2	2	1	1
R Nelson	7	6	-	-	1	1

The members of the Audit Committee are M Hannell (Chairman), C Binks (resigned 28 August 2009), D Hannes and R Nelson.

Members of the Remuneration Committee are M Hannell (Chairman), D Hannes and R Nelson. C Binks, Chairman (resigned 29 August 2009).

The Audit Committee has a charter, approved by the Committee and, subsequently the Board, which sets out the Committee's objectives, composition, meetings frequency, access, duties and responsibilities.

The Committee has met twice in the financial year. Minutes are kept of all meetings and are tabled for adoption at the following Committee meetings. These minutes are subsequently provided to the Board for information and any discussion that may be necessary.

During the year a business risk Review was completed. As part of its charter, the Audit Committee meets the external auditor at least twice a year.

Indemnifying Officers or Auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the Directors, officers and consultants against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or executive of the Company, other than conduct involving a willful breach of duty in relation to the Company. The policy does not specify the individual premium for each officer covered.

- *Charles Binks*
- *Jayme McCoy*
- *Paul Franks*
- *Michael Hannell*
- *Craig Gooden*
- *Alexander Hunter III*
- *Damien A Hannes*
- *Reg Nelson*
- *Eric McCrady*

Unlisted Options

At the date of this report, the options listed below are unexercised:

Grant Date	*Option Type*	*Number of Shares subject to options Unlisted*	*Exercise Price*	*Expiry Date*
10 December 2007	2010 Ordinary	3,500,000	50 cents -70 cents	31 December 2010
17 April 2008	2010 Ordinary	1,000,000	50 cents -70 cents	31 December 2010
11 August 2009	2011 Ordinary	60,000	50 cents -70 cents	31 December 2011
10 September 2010	2013 Ordinary	1,500,000	20 cents -30 cents	31 May 2013
Total		6,060,000		

No person, or entity, entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Prior to the date of this report but subsequent to balance date, 5,366,667 options lapsed due to expiry.

Proceedings on Behalf of Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 10 : Code of Ethics for Professional Accountants set by the Accounting Professional Ethics Standards Board.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2010:

- Taxation services - $20,260.

Auditor's Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 30 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors.

Michael Hannell
Chairman

Adelaide
Dated this 24th day of September 2010

Auditor's Independence Declaration

Grant Thornton

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67 Greenhill Rd
Wayville SA 5034
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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SUNDANCE ENERGY AUSTRALIA LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Sundance Energy Australia Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

J L Humphrey
Partner

Adelaide, 24 September 2010

Corporate Governance

Approach to Corporate Governance

The Board of Sundance Energy Australia Limited (the "Company") is committed to the Principles and Recommendations underpinning best practices in corporate governance as specified by the Australian Securities Exchange (the "ASX") Corporate Governance Council's 2nd edition of Corporate Governance Principles and Recommendations. The Company's Board has taken, and will continue to take, all necessary actions to adopt the amended Principles in each instance where that is appropriate, or to design policies and procedures to adopt them in a fashion modified appropriately to the Company's particular circumstances.

The Company's Board has again carefully reviewed the Corporate Governance Principles and Recommendations. As is set forth below, the vast majority of these have already been achieved. In some cases, additional steps are now being taken to ensure that new arrangements are put in place to ensure compliance. In a few instances, the Company has adopted hybrid methodologies of compliance deemed appropriate to its size, structure and situation. The Board is comfortable that its practices are satisfactory for a Company of its structure and size.

The Board has regularly convened both an Audit and a Remuneration Committee, each of which also largely complies with the Best Practice Principles. The Board meets as a committee of the whole to deal with each of those other matters that the recommendations indicate would, for larger organisations, be appropriately dealt with by separately constituted committees. Where particular Directors may be affected by a Board or committee decision, they may attend related meetings but not be a member of the relevant committee or Board vote. In addition, the Board has a process whereby a Director will be absent from a discussion and decision where there either is, or could be, a conflict of interest.

Details of the Company's corporate governance practices are listed below.

Principle 1:

Lay Solid Foundation for Management and Oversight

Companies should establish and disclose the respective roles and responsibilities of board and management

ASX Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Responsibilities of the Board include –

- Overseeing the company, including its control and accountability systems;
- Appointing and removing the chief executive officer, or equivalent;
- Where appropriate, ratifying the appointment and the removal of senior executives;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- Monitoring senior executives' performance and implementation of strategy;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; and,
- Approving and monitoring financial and other reporting.

Sundance complies fully with the above Recommendation.

The Board has delegated responsibility to the Managing Director and the executive management team to manage the day-to-day operation and administration of the Company. In carrying out this delegation, the Managing Director, supported by the senior executives, routinely reports to the Board on the Company's progress on achieving the short, medium and long term plans for the Company. The Managing Director is accountable to the Board for the authority that is delegated by the Board.

ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

An induction program should be available to enable senior executives to gain an understanding of:

- the company's financial position, strategies, operations and risk management policies; and,
- the respective rights, duties, responsibilities and roles of the board and senior executives.

Sundance's Chairman, with Non Executive Director input, is responsible for providing feedback to the Managing Director on his performance.

The Managing Director, with Chairman and Non Executive Director input, is responsible for providing feedback to senior executives on their performance.

The most recent evaluation of senior executives was completed in September 2010. In addition, the remuneration committee commissioned an independent review of the total remuneration granted to the senior executives and to the Non Executive Directors.

ASX Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

Guide to reporting on Principle 1 -

- An explanation of any departure from Recommendations 1.1, 1.2 or 1.3; and,
- Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.

Owing to the Company's small size and limited hiring practices, a formal induction program is not considered necessary.

Principle 2:

Structure the Board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

ASX Recommendation 2.1: A majority of the board should be independent directors.

With the appointment of Reg Nelson, the Board of Directors currently consists of three Executive Directors based in the US (one of which is the Managing Director) and three Non-Executive Directors based in Australia. All of the Directors are shareholders of the Company. It is considered that two of the Non-Executive Directors are classified as independent, but the third, Reg Nelson, is not by virtue of his employment with Beach Energy Limited (ASX listed) which is a substantial shareholder of the Company.

Therefore, Sundance does not strictly comply with this recommendation. However it is believed that this structure is not inappropriate at this time of the Company's evolution. Nevertheless, the Company will continue to address this issue over time.

The Company Policy and Procedures Manual specifies that Directors can have access in appropriate circumstances to independent professional advice at the Company's expense.

It is the continuing practice for the three Non-Executive Directors to confer from time to time without the Executive Directors being present.

ASX Recommendation 2.2: The chair should be an Independent Director.

Sundance's Chairman always has been, and is currently, an Independent Director.

ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

Sundance has always complied with this Recommendation and maintains a clear division of responsibility between the Chairman and the Managing Director. This is clearly specified in the fore mentioned Board Charter and Role of Management document.

ASX Recommendation 2.4: The Board should establish a nomination committee.

The nomination committee should be structured so that it:

- Consists of a majority of Independent Directors;
- Is chaired by an Independent Director; and,
- Has at least three members.

The responsibilities of the committee should include recommendations to the Board about:

- The necessary and desirable competencies of Directors;
- Review of Board succession plans;
- The development of a process for evaluation of the performance of the Board, its committees and Directors; and,
- The appointment and re-election of Directors.

Given the small size of the Company, this function is carried out by the whole Board.

ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

The Board of Sundance Energy regularly meets both formally and informally to discuss Board matters and to ensure that the Board acts in an effective way. A Board Performance Evaluation process has been put in place. The Board is provided with information that allows it to discharge its duties effectively, and Non-Executive Directors can and do request additional information as necessary to make informed decisions.

The Company Secretary is C W Gooden. He is accountable to the Board through the Chairman and accessible to all Directors. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

ASX Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

Guide to reporting on Principle 2 -

- The skills, experience and expertise relevant to the position of Director held by each director in office at the date of the annual report;
- The names of the directors considered by the board to constitute Independent Directors and the company's materiality thresholds;
- The existence of any of the relationships listed in Box 2.1 and an explanation of why the Board considers a director to be independent, notwithstanding the existence of those relationships;
- A statement as to whether there is a procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company;
- The period of office held by each director in office at the date of the annual report;
- The names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out;
- Whether a performance evaluation for the Board, its committees and Directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and,
- An explanation of any departure from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.3.

The following material should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section:

- A description of the procedure for the selection and appointment of new Directors and the re-election of incumbent Directors;
- The charter of the nomination committee or summary of the role, rights, responsibilities and membership requirements for that committee; and,
- The Board's policy for the nomination and appointment of directors.

During the financial year 2009-10 the Board recruited an additional Non Executive Director, Reg Nelson, who is also the Managing Director of Beach Energy Limited (ASX listed).

As previously commented, the Directors are expected to complete a Board Performance Evaluation on an annual basis.

The Company does not have a formal nomination committee. This is not considered necessary for a Company of the size of Sundance Energy as this function is carried out in an effective way by the whole Board.

No formal process exists for Directors to access continuing education as this is not considered practicable for the size of the Company and the financial resources available. However the three Non-Executive Directors have wide experience of directors' duties and are involved in a variety of outside activities which add to their knowledge and professionalism.

Principle 3:
Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision making

ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- The practices necessary to maintain confidence in the Company's integrity;
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and,
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company's Code of Conduct and Ethics establishes the practices that Directors, management and staff must follow in order to comply with the law, meet shareholder expectations, maintain public confidence in the Company's integrity, and provide a process for reporting and investigating unethical practices.

ASX Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has such a policy which is actively policed by the Board.

ASX Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Guide to reporting on Principle 3 -

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- Any applicable code of conduct or a summary; and,
- The trading policy or a summary.

The Board has published both the Code of Conduct and Ethics and the Company's Securities Trading Policy on the Company's website as components of its Policy and Procedures Manual.

Principle 4:

Safeguard integrity in Financial Reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting

ASX Recommendation 4.1: The board should establish an audit committee.

An audit committee has been established.

ASX Recommendation 4.2: The audit committee should be structured so that it:

- Consists only of Non-Executive Directors;
- Consists of a majority of Independent Directors;
- Is chaired by an independent chair, who is not chair of the Board; and,
- Has at least three members.

The audit committee has met during the financial year 2009-10 on two occasions. The audit committee keeps minutes of meetings which are submitted to the full Board for review.

ASX Recommendation 4.3: The audit committee should have a formal charter.

The audit committee has a formal charter.

ASX Recommendation 4.4: Companies should provide the information indicated in the guide to reporting on Principle 4.

The audit committee has three members, M D Hannell, D Hannes and R Nelson, all three of which are Non Executive Directors. However owing to the size of the Company, only two are classed as Independent Directors. The Chairman is currently M D Hannell, an Independent Director. He was appointed to this role prior to becoming Chairman of the Board and it is the intention to appoint a new audit committee Chairman prior to the end of calendar year 2010. A M Hunter and E McCrady are non voting management representatives who advise the committee as appropriate.

Guide to reporting on Principle 4 -

- The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out; and,
- The number of meetings of the audit committee; and,
- Explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.

The following material should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section:

The audit committee charter; and,

Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The audit committee's charter and information on the selection and appointment of the Company's external auditor has been published on the Company's website as components of its Policy and Procedures Manual.

Principle 5:

Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all matters concerning the company

ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has issued a written Market Disclosure Policy in accordance with this recommendation and considers that it complies with best practice recommendations.

The full Board reviews and authorizes all such disclosures before they are formally issued.

C W Gooden, as Company Secretary, has been nominated as the person primarily responsible for communications with the Australian Securities Exchange (ASX). He is supported in this activity by A M Hunter in his role as the company's Legal Counsel/Communications Director.

All material information concerning the Company, including its financial situation, performance, ownership and governance is posted on the Company web site to ensure all investors have equal and timely access.

ASX Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

Guide to reporting on Principle 5 -

- An explanation of any departure from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report; and,
- The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.

The Market Disclosure Policy has been published on the Company's website as a component of its Policy and Procedures Manual.

Principle 6:

Respect the rights of shareholders

ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board fully recognizes its responsibility to ensure that its shareholders are informed of all major developments affecting the Company.

All shareholders who have elected to do so receive a copy of the Company's Annual Report and the Annual, Half Yearly and Quarterly Reports are prepared and posted on the Company's web site in accordance with the ASX Listing Rules. Regular updates on operations are made via ASX releases.

All information disclosed to the ASX is posted on the Company's website as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operation, the material used in the presentation is straight away released to the ASX and posted on the Company's web site.

The Company's external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

ASX Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

Guide to reporting on Principle 6 -

- An explanation of any departure from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report; and,
- The company should describe how it will communicate with its shareholders publicly, ideally by posting this information on the company's website in a clearly marked corporate governance section.

The Shareholder Communications Policy has been posted on the Company's website as a component of its Policy and Procedures Manual.

Principle 7:

Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control

ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The full Board is responsible for approving and monitoring the overall financial and operational business risk profile of the Company.

By the nature of the upstream Oil and Gas business this topic is intrinsically covered during each Board meeting.

In addition, a formal Risk Management Policy has been prepared.

ASX Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Audit Committee has identified the key financial and operational risk areas. These have been agreed by the full Board for management attention.

ASX Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Assurances to this effect have been received, and a copy of this is included in this report as part of the Directors' Declaration.

ASX Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

Guide to reporting on Principle 7 -

- Explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4;
- Whether the Board has received the report from management under Recommendation 7.2; and,
- Whether the Board has received assurance from the chief executive officer (or equivalent) under Recommendation 7.3.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- A summary of the company's policies on risk oversight and management of material business risks.

The Company's Risk Management Policy has been published on the Company's website as a component of its Policy and Procedures Manual; this policy contains a summary of risks.

Principle 8:

Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

ASX Recommendation 8.1: The board should establish a remuneration committee.

A remuneration committee consisting of Non-Executive Directors only was appointed in 2008 and reports its recommendations to the Board for approval. The Remuneration Committee determines remuneration levels on an individual basis. During the period it has commissioned an independent professional survey of remuneration levels for both Executive Directors/Senior management and Non-Executive Directors.

ASX Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

This Recommendation has been complied with.

ASX Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

Guide to reporting on Principle 8 -

- The names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out;
- The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and,
- An explanation of any departures from Recommendations 8.1, 8.2 or 8.3.

The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- The charter of the remuneration committee or summary of the role, rights, responsibilities and membership requirements for that committee; and,
- A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

The Company considers that it complies with these Recommendations.

The Remuneration Policy has been posted on the Company's website as a component of its Policy and Procedures Manual.

Financial Information

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	*Consolidated Group* 2010 $	2009 $
Revenue from ordinary activities	2	6,971,826	10,739,451
Cost of sales	3	(1,477,590)	(1,653,400)
Finance costs	3	(8,776)	(27,250)
Loss on sale of assets held for resale		(14,981)	(1,160,876)
Loss on sale of non-current assets		(247,087)	-
Settlement of assets sold		(20,863)	(2,751,564)
Depreciation and amortisation expense		(4,118,247)	(4,462,045)
Employee benefits expense		(1,332,208)	(1,667,124)
Impairment of non-current assets		(224,520)	(2,674,957)
Impairment of assets held for resale		-	(1,675,268)
Write off capitalised exploration expenditure		(14,597)	(4,091,218)
Other expenses from ordinary activities	3	(1,589,767)	(1,280,279)
Loss before income tax		(2,076,810)	(10,704,530)
Income tax benefit	4	465,698	2,163,275
Loss for the year		(1,611,112)	(8,541,255)
Loss attributable to members of the parent entity		(1,611,112)	(8,541,255)
Other Comprehensive income			
Exchange differences arising on translation of foreign operations		(2,106,506)	3,026,362
Total comprehensive income for the year		(3,717,618)	(5,514,893)
Total comprehensive income attributable to members of the parent entity		**(3,717,618)**	**(5,514,893)**
Earnings per Share			
Basic (loss) cents per share	7	(0.8)	(4.9)

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group 2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	11,405,065	4,193,249
Trade and other receivables	9	914,245	706,862
Inventory	10	14,007	52,500
Assets held for resale	11	-	952,811
Derivative financial instruments	12	263,763	-
Current tax refund		1,280,708	81,000
Other current assets	13	51,638	37,831
TOTAL CURRENT ASSETS		13,929,426	6,024,253
NON-CURRENT ASSETS			
Inventory	10	380,664	-
Plant and equipment	15	30,384	45,001
Exploration and evaluation expenditure	16	6,226,644	5,553,766
Development and production assets	17	32,453,285	32,351,662
TOTAL NON-CURRENT ASSETS		39,090,977	37,950,429
TOTAL ASSETS		53,020,403	43,974,682
CURRENT LIABILITIES			
Trade and other payables	18	4,351,612	693,021
TOTAL CURRENT LIABILITIES		4,351,612	693,021
NON-CURRENT LIABILITIES			
Long-term provision	19	260,609	235,478
Deferred tax liablities	20	2,455,886	1,896,524
TOTAL NON-CURRENT LIABLITIES		2,716,495	2,132,002
TOTAL LIABILITIES		7,068,107	2,825,023
NET ASSETS		**45,952,296**	**41,149,659**
EQUITY			
Issued capital	21	47,785,172	39,284,381
Share option reserve	22	1,388,614	1,369,150
Foreign currency translation reserve	22	(1,330,491)	776,015
Retained earnings		(1,890,999)	(279,887)
TOTAL EQUITY		**45,952,296**	**41,149,659**

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Group	*Issued Capital* *$*	*Retained Earnings* *$*	*Translation Profits* *$*	*Share Option Reserve* *$*	*Total* *$*
Balance at 30 June 2008	39,284,381	8,261,368	(2,250,347)	1,321,787	46,617,189
Fair value of options issued	-	-	-	47,363	47,363
Total comprehensive income for year	-	(8,541,255)	3,026,362	-	(5,514,893)
Balance at 30 June 2009	39,284,381	(279,887)	776,015	1,369,150	41,149,659
Shares issued during the year	8,806,870	-	-	-	8,806,870
Transaction costs (net of tax)	(306,079)	-	-	-	(306,079)
Fair value of options issued	-	-	-	19,464	19,464
Total comprehensive income for year	-	(1,611,112)	(2,106,506)	-	(3,717,618)
Balance at 30 June 2010	47,785,172	(1,890,999)	(1,330,491)	1,388,614	45,952,296

The accompanying notes form part of the financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,612,401	7,821,527
Payments to suppliers and employees		(4,061,369)	(4,566,325)
Interest received		70,239	669,791
Finance costs		-	(27,250)
Currency gains		-	2,727,697
Income tax refund		77,733	133,057
Derivative payments		(527,670)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	26	2,171,334	6,758,497
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(2,219,477)	(3,918,383)
Payments for development expenditure		(2,781,502)	(23,581,200)
Exploration expenditure recouped		-	433,255
Payments for assets held for resale		(188,839)	(4,935,797)
Sale of assets held for resale		569,889	1,398,899
Sale of non-current assets		1,210,146	3,522,475
Transaction costs for sale of non-current assets		-	(2,751,584)
Payments for plant and equipment		(9,648)	(7,483)
NET CASH (USED IN) INVESTING ACTIVITIES		(3,419,431)	(29,839,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		8,806,870	-
Payments for the costs of capital raising		(437,256)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		8,369,614	-
Net increase/(decrease) in cash held		7,121,517	(23,081,321)
Cash at the beginning of the financial year		4,193,249	26,942,514
Effect of exchange rates on cash holdings in foreign currencies		90,299	332,056
Cash at the end of the financial year	8	11,405,065	4,193,249

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Sundance Energy Australia Limited and controlled entities ('Consolidated Group' or 'Group').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a) Principles of Consolidation

A controlled entity is any entity over which Sundance Energy Australia Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 14 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered/(left) the Group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-group balances and transactions between entities in the Group, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with those adopted by the parent entity.

b) Income Tax

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset recognised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c) Plant and Equipment

Plant and equipment is carried at cost less where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which are they are incurred.

Depreciation

The depreciable amount of all fixed assets are depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Non Current Asset	*Depreciation Rate*	*Basis of Depreciation*
Plant and Equipment	*5 - 33%*	*Straight Line*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to production assets and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision for rehabilitation and restoration is provided by the Group to meet all future obligations for the restoration and rehabilitation of oil and gas producing areas when oil an gas reserves are exhausted and the oil / gas fields are abandoned. Restoration liabilities are discounted to present value and capitalised as a component part of capitalised development expenditure. The capitalised costs are amortised over the life of the assets and the provision revised at each balance date through the statement of comprehensive income as the discounting of the liability unwinds.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transactions costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to changes in commodity prices arising in the normal course of business. The principal derivatives that may be used are commodity crude oil price swap and option contracts. Their use is subject to policies and procedures as approved by the Board of Directors. The Group does not trade in derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivate financial instruments are recognised at fair value. The derivatives are valued on a market to market valuation and the gain or loss on re-measurement to fair value is recognised through the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed determinable payments.

v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h) Interests in Joint Ventures

The Group's share of assets, liabilities, revenue and expenses of joint ventures are included in the appropriate items of the consolidated financial statements. Details of the Group's interest are shown in Note 28.

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's presentation currency.

i) Foreign Currency Transactions and Balances

Functional and presentation currency

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement of comprehensive income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity - Settled Compensation

The Group has an employee share option plan. The bonus element over the exercise price of the employees services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the option granted.

k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated as amortised cost with any difference between cost and redemption being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

All other borrowing costs are recognised in income in the period in which they are incurred.

o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statemment of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

Key estimates

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment has been recognised in respect of development and production assets for the year ended 30 June 2010.

Exploration and evaluation

The Group's policy for exploration and evaluation is discussed in Note 1 (d). The application of this policy requires the directors to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, the directors conclude that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the statement of comprehensive income.

q) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statement of Sundance Energy Australia Limited.

AASA 8: Operating Segments

In February 2007 the Australian Standards Boards issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosure have changed with the addition of a possible impact of the impairment testing of goodwill allocated to the cash generating unit (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement Impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under the AASB 114, segments were identified by business and geographical area, and only segments deriving revenue from external sources were considered.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather that in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure Impact

Terminology changes – The revised version of the AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of the comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose in income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretation that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB9 [AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).
  - These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.
  - The changes made to accounting requirements include:
  - Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - Simplifying the requirements of embedded derivatives;
  - Removing the tainting rules associated with held-to-maturity assets;
  - Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - Allowing an irrevocable election on initial recognition to present gains and losses on investment in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

- Reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  a) the objective of the entity's business model for managing the financial assets; and
  b) the characteristics of the contractual cash flows.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

- These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretation 2, 4, 16, 1039 & 1052] applicable for annual reporting periods commencing on or after 1 January 2001).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also mends AASB 8 to require entities to exercise judgment in assessing whether a government and entities know to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

AASB 2009-13: Amendments to Australia Accounting Standards arising from Interpretation 19 [AASB1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provision in Interpretation 19. This standard is not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The following adjustments were made to the Statement of Financial Position as at 30 June 2009:

	30 June 2009	*Increase/ (Decrease)*	*30 June 2009 (Restated)*
Statement of Financial Position (extract)			
Exploration and evaluation expenditure	3,192,501	2,361,265	5,553,766
Production and development expenditure	34,712,927	(2,361,265)	32,351,662

No other items in the Statement of Financial Position were affected by the retrospective restatement due to a reclassification. The reclassification was required to reflect a provision for impairment recognised against the incorrect class of asset in the prior period.

There was no impact on the statement of comprehensive income or the parent entity's financial statements of the reclassification.

The financial report was authorised for issue on 24th September 2010 by the Board of Directors.

	Consolidated Group	
	2010	2009
	$	$

NOTE 2 - REVENUE

	2010 $	2009 $
Operating activities		
- Sale of oil and gas	6,847,974	7,081,821
- Interest received	79,633	693,364
- Realised currency gain	44,219	2,727,697
- Net gain from sale of assets	-	236,569
Total Revenue	6,971,826	10,739,451

NOTE 3 - LOSS FOR YEAR

	2010 $	2009 $
Expenses		
Cost of sales	(1,477,590)	(1,653,400)
Net loss from sale of assets held for resale	(14,981)	(1,160,876)
Finance costs		
- Interest paid - non related party	(8,776)	(27,250)
Other expenses from ordinary activities:		
Accounting and company secretarial	(269,916)	(230,332)
Audit fees	(56,313)	(79,629)
Professional fees	(191,231)	(62,138)
Travel	(193,532)	(93,965)
Rent	(141,375)	(168,745)
Share registry and listing fees	(103,994)	(53,971)
Derivatives expense	(252,723)	-
Other expenses from ordinary activities	(380,683)	(591,499)
Total Expenses	(1,589,767)	(1,280,279)

NOTE 4 - INCOME TAX BENEFIT

a) The components of income tax benefit comprise:

	2010 $	2009 $
Current tax	1,148,780	(81,000)
Deferred tax	(683,082)	2,244,275
	465,698	2,163,275

NOTE 4 - INCOME TAX BENEFIT continued

	Consolidated Group 2010 $	Consolidated Group 2009 $
b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net loss	(2,076,810)	(10,704,530)
Prima facie tax benefit on loss from		
ordinary activities before income tax at 30%	(623,043)	(3,211,359)
Add/(less):		
Tax effect of:		
- non-deductible depletion and amortisation	-	942,426
- difference of tax rate in US controlled entities	27,719	90,260
- employee options	5,839	12,593
- other allowable(non allowable) items	631	2,805
Deferred tax assets associated with capital raising costs recognised direct to equity but not meeting the recognition criteria	123,156	-
Income tax attributable to entity	(465,698)	(2,163,275)
c) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%	394,898	346,868

NOTE 5 – KEY MANAGEMENT PERSONNEL COMPENSATION

a) Names and positions held of Consolidated Group key management personnel in office at any time during the financial year are:

Mr M Hannell	Chairman Non-executive
Mr J McCoy	Managing Director - Executive
Mr P Franks	Director - Executive
Mr A Hunter III	Director - Executive, Legal Counsel / Director of Communications
Mr C Binks	Director – Non-executive (appointed 28 August 2009)
Mr D Hannes	Director- Non-executive (appointed 28 August 2009)
Mr Reg Nelson	Director- Non-executive (appointed 25 February 2010)
Mr C Gooden	Company Secretary
Mr E McCrady	Chief Financial Officer (appointed 7 June 2010)

Other than employees of the Company listed above, there are no additional key management personnel.

NOTE 5 – KEY MANAGEMENT PERSONNEL COMPENSATION continued

b) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Report of Director's for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2010.

The total of remuneration paid to KMP of the Group during the year are as follows:

	2010	2009
Short term benefits	931,155	1,330,288
Post employment benefits	9,696	10,083
	940,851	1,340,371

c) Options Granted as Compensation

2010
No options were granted as compensation during the year.

2009
No options were granted as compensation during the year.

d) Number of Options Held by Key Management Personnel

2010

Key Management Personnel	*Balance 1.7.2009*	*Granted as Compensation*	*Options Expired*	*Balance 30.6.2010*	*Total Vested 30.6.2010*	*Total Exercisable 30.6.2010*	*Total Unexercisable 30.6.2010*
Mr A Hunter III	4,300,000	-	(1,000,000)	3,300,000	3,300,000	2,200,000	1,100,000
Mr M Hannell	250,000	-	(250,000)	-	-	-	-
Mr C Gooden	325,000	-	(125,000)	200,000	200,000	133,334	66,666
Total	4,875,000	-	(1,375,000)	3,500,000	3,500,000	2,333,334	1,166,666

2009

Key Management Personnel	*Balance 1.7.2008*	*Granted as Compensation*	*Options Expired*	*Balance 30.6.2009*	*Total Vested 30.6.2009*	*Total Exercisable 30.6.2009*	*Total Unexercisable 30.6.2009*
Mr J McCoy	2,240,000	-	(2,240,000)	-	-	-	-
Mr P Franks	2,333,332	-	(2,333,332)	-	-	-	-
Mr C Binks	750,000	-	(750,000)	-	-	-	-
Mr A Hunter III	4,346,668	-	(46,668)	4,300,000	4,300,000	2,100,000	2,200,000
Mr M Hannell	250,000	-	-	250,000	250,000	250,000	-
Mr C Gooden	325,000	-	-	325,000	325,000	191,666	133,334
Mr G Layman	1,500,000	-	(1,000,000)	500,000	500,000	500,000	-
Total	11,745,000	-	(6,370,000)	5,375,000	5,375,000	3,041,666	2,333,334

Mr Layman resigned in March 2009. He retained 500,000 options.

NOTE 5 – KEY MANAGEMENT PERSONNEL COMPENSATION continued

e) **Shareholdings**

Number of shares held by Key Management Personnel

2010

Key Management Personnel	*Balance 1.7.2009*	*Granted as Compensation*	*Options Exercised*	*On Market Purchases*	*Net Other Charges*	*Balance 30.6.2010*
Mr J McCoy	8,839,387	-	-	-	111,111	8,950,498
Mr P Franks	9,234,082	-	-	-	111,111	9,345,193
Mr A Hunter III	3,037,143	-	-	-	-	3,037,143
Mr C Binks*	150,286	-	-	-	(150,286)	-
Mr M Hannell	724,287	-	-	-	111,111	835,398
Mr D Hannes	-	-	-	-	5,301,128	5,301,128
Mr R Nelson	-	-	-	156,038	111,111	267,149
Mr C Gooden	347,858	-	-	-	111,111	458,969
Mr E Mc Crady	-	-	-	-	-	-
Total	22,333,043	-	-	156,038	5,706,397	28,195,478

** Mr C Binks retired in August 2009 and retained 150,286 shares*

2009

Key Management Personnel	*Balance 1.7.2008*	*Granted as Compensation*	*Options Exercised*	*On Market Purchases*	*Balance 30.6.2009*
Mr J McCoy	6,839,387	-	-	2,000,000	8,839,387
Mr P Franks	7,734,082	-	-	1,500,000	9,234,082
Mr A Hunter III	1,037,143	-	-	2,000,000	3,037,143
Mr C Binks	150,286	-	-	-	150,286
Mr M Hannell	150,287	-	-	574,000	724,287
Mr C Gooden	122,858	-	-	225,000	347,858
Total	16,034,043	-	-	6,299,000	22,333,043

NOTE 6 - AUDITORS' REMUNERATION

	Consolidated Group	
	2010 $	*2009 $*
Remuneration of the auditor for:		
- auditing or review of the financial report	29,500	35,200
- taxation services provided by the practice of auditor	20,260	12,385
	49,760	47,585
- Remuneration of other auditors of subsidiary not related to the parent entity auditor	26,813	44,429

	Consolidated Group	
	2010 $	2009 $

NOTE 7 - EARNINGS PER SHARE

	2010 $	2009 $
Reconciliation of earnings to Loss		
Loss for year used to calculate basic EPS	(1,611,112)	(8,541,255)

	Number of shares	Number of shares
a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	195,821,924	172,772,259

b) In accordance with AASB 133 'Earnings per Share' as potential ordinary shares may only result in a situation where their conversion results in increase in profit per share or decrease in loss per share, no dilutive effect has been taken into account.

NOTE 8 - CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash at bank and on hand	535,399	1,426,590
Short term deposits	10,869,666	2,766,659
	11,405,065	4,193,249

The effective interest rate on short term bank deposits was 0.5% for the Group. These deposits have an average maturity of 5 days. The Groups' exposure to interest rate risk is summarised at Note 31.

NOTE 9 - TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
GST receivable	24,751	8,153
Other receivables	165,157	209,111
Oil and gas sales	724,337	489,598
	914,245	706,862

At 30 June 2010 the Group did not have any additional receivables which were outside normal trading terms (past due but not impaired). Due to the short term nature of these receivables, their carrying amounts is assumed to approximately their fair value.

NOTE 10 - INVENTORY

	2010 $	2009 $
CURRENT		
Oil inventory on hand at cost	14,007	52,500
NON-CURRENT		
Casing and tubulars at net realisable value	380,664	-

	Consolidated Group 2010 $	Consolidated Group 2009 $
NOTE 11 - ASSETS HELD FOR RESALE		
Casing and tubulars at lower of cost and net realisable value	-	952,811
	-	952,811

At 30 June 2010 remaining casing and tubulars were reallocated to non-current inventory to be used by the Group.

NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

	2010 $	2009 $
Financial assets comprise		
CURRENT		
Derivative financial instruments - commodity contracts	263,763	-
NON CURRENT	-	-
Total financial assets	263,763	-

The Group adopted the amendments to AASB 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position. In the first year of application comparative information may not be to be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 30 June 2010.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset of liability , either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped in into the fair value hierarchy as follows.

Consolidated *30 June 2010*	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	-	263,763	-	263,763
Net fair value	-	263,763	-	263,763

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) **Derivatives**
Where derivatives are traded either on exchanges or liquid over-the-counter markets the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, eg market exchange and interest rates (Level 2). Most derivatives entered into by the Group are included in Level 2 and consist of commodity contracts.

NOTE 13 - OTHER CURRENT ASSETS

	Consolidated Group 2010 $	Consolidated Group 2009 $
Prepayments	51,638	37,831
	51,638	37,831

NOTE 14 – CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%) 2010	Percentage Owned (%) 2009
Parent Entity			
Sundance Energy Australia Limited	Australia	100	100
Subsidiaries of Sundance Energy Australia Limited:			
- Sundance Energy, Inc.	USA	100	100

NOTE 15 - PLANT AND EQUIPMENT

	Consolidated Group 2010 $	Consolidated Group 2009 $
Plant and equipment at cost	133,677	124,030
Foreign currency translation	(8,540)	(5,453)
Accumulated depreciation	(94,753)	(73,576)
Total Plant and Equipment	**30,384**	**45,001**
a) Movements in carrying amounts:		
Balance at the beginning of the year	45,001	55,850
Additions	9,647	7,483
Foreign currency translation	(3,087)	12,756
Depreciation	(21,177)	(31,088)
Balance at 30 June 2010	30,384	45,001

NOTE 16 - EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Group 2010 $	Consolidated Group 2009 $
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase at cost	8,701,750	8,152,859
Accumulated amounts written off	(204,415)	(217,578)
Provision for impairment	(2,651,559)	(2,635,105)
Foreign currency translation	380,868	253,590
Total Exploration and Evaluation Expenditure	6,226,644	5,553,766
a) Movements in carrying amounts:		
Exploration and evaluation		
Balance at the beginning of the year	5,553,766	5,385,776
Amounts capitalised during the year	1,779,865	4,569,684
Amounts written off during the year	-	(978,620)
Impairment of exploration expenditure	(224,520)	(390,758)
Amount re-allocated to development phase	(224,486)	-
Exploration tenements sold during the year	(1,038,850)	(3,285,906)
Foreign currency translation	380,869	253,590
Balance at 30 June 2010	6,226,644	5,553,766

The ultimate recoupment of costs carried forwarded for exploration phase is dependent on the successful development and commercial exploitation or sale of respective areas.

NOTE 17 - DEVELOPMENT AND PRODUCTION EXPENDITURE

	Consolidated Group 2010 $	Consolidated Group 2009 $
Costs carried forward in respect of areas of interest in:		
Development and production phase at cost	40,540,422	37,361,290
Accumulated amortisation	(8,121,930)	(4,350,667)
Provision for impairment	(2,445,121)	(2,361,265)
Foreign currency translation	2,479,914	1,702,304
Total Development and Production Expenditure	**32,453,285**	**32,351,662**
a) Movements in carrying amounts:		
Development expenditure		
Balance at the beginning of the year	32,351,662	17,657,351
Amount re-allocated from exploration phase	224,486	-
Amounts capitalised during the year	1,956,537	22,830,787
Amortisation expense	(4,080,613)	(4,395,957)
Impairment expense	-	(2,361,265)
Accumulated depreciation reversed on sale of assets	160,047	-
Development assets sold during the year	(638,748)	(3,081,558)
Foreign currency translation	2,479,914	1,702,304
Balance at 30 June 2010	32,453,285	32,351,662

	Consolidated Group 2010 $	Consolidated Group 2009 $
NOTE 18 - TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables	2,398,316	570,254
Other payables and accruals	1,953,296	122,767
	4,351,612	693,021
NOTE 19 - LONG-TERM PROVISION		
Restoration provision	260,609	235,478
	260,609	235,478
NOTE 20 - DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to;		
Plant and equipment	2,970	1,714
Development and production expenditure	5,537,409	9,091,376
Net operating loss carried forward	(3,084,493)	(7,196,566)
	2,455,886	1,896,524
NOTE 21 - ISSUED CAPITAL		
238,008,335 (2009: 172,772,259) fully paid ordinary shares	47,785,172	39,284,381

a) Ordinary Shares

	Number
Total shares issued at 30 June 2008	172,772,259
Shares issued during the year	-
Total shares issued at 30 June 2009	172,772,259
Shares issued during the year	65,236,076
Total shares issued at 30 June 2010	238,008,335

b) Issued Capital

	Consolidated Group 2010 $	Consolidated Group 2009 $
Balance at 30 June 2008	39,284,381	31,231,977
Shares issued during the year	-	8,196,009
Transaction costs (net of tax)	-	(143,605)
Balance at 30 June 2009	39,284,381	39,284,381
Shares issued during the year	8,806,870	-
Transaction costs (net of tax)	(306,079)	-
Balance at 30 June 2010	47,785,172	39,284,381

Ordinary shares participate in dividends and the proceeds on winding of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 21 - ISSUED CAPITAL continued

c) Options on issue

Details of the share options outstanding as at the end of the year:

Grant Date	Expiry Date	Exercise Price	Consolidated Group 2010 $	Consolidated Group 2009 $
16 August 2006	16-Feb-10	0.38	-	7,000,000
1 December 2006	30-Nov-09	0.35	-	1,375,000
1 December 2006	31-May-10	0.38	-	1,633,333
6 March 2007	3-Sep-10	0.38	5,366,667	5,366,667
10 December 2007	31 Dec 10	0.50 - 0.70	3,500,000	3,500,000
17 April 2008	31 Dec 10	0.50 - 0.70	1,000,000	1,000,000
11 August 2009	31 Dec 11	0.50 - 0.70	60,000	-
			9,926,667	19,875,000

All options are unlisted

d) Capital Management

Management controls the capital of the Group in order to maintain a good debt equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The strategy is to ensure that the Group's gearing ratio remains minimal. At 30 June 2010 the Company had no debt (2009: Nil).

Proceeds from shares issued are used to maintain and expand the Group's exploration activities and fund operating costs.

NOTE 22 - RESERVES

a) Share Option Reserve
The share option reserve records items recognised as expenses on valuation of employee and supplier share options.

b) Foreign Currency Translation Reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 23 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS

Capital commitments relating to joint ventures and tenements

The Consolidated Group is required to meet minimum expenditure requirements of various Australian Government bodies and joint ventures. These obligations are subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

The mineral leases in the exploration prospects in the USA, have primary terms ranging from three years to ten years and have no specific capital expenditure requirements. However, mineral leases that are not successfully drilled and included within a spacing unit for a producing well within the primary term will expire at the end of the primary term unless re-leased.

NOTE 23 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS continued

	Consolidated Group 2010 $	Consolidated Group 2009 $
Capital expenditure commitments		
- due within one year	11,665	15,631
- due within 1-5 years	-	-
	11,665	15,631
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases not provided for in the financial statements.		
Lease expenditure commitments		
- due within one year	103,925	17,392
- due within 1-5 years	160,793	20,291
	264,718	37,683
Employment and consultant commitments		
Commitments for the payment of salaries and other remuneration under long-term employment and consultant contracts not provided for in the financial statements.		
Expenditure commitments		
- due within one year	630,612	777,497
- due within 1-5 years	1,536,106	2,248,587
- due within 6-10 years	-	265,691
	2,166,718	3,291,775

Details relating to the employment contracts are set out in the remuneration report.

NOTE 24 - CONTINGENT ASSETS AND LIABILITIES

At the date of signing this report, the Group is not aware of any contingent assets or liabilities that should be disclosed in accordance with AASB 137.

NOTE 25 – OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of exploration basins and areas since the diversification of the Group's exploration inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- Rocky Mountains area in the United States of America
- Other exploration and development areas in the USA

Types of products and services by segment

Oil and gas revenue

The Group has revenue predominantly from the Rocky Mountains area in the USA. Some of the other areas in the USA have revenue however at present they are not considered material and therefore are recognised as one operating segment.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity management fees. This price is based on cost plus an overhead factor. No other administration costs are charged to the two identified segments. All such transactions are eliminated on consolidation of the Groups financial statements.

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instance, segment assets are clearly identifiable on the basis of the nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets and deferred tax have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- interest received;
- net gains on disposal of available-for-sale investments;
- impairment of assets, other than exploration, and other non-recurring item of revenue or expense;

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

NOTE 25 – OPERATING SEGMENTS continued

Segment Performance

	Rocky Mountains USA		Other States USA		Total	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Segment revenue	5,362,011	5,447,305	7,015	3,585	5,369,026	5,450,890
Total revenue					5,369,026	5,450,890
Expenses						
Depreciation and depletion	(4,091,573)	(4,106,817)	(3,777)	(5,608)	(4,095,350)	(4,112,425)
Net impairment of oil and gas assets	-	(2,752,023)	(239,117)	-	(239,117)	(2,752,023)
Segment results before income tax	1,270,438	(1,411,535)	(235,879)	(2,023)	(1,034,559)	(1,413,558)
Reconciliation of segment results Group to group profit/(loss) before income tax						
Unallocated income and expenses						
Parent company oil sales less costs and impairment					(361)	(341,001)
(Loss)/profit on sale of assets					(262,068)	236,569
Settlement of assets sold					(20,863)	(2,751,564)
Exploration and evaluation expensed					-	(4,091,218)
Impairment of assets held for resale					-	(2,759,078)
Other income					123,852	3,421,061
Depreciation					(21,178)	(31,088)
Corporate overheads					(2,930,751)	(2,974,653)
(Loss) before tax					(2,076,810)	(10,704,530)
Segment assets at 30 June 2010						
Total segment assets	36,594,906	35,676,092	2,084,201	2,229,336	38,679,107	37,905,428
Segment assets increase for the year						
- development capitalised	1,954,296	24,900,826	2,241	(2,070,039)	-	-
- exploration capitalised	1,730,198	4,335,332	49,668	234,353	-	-
- exploration impaired/ expensed during the year	-	(529,711)	(224,520)	(839,667)	-	-
Total corporate and unallocated assets					14,341,296	6,069,254
Total Group assets					53,020,403	43,974,682
Segment liabilities at 30 June 2010	4,306,285	716,151	4,426	4,015	4,310,711	720,166
Total corporate and unallocated liabilities					2,757,396	2,104,857
Total Group liabilities					7,068,107	2,825,023

NOTE 26 - CASH FLOW INFORMATION

a) Reconciliation of cash flows from operations with Loss from ordinary activities after Income Tax

	Consolidated Group 2010 $	Consolidated Group 2009 $
Loss from ordinary activities after income tax	(1,611,112)	(8,541,255)
Non cash flow in operating loss		
Depreciation and exploration expenditure written off	4,664,789	12,833,148
Deferred tax asset written off (capital raising costs)	131,177	-
Foreign currency loss	(44,219)	-
Share options expensed	19,464	47,361
Impairment of asset held for resale	14,981	1,160,876
Net gain on sale of properties	247,087	(236,569)
Net loss on settlement of sale	-	2,751,584
Changes in assets and liabilities		
- (Increase)/Decrease in inventory	(358,522)	37,386
- (Increase)/Decrease in current and deferred tax	(519,142)	(2,030,217)
- (Increase)/Decrease in receivables	(571,204)	542,358
- Increase/(Decrease) in accounts payable	159,615	12,658
- Increase/(Decrease) in provisions	38,420	181,167
Net cash provided by operating activities	2,171,334	6,758,497

b) Non Cash Financing and Investing Activities

During the year 65,236,076 shares were issued at $0.135 per share.

c) Business Combinations

There were no non cash business combinations in 2010 or 2009.

NOTE 27 – SHARE BASED PAYMENTS

The Company established the Sundance Energy Australia Limited Employee Share Option Plan on 24 November 2006. All employees are entitled to participate in the scheme if in the employment of the consolidated group. Employees are entitled to acquire vested ordinary shares at an agreed price. When issued, the shares carry full dividend and voting rights.

The following share-based payments have been made during the year ended 30 June 2010:

On 11 August 2009, 60,000 options were granted to an employee:

- 20,000 vested and were exercisable after 11 August 2009 and before 31 December 2011
- 20,000 vested and were exercisable after 15 December 2009 and before 31 December 2011
- and the remaining 20,000 are exercisable after 15 December 2010 and before 31 December 2011.

The fair value of these options was $780. All options granted to employees are for ordinary shares in Sundance Energy Australia Limited, a Listed Public Company, which confer a right of one ordinary share for every option held.

No share-based payments were made in 2009.

NOTE 27 – SHARE BASED PAYMENTS continued

	Consolidated Group			
	2010		2009	
	Number Of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	19,875,000	0.41	29,875,000	0.41
Granted	60,000	0.60	-	-
Forfeited	-	-	(1,000,000)	-
Exercised	-	-	-	-
Expired	(10,008,333)	-	(9,000,000)	-
Outstanding at year-end	9,926,667	0.48	19,875,000	0.41
Exercisable at year-end	8,573,332	0.38	17,541,666	0.39

There were no options exercised during the year ended 30 June 2010.

The options outstanding at 30 June 2010 had a weighted average exercise price of $0.48 and a weighted average remaining contractual life of 0.35 years. Exercise prices range from $0.38 to $0.70 in respect of options outstanding at 30 June 2010.

The weighted average fair value of the options granted during 2010 was $0.01

The fair value of options issued during 2010 as remuneration were calculated using a Black-Scholes option pricing model applying the following inputs:

	Employee Options 11 August 2009
Exercise price	$ 0.50 - 0.70
Life of option	2.4 years
Underlying share price	$ 0.10
Expected share price volatility	87%
Risk free interest rate	4.15%

Historical volatility has been the basis for determining expected share price volatility, as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTE 28 - JOINT VENTURE INTEREST

The Group has interests in joint venture operations in oil and gas blocks in South Australia as listed below:

Permit	Joint Venture Interest	Type of Joint Venture
PEL 100	23.34%	Exploration

Financial interests in the joint ventures are included in the financial statements as follows:

	Consolidated Group	
	2010 *$*	*2009* *$*
Permit PEL100		
Exploration expenditure	-	-
Development expenditure	-	16,851
Owing to operators	2,656	(5,478)

The Group and its partners have accumulated acreage in a number of oil and gas prospects comprising mineral leases in the United States. The mineral leases that have producing wells drilled on them during the primary lease term will be held as producing leases. Mineral leases that are drilled and produce a dry hole, or not drilled at all, will expire at the end of the primary term unless re-leased for a further term. The exploration of the leases is managed by operators who make cash calls, hire contractors and pay all accounts. The contracted operations are not a joint venture, and therefore not presented above.

NOTE 29 - EVENTS AFTER THE BALANCE DATE

On 14 September, the Group announced the sale of part of the Twister Prospect leases for US$8.1 million in cash, a carried interest in future drilling of US$600,000 and an overriding royalty on all Twister leases sold of approximately 3.9%. (ASX release dated 15 September 2010).

On 3 September 2010 5,366,667 unlisted options expired unexercised.

Other than as detailed above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 30 - RELATED PARTY TRANSACTIONS

Subsidiaries
Interest in subsidiary is disclosed in Note 14.

Key Management Personnel
Mr Nelson is a director of Beach Energy Limited, a company to which Sundance sold an 18.5% net revenue interest in lease area Section 25 being part of Sundance's South Antelope oil prospect in the Bakken shale of North Dakota in the USA. The total received from the sale was USD$166,590.

Key Management Personnel
There were no related party transactions during the year. (2009: Nil)

NOTE 31 - FINANCIAL RISK MANAGEMENT

a) Financial Risk Management Policies

The Group is exposed to a variety of financial market risk including, interest rate commodity prices, foreign exchange and liquidity risk. The Group's risk management focuses on the volatility of commodity markets and protecting cash flow in the event of declines in commodity pricing. The Group utilise derivative financial instruments to hedge certain risk exposures. The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable, derivative financial instruments and payables.

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NOTE 31 - FINANCIAL RISK MANAGEMENT continued

The main purpose of non-derivative financial instruments is to raise finance for the Group operations.

i) Treasury Risk Management

Financial risk management is carried out by Management. The Board sets financial risk management policies and procedures by which Management are to adhere. Management identifies and evaluates all financial risks and enters into financial risk instruments to mitigate these risk exposures in accordance with the policies and procedures outlined by the Board.

ii) Financial Risk Exposure and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk. The interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2010 approximately 95% of Group deposits are fixed. It is the policy of the Group to keep 90% to 95% of surplus cash in interest yielding deposits.

iii) Commodity Price Risk Exposure and Management

The Board actively reviews oil hedging on a monthly basis. Reports providing detailed analysis of the Group's hedging activity are continually monitored against Group policy. The Group sells its oil on market using Nymex market spot rates reduced for basis differentials in the basins from which the Company produces. Nymex is a light, sweet crude oil delivered to Cushing, Oklahoma, which is used as the benchmark for onshore United States petroleum prices. Forward contracts are used by the Group to manage its forward commodity price risk exposure. The Group's policy is to hedge up to 80% of anticipated future oil production for up to 24 months. The Group may hedge over 80% or beyond 24 months with approval of the Board. The Group has not elected to utilise hedge accounting treatment and changes in fair value are recognised in the statement of comprehensive income.

Commodity Hedges outstanding at 30 June 2010

Oil Price Fixed Floor on WTI Monthly	*Period*
$60/bbl for 5,000 bbls / month	*July 2010 – October 2010*
$60/bbl for 4,000 bbls / month	*July 2010 – October 2010*
$60/bbl for 7,000 bbls / month	*November 2010 – February 2011*
$60/bbl for 8,000 bbls / month	*March 2011 – June 2011*
$60/bbl for 6,000 bbls / month	*December 2010 – March 2011*

	Weighted Average Effective Interest Rate		*Floating Interest Rate*		*Non Interest Bearing*		*Total*	
	2010 %	*2009 %*	*2010 $*	*2009 $*	*2010 $*	*2009 $*	*2010 $*	*2009 $*
Financial Assets								
Cash at bank	0%	0.5%	535,399	1,426,590	-	-	535,399	1,426,590
Deposits	0.5%	1.4%	10,869,666	2,766,659	-	-	10,869,666	2,766,659
Receivables	-	-	-	-	914,245	706,862	914,245	706,862
Derivatives	-	-	-	-	263,763	-	263,763	-
Total Financial Assets			**11,405,065**	**4,193,249**	**1,178,008**	**706,862**	**12,583,073**	**4,900,111**
Financial Liabilities								
Payables	-	-	-	-	(2,398,316)	(681,411)	(2,398,316)	(681,411)
Other current liabilities	-	-	-	-	(1,953,296)	(11,610)	(1,953,296)	(11,610)
Total Financial Liabilities			**-**	**-**	**(4,351,612)**	**(693,021)**	**(4,351,612)**	**(693,021)**
Total Net Financial Assets/(Liabilities)			**11,405,065**	**4,193,249**	**(3,173,604)**	**13,841**	**8,231,461**	**4,207,090**

NOTE 31 - FINANCIAL RISK MANAGEMENT continued

	Consolidated Group 2010 $	2009 $
b) Sensitivity Analysis		
Interest Rate and Price Risk		
The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. It should be noted that the Company does not have borrowings and any impacts would be in relation to deposit yields on cash investments.		
Interest Rate Sensitivity Analysis		
At 30 June 2010, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:		
Change in profit/(loss)		
- Increase in interest rates by 2%	228,000	55,000
- Decrease in interest rates by 2%	(58,000)	(55,000)
Change in equity		
- Increase in interest rates by 2%	228,000	55,000
- Decrease in interest rates by 2%	(58,000)	(55,000)
Foreign Currency Risk Sensitivity Analysis		
At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant is as follows:		
Change in profit/(loss)		
- Improvement in AUD by 5%	104,000	560,000
- Decline in AUD by 5%	(104,000)	(560,000)
Change in Equity		
- Improvements in AUD by 5%	104,000	560,000
- Decline in AUD by 5%	(104,000)	(560,000)
Oil Prices Risk Sensitivity Analysis		
At 30 June 2010, the effect on profit and equity as a result of changes in oil prices with all other variables remaining constant is as follows:		
Change in profit/(loss)		
- Improvement in US$ oil price of $10 per barrel	683,000	623,000
- Decline in US$ oil price of $10 per barrel	(683,000)	(623,000)
Change in equity		
- Improvement in US$ oil price of $10 per barrel	683,000	623,000
- Decline in US$ oil price of $10 per barrel	(683,000)	(623,000)

NOTE 31 - FINANCIAL RISK MANAGEMENT continued

c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalent and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the statement of financial position of the Group.

d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

e) Foreign Currency Risk

The Group is exposed to fluctuations in foreign currency arising from the sale of oil and gas and purchases of exploration and development assets in currencies other than the Group's functional currency (US$).

NOTE 32 - PARENT COMPANY INFORMATION

	Consolidated Group	
	2010 $	2009 $
Parent Entity		
Assets		
Current Assets	1,721,784	555,101
Non-current assets		
Investment in subsidiaries	46,659,195	39,851,096
Other non current assets	822	1,316
Total assets	48,381,801	40,407,513
Liabilities		
Current Liabilities	111,231	93,936
Non current Liabilities	35,000	35,000
Total Liabilities	146,231	128,936
Equity		
Issued Capital	47,785,181	39,284,381
Share options reserve	563,583	563,583
Retained earnings	(113,194)	430,613
Total equity	48,235,570	40,278,577
Financial Performance		
(Loss)/profit for the year	(543,798)	2,712,483
Other comprehensive income	-	-
Total comprehensive income	(543,798)	2,712,483
Guarantees in relation to relation to the debts of subsidiaries		
Sundance Energy Australia Limited has not entered into a deed of cross guarantee with its wholly-owned subsidiary, Sundance Energy, Inc.		
Contingent Liabilities		
Lease expenditure commitments	-	-
Employment and consultant commitments	-	-

Contractual Commitments

There are no contractual capital commitments for the acquisition of property, plant or equipment

Directors' Declaration

The Directors of the Group declare that:

1 the Financial Statements and Notes as set out on pages 38 to 68 are in accordance with the *Corporations Act 2001* and:

   a) comply with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 1; and

   b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Consolidated Group;

2 the Chief Executive Officer and the Chief Financial Officer have each declared that:

   a) the financial records of the Group for the year ended have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   c) the financial statements and notes give a true and fair view;

3 in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Michael Hannell
Chairman

Adelaide
Dated this 24th day of September 2010

Auditor's Report

Grant Thornton

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUNDANCE ENERGY AUSTRALIA LIMITED

Report on the financial report

We have audited the accompanying financial report of Sundance Energy Australia Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUNDANCE ENERGY AUSTRALIA LIMITED Cont

Auditor's responsibility Cont

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion,

a the financial report of Sundance Energy Australia Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of it's performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 27 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUNDANCE ENERGY AUSTRALIA LIMITED Cont

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Sundance Energy Australia Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

J L Humphrey
Partner

Adelaide, 24 September 2010

Additonal Information *Compiled as at 20 September 2010*

• Corporate Governance

Audit Committee

Details of the Company's Audit Committee are contained within the Directors' Report.

Corporate Governance Practices

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the Australian Securities Commission Corporate Governance Council during the reporting period immediately follows the Directors' Report.

• Shareholding

Substantial Shareholders

The names of the substantial shareholders in the Company, the number of equity securities to which each substantial shareholder and substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the Company:

Name	*No of Ordinary Shares*	*%*
Beach Energy Ltd	22,685,185	9.53

Distribution of Ordinary Shares

Ordinary Shares

Range	*Total Holders*	*Units*	*% Issued Capital*
1 – 1,000	84	15,761	0.01
1,001 – 5,000	238	767,305	0.32
5,001 – 10,000	201	1,679,201	0.71
10,001 – 100,000	567	23,145,276	9.72
100,001 – 9,999,999	239	212,400,792	89.24
Total	1,329	238,008,335	100.00

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $0.335 per unit	1,493	103	38,628

Voting Rights

At meetings of members or classes of members:

a) each member entitled to vote may vote in person or by proxy, attorney or representative;

b) on a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote; and

c) on a poll, every person present who is a member or a proxy, attorney or representative of a member has:

i) for each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, one vote for the share;

ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited), subject to any rights or restrictions attached to any shares or class or classes of shares.

Distribution of 31 December 2010 Unlisted Options (Exercise Price 50 to 70 cents)

Options (Exercise price 50 to 70 cents)

Range	Total Holders	Units	% Issued Options
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000		-	-
100,001 – 9,999,999	5	4,500,000	100.00
Total	5	4,500,000	100.00

Distribution of 31 December 2011 Unlisted Options (Exercise Price 50 to 70 cents)

Options (Exercise price 50 to 70 cents)

Range	Total Holders	Units	% Issued Options
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	1	60,000	100.00
100,001 – 9,999,999	-	-	-
Total	1	60,000	100.00

Distribution of 31 May 2013 Unlisted Options (Exercise Price 20 to 30 cents)

Options (Exercise price 38 cents)

Range	Total Holders	Units	% Issued Options
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000		-	-
100,001 – 9,999,999	1	1,500,000	100.00
Total	1	1,500,000	100.00

Twenty largest holders of fully paid Ordinary Shares

Rank	*Name*	*Units*	*% of Issued Capital*
1	Beach Energy Limited	22,685,185	9.53
2	Zero Nominees Pty Ltd	10,080,700	4.24
3	Franks LLLP	9,345,193	3.93
4	Wildhorse Holdings LLC	8,950,498	3.76
5	Citicorp Nominees Pty Limited	7,981,272	3.35
6	HSBC Custody Nominees (Australia) Limited	7,497,982	3.15
7	National Nominees Limited	7,217,128	3.03
8	Chesser Nominees Pty Ltd	5,617,937	2.36
9	RBC Dexia Investor Services Australia Nominees Pty Limited	5,327,088	2.24
10	Merrill Lynch (Australia) Nominees Pty Limited	4,809,590	2.02
11	J P Morgan Nominees Australia Limited	4,554,050	1.91
12	Hsbc Custody Nominees (Australia) Limited	4,199,263	1.76
13	Mr William Charles Caldow & Mrs Jeanette Ann Caldow	3,545,000	1.49
14	Macquarie Bank Limited Metals & Energy Cap Division	3,118,124	1.31
15	Hannes Investments Pty Ltd	3,000,000	1.26
16	Mr Gilbert Thomas Smith	2,600,000	1.09
17	Bresrim Pty Ltd	2,291,128	0.96
18	Donrose Investments Pty Ltd	2,211,112	0.93
19	Athabasca Pty Ltd	2,000,000	0.84
20	Mr Paul Bernard Bastion & Mrs Belinda Louise Bastion	2,000,000	0.84
	Total	119,031,250	50.01

Holders of Unlisted Options

Rank	*Name*	*Units*	*% of Issued Options*
1	Mr Alexander Munro Hunter III	3,300,000	54.45
2	Mr Eric McCrady	1,500,000	24.75
3	Mr Greg Layman	500,000	8.25
4	Mr Dean Rogers	300,000	4.95
5	Mr Craig Gooden	200,000	3.30
6	Mr Brett Murray	200,000	3.30
7	Ms Beth Massie	60,000	1.00
	Totals	**6,060,000**	**100.00**

Stock Exchange on which the Company's Securities are quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange.

Petroleum Exploration Licences

As the Company is a petroleum exploration Company, below is a list of its interests in petroleum exploration licences granted, where the licences are situated and the percentage interest held.

Australian Licence	Location Licence		Prospect Ownership %
PEL 100	Cooper Basin		23.33
U.S. Leases	Acreage		
	Gross	Net	
Goliath	88,572	2,944	5
Manitou	6,000	342	25
South Ant	27,355	4,034	7-50%
Phoenix	9,606	1,521	10-100%
Buffalo Creek	28,782	13,046	45
Whiskey Run	49,196	24,598	50
Chrisney	22,190	11,095	50
Cutthroat	6,402	4,985	100
May-Jon	160	160	100
N. Washington	282	22	7
Boomerang	402	50	12.5
South Silo	7,852	3,888	60
Twister	17,510	1,785	15
Bull Canyon	6,332	2,343	60
Arriba Area	49,932	39,946	80
US total	320,573	110,759	
	147,002	34,300	
Grand Total	**467,575**	**145,059**	

On Market Buy-back

There is currently no on-market buy-back.

Corporate Directory

Sundance Enegry Australia Limited

ABN 76 112 202 883

Directors

Michael D Hannell –	Chairman
Jayme A McCoy –	Managing Director
Alexander M Hunter III –	Director
Paul D Franks –	Director
Damien A Hannes –	Director
Reg G Nelson –	Director

Company Secretary

Craig W Gooden

Registered Office

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Share Registry

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Adelaide SA 5000

Auditors

Grant Thornton South Australian Partnership
Level 1
67 Greenhill Road
Wayville SA 5034

Australian Legal Advisors

Minter Ellison
Level 10
25 Grenfell Street
Adelaide SA 5000

Bankers

National Australia Bank Limited
Level 3
22-28 King William Street
Adelaide SA 5000

Corporate Adviser

Adelaide Equity Partners Limited
Level 3
100 Pirie Street
Adelaide SA 5000

Australian Securities Exchange

The Company is listed on the
Australian Securities Exchange.

ASX Code

SEA

SUNDANCE
energy
australia
limited