



RISK MANAGEMENT POLICY

Introduction and Purpose

The effective management of risk is central to the ongoing success of Sundance Energy Australia Limited.

The purpose of this policy is to ensure that:

- Appropriate systems are in place to identify, to the extent that is reasonably practical, all material risks that the Company faces in conducting its business;
- The financial impact of those risks is understood and appropriate controls are in place to limit exposures to them;
- Appropriate responsibilities are delegated to control the risks; and,
- Any material changes to the Company's risk profile are disclosed in accordance with the Company's Continuous Disclosure Policy.

For the purpose of this policy, risk is defined as: "possible outcomes that could materially adversely impact on the Company's financial performance, assets, reputation, people or the environment".

The Sundance risk management system

The effective identification of potential risks and the management of those risks is paramount to the Company's continued growth and success. The Board recognises that, as part of its commitment to good corporate governance, it is responsible for overseeing the establishment and implementation by management of the Company's risk management system.

The risk profile of Sundance is typical of oil and gas exploration, development and production companies.

The risks include, but are not limited to:

- Human resources;
- Environment, health and safety;
- Reservoir risk and associated uncertainties;
- Market risk, including commodity prices, interest rates and foreign exchange rates;
- Risks relating to acquisitions and divestments;
- Cost and scheduling risk, particularly in relation to major development projects;
- Risks to the operation of production facilities and infrastructure;
- Replacement of reserves (cost and volume);
- Commercialisation of hydrocarbon reserves;
- Capital management risk; and,
- Risks associated with increasing shareholder value.

The risk management system is designed to regularly review, update and manage these and other identified business risks.



Responsibilities under this Policy

The Board is responsible for:

- Reviewing and approving the risk profile of the Company and the policies and systems implemented for the ongoing identification and control of those risks;
- Annual review of the Company's financial capacity to absorb those risks and approving appropriate exposure limits; and,
- Reviewing management reports on performance of systems used to identify and controls risks.

The Board has delegated this activity to the Audit Committee, and these accountabilities are identified in the Charter of that Committee. The Audit Committee is required to keep the Board informed on the Company's compliance with the Risk Management Policy.

The Managing Director is responsible for:

- Identification and control of risks, including risk identification and assessment in all significant investment decisions;
- Ensuring that appropriate systems and assessment procedures are in place for the identification, reporting and control of all material risks; and,
- Ensuring that regular reports are presented to the Board and/or Audit Committee on performance in relation to identification and control of risks.

The Chief Financial Officer is responsible for:

- Preparing and/or annual updating a formal 'Business Risk Assessment' for consideration by the Audit Committee;
- The maintenance of an insurance program that covers all economically insurable US risks;
- Demonstrating through a program of audit and review that systems used to identify and control risk remain effective and are complied with; and,
- Providing an effective system for sign-off at six-monthly intervals from senior management with specific delegated responsibilities under this policy.

The Company Secretary is responsible for:

- The maintenance of an insurance program that covers all economically insurable Australian risks; and,
- Disclosure of the Company's risk profile or any material change to it in accordance with the Company's Continuous Disclosure Policy.

The General Counsel is responsible for:

- All Company related internal and external legal and associated legal matters.

Senior Management is accountable for:

- The development, implementation, maintenance and review of appropriate systems and procedures for the identification, reporting and control of all material risks within their areas of responsibility; and,



- Ensuring that the systems of risk management and internal compliance and control within their areas of responsibility are sound, and operate effectively in all material respects.

All other employees are responsible for:

- Taking all reasonable and practicable steps to ensure their responsibilities under this policy and the related systems and procedures are adhered to; and,
- Contributing to the continued improvement of the Company's risk management capabilities by reporting through management any incidents that may result in unacceptable levels of risk or non-compliance with established procedures for measuring and reporting risks.

Financial Reports

When the Company's annual financial statements are being considered by the Audit Committee and the Board, the Managing Director and Chief Financial Officer are required to advise the Board in writing that:

- The financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and,
- The Company's risk management and internal compliance and control systems which underpin the integrity of the Company's financial reporting are operating effectively in all material respects.

Signed: M D Hannell,

Chairman, Audit Committee

Date: