



## SUNDANCE RESOURCES LTD

ABN 19 055 719 394

(ASX: SDL)

# Quarterly Report for the period ended 30 June 2011

Issued 28 July 2011

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## SUNDANCE CLOSES IN ON DEVELOPMENT OF ITS WORLD-CLASS MBALAM IRON ORE PROJECT

### HIGHLIGHTS

- **Successful Capital Raising of A\$60 million from institutional investors to help prepare Mbalam Project for development.**
- **Site visits and discussions with Governments in the Republics of Cameroon and Congo conducted by prospective strategic partners and Chinese banking institutions.**
- **Commercial negotiations with potential strategic partners are at an advanced stage with the finalisation of due diligence.**
- **Value engineering studies commenced to optimise and identify opportunities to reduce capital costs of Stage One of the project.**
- **Commencement of Reserves upgrade process to support 10-year DSO production with conversion from Inferred to Indicated Resources underway along with the improving of mining economics.**
- **Early works planning underway to develop site establishment scope including geotechnical drilling and supervision.**
- **Receipt of formal tender submissions for the Engineering, Procurement and Construction (EPC) contracts for the rail and port.**
- **Project Management Contractor (PMC) tenders received and discussions underway to select successful bidder.**
- **Appointment of two new senior management positions, Project Director and the Health, Safety, Environment, Community and Security Group Manager.**
- **Letter of Intent signed with Legend Mining for access cooperation for utilization of Sundance's rail and port infrastructure.**
- **Proposal received of a conditional cash offer for 100 per cent of Sundance at a price of A\$0.50 per share under a scheme of arrangement.**
- **Cash reserves of ~A\$70 million as at the end of June 2011.**

## OVERVIEW

The June 2011 Quarter saw Sundance Resources Limited ('Sundance' or 'the Company') (ASX Code: SDL) make the transition from the project definition stage into preparation for early works and project readiness.

As previously stated, the Company's objectives for the first half of this year are:

- (1) To complete the Definitive Feasibility Study for Stage One by the end of Q1 2011;
- (2) To continue to progress discussions and negotiations with the objective of having all foundation agreements and required Government approvals in place for development of the Mbalam Project; and
- (3) To progress discussions with Strategic Partners with a view to securing all required financing, infrastructure development and off-take agreements for Project development.

More information on the progress towards achieving these objectives is outlined within this report.

On 27 April 2011, Sundance announced it had entered into a Placement Agreement to raise A\$60 million from international institutional investors. A total of 148,148,000 shares were issued at A\$0.405 per share.

The funds raised were to advance Sundance's short term project objectives:

1. Increase JORC-Code compliant Reserves
2. Increase JORC-Code compliant Resources
3. Undertake value engineering to identify reductions to capital cost of Stage One
4. Establish Project readiness which involves:
  - Detailed engineering for long lead term items;
  - Further engineering for early works requirements; and
  - Establishment of Project Management structure including resourcing and agreements with international engineering companies.

On 5 April 2011 Sundance completed its Definitive Feasibility Study (DFS) of Stage One. The DFS covers all aspects including the geology, mining, infrastructure, engineering, construction and economics as they relate to development and production of 35 Mtpa of Direct Shipping Ore (DSO) product.

Capital development costs for stage one of the operation are estimated to be US\$4.686 billion, with payback of capital estimated to be achieved within three years from the start of production.

A value engineering study commenced during the June Quarter with the aim of optimising the design and identifying opportunities to reduce the capital cost. The value engineering study is scheduled to be completed in the September Quarter of 2011.

Further exploratory and metallurgical drilling has also been conducted with the goal of better defining and increasing Inferred and Indicated Resources, based on geological modelling utilising more recent geological data.

Mine plans are being re-optimised to increase Ore Reserves, convert Inferred Resources to Indicated Resources and improve mining economics. This work is expected to be completed in the Third Quarter of 2011.

The project optimisation work currently underway will form the basis for capital appropriation and provide the budget input for the Project to move to Final Investment Decision by the end of 2011.

Potential partners and a number of Chinese banking institutions visited Sundance's operations in the Republic of Cameroon and the Republic of Congo to finalise due diligence this Quarter. Visits to the proposed mine sites, rail corridor and port site were completed.

Two new senior management appointments were made during the period: Mr David Meehan as Project Director; and Mr Tim Sewell as the Health, Safety, Environment, Community and Security (HSECS) Group Manager. Both positions are critical in ensuring the successful development of the project during the engineering and construction phases.

Subsequent to the end of the June Quarter, on 18 July 2011 the Company advised the market that it had received written advice from Hanlong Mining Investment Pty Ltd ('Hanlong') of its intention to make a conditional cash offer for 100 per cent of Sundance at a price of A\$0.50 per Sundance share under a scheme of arrangement.

The proposal is conditional on, amongst other things, majority Sundance Board support and execution of a Scheme Implementation Agreement. The Board considers that the terms of the offer do not provide adequate value or certainty to Sundance shareholders, and is currently in discussions with Hanlong about the terms of its proposal, whilst at the same time progressing discussions with other potential strategic partners.

## **MBALAM PROJECT DEVELOPMENT ACTIVITIES**

### **Project Management Contractor**

During the Quarter Sundance issued a competitive tender for Project Management Contractor (PMC) services. These services relate to the provision of personnel, systems, processes and procedures to manage, control, administer and deliver the Mbalam Project. Tenders were received and are currently being reviewed by the Company.

Sundance also issued a competitive tender for the provision of recruitment services. These services relate to the recruitment of personnel for the project and operations team. Tender submissions have been received with evaluation of the tenders well progressed.

### **Mining Contract**

During the period Sundance accepted expressions of interest for the provision of contract mining services. These services relate to the pre-strip and mining activities to be undertaken in preparation for operations and during the operations phase. Sundance has received positive responses from prospective tenderers and is currently evaluating submissions to determine a bid list.

## Site Establishment

Sundance has engaged consultants to develop the engineering documentation to support initial establishment of the project at the Lolabé port site. The main activities undertaken included:

- Development of the tender documentation and receipt of a proposal for the geotechnical investigations;
- Development of tender documentation and receipt of a proposal for engineering and construction support in Cameroon;
- Identification of drilling equipment to support the geotechnical investigations;
- Detailing of the layouts for the temporary and permanent infrastructure at Lolabé;
- Commencement of engineering documents for the earthworks and accommodation tenders.

## Infrastructure Construction Contractors

Following the signing of two Memoranda of Understanding in October 2010 with China Rail Construction Company (CRCC) and China Harbour Engineering Company (CHEC), formal tender submissions have now been received. These tender submissions are currently being reviewed by Sundance.

## Negotiations with Strategic Partners

Potential partners and a number of Chinese banking institutions recently visited Sundance's operations in the Republic of Cameroon and the Republic of Congo to finalise due diligence. Visits to the proposed mine sites, rail corridor and port site were completed.

Follow up discussions between Sundance's technical teams and a number of the prospective strategic partners have also been held in China and in Africa during the past Quarter. This has involved formal discussions on both commercial and technical items pertaining to the Definitive Feasibility Study.

A number of the parties have also held detailed discussions with Government Ministers in Cameroon and Congo about their interest in the Mbalam Iron Ore Project. The Governments involved have shown strong support for construction to commence as soon as possible.

Sundance has shortlisted the preferred potential partners and has entered into commercial negotiations.

The Company is very pleased with the progress that has been achieved in recent months and looks forward to successfully concluding arrangements for the introduction of a strategic partner to the Project.

## EXPLORATION AND RESOURCE DEFINITION

Exploration activities during the June 2011 Quarter concentrated on drilling areas that have the potential to increase Resources and Reserves, as well as adding value to the Project through better quantification of metallurgical and geotechnical characteristics.

To this end, of the four drill rigs that the Company owns and operates, three rigs maintained continuous drilling operations at the Nabeba Deposit in Congo and one rig continued resource extension work in Cameroon at the Mbarga Deposit.

While no further updates on Resources or Reserves have been released to the market since the ASX announcement on 17 March 2011, Sundance expects a positive re-classification of the High Grade Hematite Mineral Resource inventory in the next Quarter. These updates will be based largely on the results, interpretation and modelling of recent extensive drilling at Nabeba, and there will be an associated further conversion of current Inferred to Indicated Resources. All of these positive factors will provide additional JORC Code compliant High Grade Resources to be fed into the DFS enhancement studies being undertaken, to further upgrade Project High Grade Reserves.

During the June Quarter more than 10,000m of drilling was completed on Site and Exploration operations were maintained continuously despite this being the wettest part of the year. This further demonstrates the sustainability of Sundance's field operations which are founded on first class camp and service facilities (Figure 1) backed by a highly experienced field team and professionally run corporate offices in both Yaounde and Brazzaville.



FIGURE 1: MBALAM PROJECT CAMP SITE IN CAMEROON

The Sundance Geology Site Team currently includes seven national geologists who are developing as highly skilled and experienced professionals. This team continues mapping and sampling programmes in conjunction with managing the four drilling rigs.

All present exploration work is focussed on discovering and evaluating additional High Grade Resources.

Figure 2 shows the location of the key deposits and prospects on the Company's landholdings in the Republic of Cameroon and the Republic of Congo.

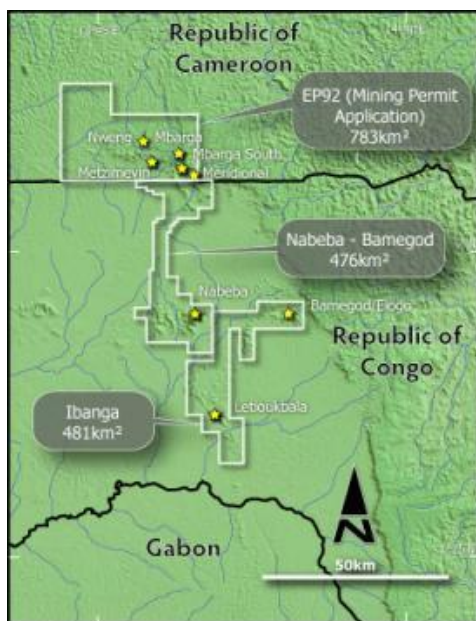


FIGURE 2: MBALAM PROJECT PERMITS (3) AND MAIN DEPOSITS AND PROSPECTS

### Resource Definition

No changes have been made to Sundance JORC Code compliant Mineral Resources as quoted in the last Quarterly Report and individually announced to the ASX on 17 March 2011. Global Inferred and Indicated High Grade Hematite mineral resources for the Mbalaam Project are **484.0 Mt @ 61.1% Fe** (Table 1).

GLOBAL HIGH GRADE RESOURCE	Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Indicated	417.7	61.4	5.9	2.9	0.097	2.7
Inferred	66.4	59.0	9.7	3.2	0.091	2.9
<b>Total High Grade Resource</b>	<b>484.0</b>	<b>61.1</b>	<b>6.4</b>	<b>2.9</b>	<b>0.096</b>	<b>2.8</b>



TABLE 1: SUMMARY OF INDICATED AND INFERRERED RESOURCES OF HIGH GRADE HEMATITE; PHOTOS OF MBARGA DSO

While no work is currently being undertaken on the underlying Itabirite Resource, Sundance has previously drilled and defined a world-class Itabirite Hematite Resource at Mbarga, which at **2.32 billion tonnes at 38% Fe** (Table 2), remains one of the highest grade mineralised deposits of this type in central-west Africa.

The estimate only includes Itabirite mineralisation at the Mbarga Deposit whereas there are strong indications from deeper drill holes at Nabeba, that a similar mineralised system directly underlies the high grade supergene-enriched cap.

GLOBAL ITABIRITE HEMATITE RESOURCE	Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Indicated	1,431	38.0	44.5	0.44	0.04	0.32
Inferred	894	38.0	44.1	0.54	0.05	0.43
<b>Total Itabirite Hematite Resource</b>	<b>2,325</b>	<b>38.0</b>	<b>44.4</b>	<b>0.48</b>	<b>0.04</b>	<b>0.36</b>



TABLE 2: SUMMARY OF INDICATED AND INFERRED RESOURCES OF ITABIRITE; PHOTOS OF MBARGA ITABIRITE

Drilling during 2011 has focussed predominantly on identifying resources at the Nabeba deposit in Congo. As itabirite has not been specifically targeted, drill depths are considerably shorter and average approximately 150m. About 50,000m has now been drilled at Nabeba on roughly a 100m x 100m pattern.

### Drilling Update and Exploration Targets

Sundance's exploration activities range from grassroots through to Feasibility Study activities. Figure 3 illustrates the range of activities currently within the Company's exploration development pipeline. Sundance maintains an exploration philosophy that ensures we continue to advance our advantage of being the 'first mover' in the region and that we evaluate all opportunities to build the Mineral Resource inventory. The exploration team is actively pursuing additional permits as well as advancing evaluation of targets and prospects within its current tenure.

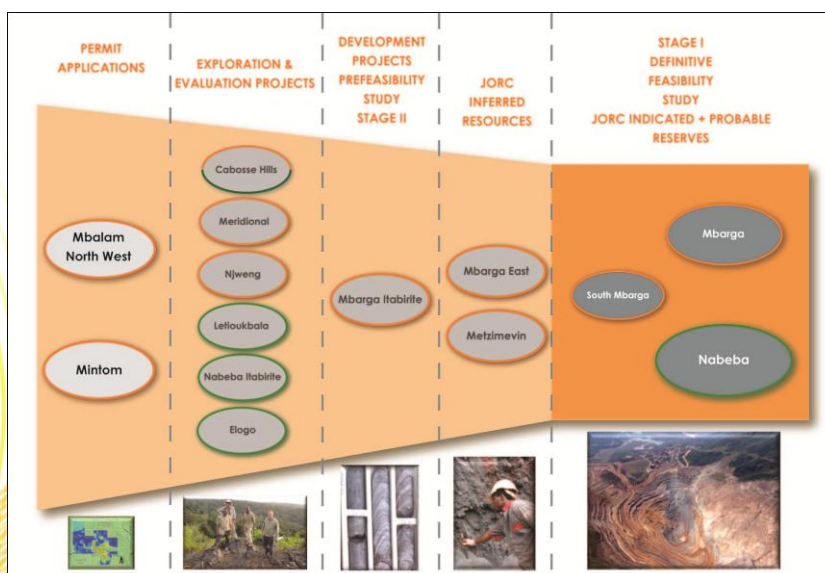


FIGURE 3: SUMMARY OF THE EXPLORATION DEVELOPMENT PIPELINE



A detailed mapping programme was carried out during the Quarter by site geologists over a ridge to the north west of the Nabeba deposit. The objective of this mapping expedition was to assess the area in detail for subsequent drill planning. Mapping in this area is difficult due to scarcity of outcrops and thick jungle.

This mapping was done as part of the recommendations from the structural mapping undertaken by an international expert consultant and with the key objective of generating targets for further areas of potential high grade supergene mineralisation. A significant number of representative samples were collected by the geologists for further analysis and examination.

Planning of mapping trips to the 'Cabosse Hills' Prospect in Cameroon, and to the Mt Letioubala Prospect in Congo is well underway. These areas remain targets for potentially more Direct Shipping Ore. However due to remote and difficult access issues, safe access and work practices is a significant consideration in both of these areas. Consequently upgrading of roads and communication devices to these areas is underway.

### Permit Reporting

Sundance Resources submitted the Year 4 Quarter 3 Permit Report for the Nabeba-Bamegod / Ibanga permits on 30 May 2011. The report adheres to compliance requirements placed upon the Company by the Congo Ministry of Mines. The report summarises expenditure, official coordinates of the Nabeba-Ibanga permit boundary, access and site facilities as well as a detailed overview of the mineralisation, geological setting and exploration activities. Permit validity and expenditure commitments on all tenure is fully compliant.

## ENVIRONMENT AND COMMUNITY

During the Quarter, the Company utilised one of its drill rigs to drill water bore holes in the Mbalam village as part of the Company's ongoing commitment to the local community. The water quality is currently being tested on all holes with the most suitable selected for manual pump installation. Installation of two hygienic manual water pumps at the Mbalam village was completed in May 2011 (Figure 4). Training, education and monitoring for the first bore installed in Mbalam is being organised, with a proposal to involve a Non-Government Organisation that specialises in water bores.



FIGURE 4: INSTALLATION OF COMMUNITY WATER BORES AT MBALAM VILLAGE

Also during the period, Sundance completed restoration of the Mbalam Police station which suffered destructive effects from a recent storm. Sundance maintains excellent relations with local chiefs, officials and stakeholders and prioritises community assistance programmes in conjunction with company policies (Figure 5).



FIGURE 5: MBALAM AREA CHIEFS AT A RECENT SITE COMMUNITY MEETING

The Company is also continuing to negotiate with Ape Action Africa and Mefou Primates Sanctuary about assisting with corporate support for education and primate release programs following a successful experimental release of two Genet cats at the Mbalam site in May 2011 (Figure 6).

A Genet is a nocturnal, catlike mammal found in Africa. The two Genets were orphans confiscated from poachers and were raised at the Mefou Primates Sanctuary for two years. They required a natural forest environment safe from hunting for them to be returned into the wild. Sundance's remote Mbarga mine site is protected from hunters and offers such an environment. Longer term, the programmes envisaged will aim at similarly releasing primates that are rescued from poachers and traffickers.



FIGURE 6: TWO GENETS BEING RELEASED IN THE WILD AT THE MBALAM SITE

During the Quarter a contract was finalised between the Company and Guiding Hope, a local organisation that runs the Honey Caravan Project, which is a program to introduce bee keeping in rural areas (Figure 7). The project foresees guaranteed off-take of honey at market prices with earnings anticipated at 50 per cent above minimum wage levels for those participating villagers in nominated zones near the Mbalam Project.



FIGURE 7: PRESENTATION BY GUIDING HOPE TO SUNDANCE ON THE HONEY CARAVAN PROJECT

Also during June 2011, negotiations progressed on formalising the Company's support of the Global Virus Initiative, which is an organisation in Cameroon working to prevent and predict the rise of diseases originating in the wildlife through education, monitoring and research.

### **Mbalam and Nabeba Environmental & Social Assessment**

The Mbalam Iron Ore Project Environmental and Social Assessment (ESA) was approved by the Cameroon Ministry of Environment and Nature Protection (MINEP) in June 2010, with a directive for specific upgrades to be completed prior to the commencement of operations.

Following a review by MINEP in March 2011, an upgraded ESA was submitted in May 2011. The executive summary of this document is available on the company website.

During the Quarter the draft ESA document for the Republic of Congo was also completed and is currently being translated into French prior to it being submitted for review.

No significant environmental or social obstacles to approval were apparent from the studies. A high level of community support for the Project was further indicated at public meetings conducted by the Company at the local, regional and national level during the Quarter.

The Nabeba Iron Ore ESA for the Republic of Congo is scheduled for submission to the Congo Ministry for Sustainable Development, Forest Economy and Environment during the September Quarter. Completion of the environmental study programme will enable the land acquisition process for the Project in Congo to then commence.

## GOVERNMENT RELATIONS

### Cameroon

During the Quarter, significant progress was made on the legal review of the convention for the Mbalam Project. Agreement of many of the development terms was accomplished with the Government's international lawyers.

Delays in negotiating the final fiscal terms are due to the delay of active engagement of the Government's financial advisor, however this process has now commenced. The Company is targeting the September Quarter to secure general agreement of the development terms.

### Republic of Congo

Sundance has also developed draft Mining and Investment Conventions for the project in Congo. The Company's objective is to finalise commercial and development terms for the Project in Congo by the end of September 2011.

## HUMAN RESOURCES

During the Quarter two new Senior Management positions were filled to further increase the capacity of the delivery team to support the development of the Project.

Mr David Meehan is the new Project Director and will be responsible for the delivery of Stage One of the Company's Mbalam iron ore project. The Project Director will provide a direct connection to senior company representatives as well as senior representatives within the Project Management Contracted (PMC) organisation and other key stakeholders. Mr Meehan has over 40 years professional experience in international project management in locations including Africa, Russia, the Middle East, South East Asia, the U.K. and Australia. Mr Meehan will report to the CEO/MD.

Mr Tim Sewell has been appointed as Health Safety Environment Community and Security Group Manager for Sundance Resources. His primary responsibilities will be to facilitate the development, coordination and execution of health, safety, environmental, community and security strategies, programs and outcomes. Mr Sewell has over 25 years professional experience in the global resources industry and previously was the HSEC manager for BHP Billiton in West Africa. Mr Sewell will report to the CEO/MD.

## CORPORATE

### Letter of Intent with Legend Mining Ltd.

During the Quarter, Sundance announced it had signed a Letter of Intent (LOI) with Legend Mining Limited (ASX:LEG) for Access Co-operation for the utilisation of rail and port infrastructure as part of the Mbalam Iron Ore Project located in Cameroon and Congo in central West Africa.

The LOI outlines that the two Australian-based companies with iron ore assets in Cameroon will together examine opportunities for how Sundance's proposed infrastructure may offer rail and port haulage to Legend's Ngovoyang Project.

## Shareholder Information

As at 30 June 2011, the Company had 26,594 shareholders and 2,870,927,169 ordinary fully paid shares on issue with 94,527,666 rights and options on issue.

The top 20 shareholders held 47.93% of the total issued capital.

## Cash Assets

The Company's cash balance at 30 June 2011 was \$70.3 million. These funds will be used to undertake value engineering and the finalisation of Government and Strategic Partner negotiations.

## Expenditure

The Pro-forma Statement of Consolidated Cash Flows is provided in a separate report.



**GIULIO CASELLO**  
Chief Executive Officer and Managing Director  
Sundance Resources Limited

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## Forward-Looking Statement

*Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the iron ore mining industry, expectations regarding iron ore prices, production, cash costs and other operating results, growth prospects and the outlook of SDL's operations including the likely commencement of commercial operations of the Mbalam Project and its liquidity and capital resources and expenditure, contain or comprise certain forward-looking statements regarding SDL's exploration operations, economic performance and financial condition. Although SDL believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.*

*Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in iron ore prices and exchange rates and business and operational risk management. For a discussion of such factors, refer to SDL's most recent annual report and half year report. SDL undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.*

## Competent Persons Statement

*The information in this release that relates to Exploration Results is based on information compiled by Mr Robin Longley, a Member of the Australian Institute of Geoscientists, and Mr Lynn Widenbar, a member of the Australasian Institute of Mining and Metallurgy.*

*Mr Longley is a consultant to the Company and has sufficient experience which is relevant to the style of mineralisation and type of Deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Longley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Widenbar is a consultant to the Company and has sufficient experience which is relevant to the style of mineralisation and type of Deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Widenbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## **Resources reported on Exploration Permit 92, Cameroon (Mbarga, Mbarga South and Metzimevin Deposits)**

*The estimated quantity and grade of High Grade Hematite quality Supergene mineralisation and underlying Itabirite-style mineralisation has been restricted to the area currently covered by drilling on a 100m x 50m pattern for the Indicated Resource at Mbarga Deposit and a spacing varying from 200m x 100m to 50m x 50m for the Indicated Resource at the Mbarga South Deposit. A 200m x 100m drill pattern applies for the Inferred Resource at the Mbarga and Metzimevin Deposits. This is represented by an area approximately 3km (east-west) x 3km (north-south) on the Mbarga Deposit; by an area approximately 1.5km (east-west) and 1.0km (north-south) on the Mbarga South Deposit and 1.2km (east-west) x*

0.3km (north-south) on the Metzimevin Deposit. Grade has been estimated by Ordinary Kriging on composited sample results. Cut-off grades for High Grade Hematite for the Mbarga Deposit are broken down as follows: Surficial: >50% Fe and <15% Al<sub>2</sub>O<sub>3</sub>; Supergene: No cut-off; Transitional: >51% Fe; Phosphorus: >50% Fe and <0.3% P; Hypogene: >51% Fe. Metzimevin Inferred Resources have a >50% Fe cut-off and density of 2.80 applied.

A digital terrain surface (based on highly accurate topographic data), has been used to limit extrapolation of the mineralisation to the topography of the relevant deposits. A number of mineralisation and waste domains have been modelled as either a digital terrain surface or as wireframes and used to constrain the grade interpolation. The resource modelling has used 20m x 10m x 5m blocks with sub-blocks to honour the constraining surfaces at the Mbarga Deposit and 20m x 25m x 5m blocks with sub-blocks to honour the constraining surfaces at the Mbarga South Deposit. Collar surveys used DGPS surveying.

Down-hole surveys were determined using either deviation or gyro survey data. Down-hole geophysical logging including density, gamma, resistivity and caliper logs has been used in the evaluation.

Densities have been assigned from a combination of down hole geophysical and physical measurements of diamond core carried out as part of metallurgical analysis. Densities of 2.40 t/m<sup>3</sup> have been assigned for the Surficial Zone, 2.80 t/m<sup>3</sup> for the Supergene, 2.80 t/m<sup>3</sup> for the Phos, 2.90 t/m<sup>3</sup> for the Transition and 3.20 t/m<sup>3</sup> for the Hypogene. The Itabirite mineralisation has a very strong correlation of density to Fe grade and therefore a Fe regression formula has been applied. The regression formula has been derived by analysis of data from geophysical downhole logging and assaying, with a range of densities adopted from 3 to 4t/m<sup>3</sup> depending on the iron grade.

Core and sample recovery has been recorded during logging. All drill hole data is stored in an acquire database and imported data is fully validated. Assaying QA/QC was undertaken using field duplicates, laboratory replicates and internal standards with comprehensive reporting on laboratory precision and accuracy. Metallurgical test work programs have supported the assay grades and density values of the major mineral types.

#### **Resources reported on the Nabeba-Bamegod Research Permit, Congo (Nabeba Deposit)**

The estimated quantity and grade of near-surface, high grade mineralisation for the Nabeba Resource has been restricted to an area currently covered by drilling on predominately a 100m x 100m pattern (with some closer-spaced drilling on selected north-south lines on the northern ridge). Sundance has completed significant drilling at Nabeba of which 18% has been PQ/HQ core and 82% RC (Reverse Circulation) drilling with face-sampling hammers.

The geological model is represented by an area approximately 2.5km (east-west) x 2.75km (north-south). Grade has been estimated by Ordinary Kriging on composited sample results. The mineralisation and grade interpolation of drill results has been constrained by a 3-D wireframe which encompasses all of the near-surface contiguous high grade material and as such, no cut-off grades for high grade have been required or applied. At the time of modelling, 76% of drill sample results were full XRF analyses from Ultratrace Laboratories (Perth, Western Australia) and the remaining 24% were Thermo Niton XRF (Fe only) results from the Sundance Site laboratory.

Cut-off grades for the Nabeba deposit are broken down as follows: Surficial: <6% Al<sub>2</sub>O<sub>3</sub> and <0.25% P; Supergene: no cut-offs; Sub-Grade : <8% Al<sub>2</sub>O<sub>3</sub> and <10% SiO<sub>2</sub>.

A digital terrain surface (based on recent Lidar and ground surveys) has been used to limit extrapolation of the mineralisation to the topography of the Nabeba hill. The resource modelling has used 25m x 25m x 5m blocks with sub-blocks to honour the constraining surfaces. All collars have been surveyed by DGPS. A density of 2.65t/m<sup>3</sup> has been used for all of the Supergene High Grade Hematite, with a density of 2.50t/m<sup>3</sup> for the Sub-Grade and Surficial zones. All density values are based on results from an assessment of physical density measurements of current drill core and on down-hole density determination by Surtron.

Core and sample recovery has been recorded during logging. All drill hole data is stored in an acquire database and imported data is fully validated. Assaying QA/QC was undertaken using field duplicates, laboratory replicates and standards with comprehensive reporting on laboratory precision and accuracy. While the Company is optimistic that it will report additional resources in the future, any discussion in relation to the potential quantity and grade of exploration targets is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource for these exploration targets and it is uncertain if further exploration will result in determination of a Mineral Resource.