# Sundance Resources Limited and subsidiaries

ABN 19 055 719 394

# Financial Report for the Half-Year ended 31 December 2016

This document should be read in conjunction with the annual report of Sundance Resources Ltd for the year ended 30 June 2016

# SUNDANCE RESOURCES LIMITED
# CORPORATE DIRECTORY

| | |
|---|---|
| Directors: | David Porter (Chairman & Non-Executive Director)<br>Giulio Casello (Managing Director & Chief Executive Officer)<br>Alan Rule (Non-Executive Director) |
| Company Secretary: | Carol Marinkovich |
| ABN: | 19 055 719 394 |
| Registered Office: | 45 Ventnor Avenue<br>West Perth WA 6005 |
| Head Office: | 45 Ventnor Avenue<br>West Perth WA 6005<br>Tel: +61 (8) 9220 2300<br>Email: info@sundanceresources.com.au<br>Internet: www.sundanceresources.com.au |
| Auditors: | Deloitte Touche Tohmatsu<br>Tower 2, Brookfield Place<br>123 St George's Terrace<br>Perth WA 6000<br>PO Box A46<br>Perth WA 6837<br>Tel: +61 (8) 9365 7000<br>Fax: +61 (8) 9365 7001 |
| Share Registry: | Computershare Investor Services Pty Ltd<br>Level 11<br>172 St George's Terrace<br>Perth WA 6000<br>GPO Box D182<br>Perth WA 6840<br>Tel: +61 1300 850 505 (within Australia)<br>+61 (3) 9415 4000 (outside Australia)<br>Fax: +61 (8) 9323 2033 |

The Directors of Sundance Resources Limited submit herewith the financial report of Sundance Resources Limited and its subsidiaries ('Consolidated Entity', 'Company' or 'Sundance') for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year are:

| | |
|---|---|
| Mr Wal King AO | Chairman and Non-Executive Director - resigned 23 December 2016 |
| Mr David Porter | Chairman and Non-Executive Director - appointed to the Board 23 December 2016, appointed Chairman 7 February 2017 |
| Mr Giulio Casello | Managing Director and Chief Executive Officer |
| Mr Alan Rule | Non-Executive Director |

Except as set out above, all other Directors have held office for the full period of this report and remain in office as at the date of this report.

REVIEW OF OPERATIONS

The Project

Sundance holds a majority interest in subsidiaries Cam Iron SA ('Cam Iron') and Congo Iron SA ('Congo Iron') whose principal asset is the Mbalam-Nabeba Iron Ore Project (' Project'), which straddles the border of Cameroon and Congo in Central Africa.

- The Project now comprises:
  - The iron ore mine, processing plant and associated infrastructure to be developed on Exploration Permit 92 ('EP92') held by Cam Iron located in the East Province of Cameroon (' Mbarga'); and
  - The iron ore mine, processing plant and associated infrastructure to be developed on Mining Permit Nabeba-Bamegod held by Congo Iron in the Sangha Province of the Congo (' Nabeba').
- Plans to produce at least 40Mtpa from these two mines for 30+ years in two stages:
  - Stage 1: high-grade hematite direct shipping ore for at least 13 years; and
  - Stage 2: 66% - 68% concentrate product from itabirite for further 20+ years.
- Plans to utilise:
  - a new railway (to be constructed) from Congo, through Cameroon, to the coast with:
    - 540km in Cameroon;
    - 40km spur line in Congo; and
  - a dedicated deep water iron ore mineral terminal (to be constructed) in Cameroon.

The port and rail infrastructure in Cameroon is planned to be funded by the Government of Cameroon and be jointly owned by Cam Iron (2%) and the Government of Cameroon (98%).

Development Strategy

Sundance remains fully committed to the development of the Mbalam-Nabeba Iron Ore Project which straddles the border of Cameroon and the Republic of Congo and is focusing on ensuring that it is ready for financing as financing conditions improve.

The identification and signing on of a partner is considered essential to the development of the Project. To support this a China subcommittee to the Sundance Board has been established. The subcommittee will include China experts from within Noble and other parties as required. The subcommittee is being supported by full time resources in China.

Meetings and discussions occurred with potential Chinese partners during 2016 in early 2017 and will be the key focus of management for the coming months.

With the recent stabilisation of iron ore prices and the strong outlook for steel in China and internationally, Sundance remains confident about the continuing need for high quality iron ore and finding the required partner. With its strong economics and government support, the Mbalam Nabeba Iron Ore Project remains well placed to meet demand from steel producers into the future.

Sundance continued to work with the Governments of Cameroon and Congo and the selected Chinese EPC contractor CGGC on funding for the port and rail infrastructure.

Media Allegations

Allegations relating to events that occurred between 2006 and 2008 in the Republic of Congo appeared in articles published by Fairfax Media in August and September 2016.

These allegations arose in evidence given during the Porter case heard in the Supreme Court of Western Australia in September 2015 but were not tested by the court and should not necessarily be considered an independent and accurate portrayal of events.

Sundance is co-operating fully with the Australian Federal Police with its investigation into these events. It is expected to take some time to conclude.

Financial Position

Cash and cash equivalents decreased during the period to $0.8 million at 31 December 2016 from $3.0 million at 30 June 2016.

The financial position of the Consolidated Entity as at 31 December 2016 remains positive. Net assets of the Consolidated Entity amounted to $56.0 million (30 June 2016: $73.2 million). Mine development assets decreased to $163.9 million (30 June 2016: $169.2 million) due to effects of movements in exchange rates.

At 31 December 2016, the Consolidated Entity had a net working capital deficiency of $105.1 million (30 June 2016: $2.1 million) due to convertible note borrowings becoming current in the period.

The total loss for the period amounted to $9.2 million compared to $103.5 million for the half-year ended 31 December 2015. Of this total loss, $7.8 million related to non-cash convertible note financing charges (2015: $9.7 million).

Total comprehensive income amounted to a loss of $14.5 million (2015: loss $96.2 million) for the half-year ended 31 December 2016, which includes an exchange loss on translation of foreign operations. This loss amounted to $5.3 million (2015: gain of $7.3 million) and is due to a movement in the Central African CFA francs against the Australian Dollar from 438.7 at 31 December 2015 to 449.2 at 31 December 2016.

Corporate

Further Investment in Sundance

On 25 November 2016 and 23 December 2016, Sundance advised that it had executed term sheets for a new convertible note and the extension of the maturity date of the existing convertible notes.

On 12 January 2017, Sundance announced that it had executed formal documentation for the:

- investment of $1.3 million into the Company through a subscription for new convertible notes (' 2016 Investor Group Notes') by Noble Resources International Pte Ltd ('Noble'), an investment vehicle managed by Senrigan Capital Group ('Senrigan') and David Porter (together the '2016 Investor Group'); and

- extension of the maturity date of the convertible notes due on 23 September 2017 to 23 September 2019 held by Noble, Wafin Limited, Senrigan and investment vehicles managed by D.E. Shaw and Blackstone Group L.P. There will be no change to the face value of the Existing Notes but an increase in the redemption amount by 20%.

The key terms of the 2016 Investor Group Notes are:

- 13,000 convertible notes with a face value of A$100 per note;
- Unsecured and mature on 23 September 2019;
- No interest is payable;
- At the noteholders' election, the notes may be converted into Sundance shares at a conversion price of A$0.0035 which, if all of the 2016 Investor Group Notes were converted, would result in 371 million Sundance shares being issued; and
- If not converted prior to the maturity date, they must be redeemed by the Company at 120% of face value.

Sundance received approval from shareholders to issue the 2016 Investor Group Notes at an Extraordinary General Meeting ('EGM') held on 17 February 2017. The funds were received by Sundance on 28 February 2017.

Hanlong Notes

On 23 December 2016, Sundance announced that the maturity date for the existing 2,500,000 convertible notes held by Hanlong (Africa) Mining Investment Limited ('Hanlong') at an issue price of A$1.00 per note with a total face value of A$2.5 million ('Hanlong Notes') has been extended from 31 December 2016 to 31 December 2017. The arrangements also convert outstanding cash interest due, which had been agreed to be payable at the rate of 10% per annum on a quarterly basis on the remaining Hanlong Notes, to be capitalised and added to the value of the Hanlong Notes and converted under the same terms as the remaining Hanlong Notes. At 31 December 2016, the amount of interest owing was $375,000.

Pursuant to the terms of the Convertible Note Deed Poll entered into on 6 February 2013, Hanlong issued a conversion notice to Sundance to convert 2,332,500 Hanlong Notes into fully paid ordinary shares in Sundance on 31 January 2017. The conversion price as per the Convertible Note Deed Poll was the 5 day VWAP prior to the conversion notice. The convert price was therefore $0.00307/share and resulted in 759,387,627 fully paid ordinary shares being issued to Hanlong. The Hanlong ownership percentage following this conversion was 19.7%

Also, following the conversion, Hanlong held 167,500 Hanlong Notes at an issue price of A$1.00 per note with a total face value of $167,500 (excluding the interest component of $375,000) and a maturity date of 31 December 2017.

Board Changes

On 23 December 2016 Sundance announced that Mr Wallace King had resigned as a non-executive Director of Sundance and Mr David Porter had been appointed a non-executive Director of Sundance. Mr Porter was appointed Chairman of Sundance at the first Board meeting following his appointment.

Cost Reductions

The Board and management of Sundance took further steps to minimise expenditure, ensure the ongoing needs of Sundance are met and it is in a position to execute the development strategy.

The Managing Director voluntarily reduced his cash salary to $165,000 per annum and the Chairman reduced his fees to $60,000 per annum. Other key executives employed in Perth and within subsidiaries Cam Iron and Congo Iron agreed to substantial salary reductions.

The Board offered options over Sundance shares to the Managing Director to retain him in his role at Sundance at a reduced salary. These options were approved by shareholders at the EGM on 17 February 2017.

At 31 December 2016 the Company had convertible notes on issue a total face value of $97.5 million and a total redemption value of $106.0 million (see Note 4 - " Borrowings" for full details):

RFC Ambrian

On 6 June 2016 Sundance announced it had appointed specialist resources sector advisory firm RFC Ambrian Limited to assist with assessing capital restructuring proposals.

Following the investment of $1.3 million into the Company through a subscription for new convertible notes ('2016 Investor Group Notes') referred to previously the agreement with RFC Ambrian came to an end on 31 December 2016. No fees were paid to RFC Ambrian.

## Material Business Risks

The material business risks faced by Sundance that are likely to have an effect on the prospects of the Company are considered below:

Exploration Permit 92 ('EP92')

This is the permit held by Cam Iron located in Cameroon that contains the Mbalam deposit. EP92 expires on 24 July 2017. Sundance is required to achieve a financing commitment (credit approved term sheet) for the Mine Infrastructure no later than 9 months (or such later date as agreed) after the Government of Cameroon achieves its financing commitment for the rail and port infrastructure. If this is not achieved within the timeline or any agreed extension, Cam Iron may, at the request of the Government of Cameroon, be required to transfer EP92 to a nominee of the Government of Cameroon for no consideration. It is likely that, given the postponement of the signing of the EPC contract for the port and rail infrastructure, the time it takes the Government of Cameroon to achieve its financing commitment for the rail and port infrastructure will take longer than previously anticipated and is highly unlikely that this will be completed before 24 July 2017.

However, EP92 permit is due to expire on 24 July 2017 having reached the maximum number of renewals under the previous Mining Code (2010) in Cameroon. Sundance is having ongoing discussions with the Government of Cameroon to find a suitable method to secure the CamIron tenements in Cameroon. The Cameroon Government has offered its support to accomplish this but there is a material risk that a suitable solution may not be found and EP92 may need to be handed back to the Government of Cameroon.

Mbalam Convention

The Government of Cameroon has extended the date to complete the conditions precedent to the Mbalam Convention to 24 July 2017. Failure to achieve the conditions precedent prior to that date will, if no further extension is granted, result in the cessation of the Mbalam Convention which will be considered an event of default as defined in the various convertible note deeds in place which will most likely result in the convertible notes becoming immediately due and payable at their full redemption value. The Mbalam Convention will, pursuant to the Transition Agreement signed on 30 June 2015, be renegotiated as part of the restructure of the Project. It is likely that, given the postponement of the signing of the EPC contract for the port and rail infrastructure, this renegotiation may not take place at all or will take longer than previously anticipated and there is a material risk that it may not be renegotiated before 24 July 2017.

Working Capital Funding

At 31 December 2016, Sundance held cash of $0.8 million (2016: $3.0 million). Sundance is not currently in a position to generate income from operations and as such is reliant upon the equity and/or debt markets for additional working capital funding.

Following the receival of funds from the 2016 Investor Group the Company expects it has sufficient working capital until late 2017.

At 31 December 2016, the Consolidated Entity had a net working capital deficiency of $105.1 million (2016: $2.1 million) due mainly to convertible note borrowings becoming current.

Convertible notes

As of 31 December 2016 Sundance had convertible notes on issue with a total face value of $97.5 million and a total redemption value of $106.0 million. (See note 4 – "Borrowings" for further details of these convertible notes.)

The Company has agreed the extension of the maturity dates of the convertible notes with the existing note holders to 23 September 2019,

Project Funding

Sundance will need to raise further capital and/or debt financing in order to advance the development of the Project. Sundance has commenced the process to achieve funding of the Mine Infrastructure by concentrating its efforts into China for the Mine Infrastructure equity and debt funding, Sundance is seeking an equity partner to acquire a significant equity interest in the Mines. As a result of the postponement of the EPC contract signing, this process has been placed on hold. The success and the pricing of any such sale of equity in the Mines and/or debt financing will be dependent upon the prevailing market conditions at that time. Failure to secure appropriate funding for the development of the Project will result in a delay or inability to develop the Project, the potential loss of the Project and the impairment of the carrying value of the capitalised mine development expenditure related to the Project.

EPC contract

On 13 January 2016, the Company announced to ASX that the proposed signing of the EPC contract between the Government of Cameroon and a Chinese state-owned construction company to construct the port and rail infrastructure for the Project located in Cameroon and Congo has been postponed. There is a risk that the postponement will continue indefinitely which will likely have a material impact on the Company's ability to proceed with the Project due to the material impact this will create in finding an equity partner for the mines. Any such delay will likely also materially impact the Project Funding, Mbalam Convention and EP92 set out in this section.

Commodity Price

The price of iron ore can be volatile and is affected by numerous factors beyond Sundance's control such as supply and demand dynamics; and changes in global economic conditions. The decision to develop the Project, and the returns to be achieved from it, are dependent upon the future price of iron ore. The current spot iron ore price has recovered substantially and in early 2017 hit a three year high of over $US90/t CFR China. . Sundance expects that iron ore pricing will continue to exhibit volatility on a short to medium term basis with many analysts not expecting the current iron ore price to be sustained. Sundance however notes that the Project is a mid to longer term project where long term iron ore price forecasts continue to be favourable.

Key Personnel

On 28 January 2016, the Company announced a significant reduction in employees and restructure of the Board. The success of the Project in the future is dependent on securing the services of key engineering, managerial, financial, commercial, marketing and processing personnel. Loss or diminution in the services of key employees, particularly as a result of an inability to retain key employees or the ability to attract suitable replacement staff could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

### Foreign Jurisdiction

Sundance's operations in Cameroon and Congo, in Central Africa, are exposed to various levels of political, economic and other risks and uncertainties associated with operating in foreign jurisdictions. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; tropical diseases; acts of terrorism; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

### Political

Changes, if any, in mining or investment policies or shifts in political attitude in Cameroon and Congo or elsewhere may adversely affect Sundance operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to: restrictions on production; pricing controls; export controls; currency remittance; income taxes; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people; water use; mine safety and government and local participation. Failure to comply strictly with applicable laws, regulation and local practices relating to mineral tenure and development could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted.

### Resource/Reserve estimates

The resources and reserve estimates are expressions of judgements based on knowledge, experience and industry practice. These estimates are currently considered appropriate and have been made in accordance with Joint Ore Reserves Committee ('JORC') requirements, however, they may change significantly when additional data becomes available or economic assumptions change.

### Production and other operational risks

Future operations will be subject to a number of factors that can cause material delays or changes in operating costs for varying lengths of time. These factors include weather conditions and natural disasters, disruption to supply, unexpected technical problems, unanticipated geological conditions, equipment failures, personnel issues, or disruptions of rail and ship loading facilities.

### Litigation

Sundance may be exposed to risks of litigation which may have a material adverse effect on the financial position of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Deloitte Touche Tohmatsu Ltd have provided a signed auditors independence declaration to the Directors in relation to the half-year ended 31 December 2016. The auditor's independence declaration has been included in the half-year financial report on page 9.

Signed in accordance with a resolution of the Directors, made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

| | |
|---|---|
| David Porter<br>Director (Chairman) | Giulio Casello<br>Managing Director and CEO |

15 March 2017
Perth, Western Australia

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Sundance Resources Ltd
45 Ventnor Avenue
West Perth WA 6005

15th March 2017

Dear Board Members

**Sundance Resources Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sundance Resources Limited.

As lead audit partner for the review of the financial statements of Sundance Resources Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**Ian Skelton**
Partner
Chartered Accountant

## SUNDANCE RESOURCES LIMITED
## DIRECTORS' DECLARATION

The Directors of Sundance Resources Limited A.C.N. 055 719 394 declare that, in the opinion of the Directors:

a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

b) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including complying with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

| | |
|---|---|
| David Porter | Giulio Casello |
| Director (Chairman) | Managing Director and CEO |

15 March 2017
Perth, Western Australia

## SUNDANCE RESOURCES LIMITED
## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Note | 31-Dec-16 $ | 31-Dec-15 $ |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Other income | | 156,177 | 79,593 |
| Gain on revaluation of derivative – Convertible Notes | | 777,500 | 1,815,058 |
| Administration expense | | (221,445) | (1,121,602) |
| Consultants expense | | (40,092) | (216,607) |
| Depreciation and amortisation expense | | - | (308,593) |
| Employee benefits expense | | (1,224,814) | (2,402,574) |
| Exchange rate loss | | (734) | (51,374) |
| Legal fees | | (15,320) | (881,025) |
| Listing and registry fees | | (97,905) | (139,967) |
| Occupancy costs | | (411,636) | (571,032) |
| Professional fees | | (56,125) | (208,967) |
| Transport and logistics | | (11,849) | (8,719) |
| Travel expenses | | (40,990) | (369,146) |
| Finance charges | 3 | (7,804,227) | (9,670,800) |
| Project impairment | 2 | - | (71,757,952) |
| Litigation settlement | | - | (11,500,000) |
| Property, plant & equipment impairment | | - | (2,140,308) |
| Inventory impairment | | - | (3,323,598) |
| Other expenses | | (193,675)) | (708,631) |
| Loss from continuing operations before tax | | (9, 185,195) | (103,486,244) |
| Income tax expense | | - | - |
| Loss for the period | | (9, 185,195) | (103,486,244) |
| Loss attributable to: | | | |
| - Owners of the parent | | (7,852,743) | (91,666,038) |
| - Non-controlling interests | | (1,332,452) | (11,820,206) |
| Loss for the period | | (9, 185,195) | (103,486,244) |
| | | | |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation of foreign operations | | (5,311,438) | 7,328,939 |
| Income tax relating to components of other comprehensive income | | - | - |
| Other comprehensive income for the period | | (5,311,438) | 7,328,939 |
| Total comprehensive (loss) | | (14,496,633) | (96,157,305) |
| | | | |
| Total comprehensive (loss) attributable to: | | | |
| - Owners of the parent | | (13,584,617) | (85,820,361) |
| - Non-controlling interests | | (912,016) | (10,336,944) |
| Net comprehensive (loss) attributable to members | | (14,496,633) | (96,157,305) |
| | | | |
| Loss per share | | ¢ | ¢ |
| From continuing operations | | | |
| - Basic (cents per share) | | (0.087) | (3.338) |
| - Diluted (cents per share) | | (0.087) | (3.338) |

**SUNDANCE RESOURCES LIMITED**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2016**

| | Note | 31-Dec-16 $ | 30-Jun-16 $ |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash & Cash Equivalents | | 814,742 | 2,962,118 |
| Trade & Other Receivables | | 53,376 | 40,556 |
| Inventory | | 53,534 | 57,160 |
| Other Current Assets | | 117,321 | 249,965 |
| Total Current Assets | | 1,038,973 | 3,309,799 |
| | | | |
| NON-CURRENT ASSETS | | | |
| Mine Development Assets | 2 | 163,893,394 | 169,233,990 |
| Total Non-Current Assets | | 163,893,394 | 169,233,990 |
| TOTAL ASSETS | | 164,932,367 | 172,543,789 |
| | | | |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Borrowings | 4 | 104,338,272 | 3,464,220 |
| Trade & Other Payables | | 1,676,631 | 1,781,528 |
| Provisions | | 159,152 | 159,636 |
| Total Current Liabilities | | 106, 174,055 | 5,405,384 |
| | | | |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 4 | - | 93,930,660 |
| Provisions | | 74,022 | 57,639 |
| Total Non-Current Liabilities | | 74,022 | 93,988,299 |
| TOTAL LIABILITIES | | 106,248,077 | 99,393,683 |
| NET ASSETS | | 58,684,290 | 73,150,106 |
| | | | |
| EQUITY | | | |
| Issued Capital | 6 | 420,175,376 | 420,175,072 |
| Reserves | | 55,192,814 | 60,894,175 |
| Accumulated Losses | | (390, 115,195) | (382,262,452) |
| Equity attributable to the owners of the parent | | 85,252,995 | 98,806,795 |
| Non-controlling interest | | (26,568,705) | (25,656,689) |
| TOTAL EQUITY | | 58,684,290 | 73,150,106 |

**SUNDANCE RESOURCES LIMITED**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

| | Note | 31-Dec-16 $ | 31-Dec-15 $ |
|---|---|---|---|
| Cash Flows from Operating Activities | | | |
| Payments to suppliers and employees | | (2, 151,748) | (11,038,907) |
| Interest received | | 7,878 | 79,593 |
| Interest paid | | (2,866) | (4,878) |
| Net Cash (used in) Operating Activities | | (2, 146,736) | (10,964,192) |
| Cash Flows from Investing Activities | | | |
| Purchase of property, plant and equipment | | - | (14,983) |
| Proceeds from disposal of property, plant and equipment | | - | 3,310 |
| Mine development costs | | - | (1,007,546) |
| Net Cash (used in) Investing Activities | | - | (1,019,219) |
| Cash flows from Financing Activities | | | |
| Proceeds from issue of shares | | 1,886 | - |
| Proceeds from convertible notes issued | | - | 7,000,000 |
| Interest paid on convertible notes | | - | (250,000) |
| Borrowing costs associated with convertible notes | | - | (1,143,635) |
| Net Cash provided by Financing Activities | | 1,886 | 5,606,365 |
| Net (Decrease)/Increase in Cash and Cash Equivalents | | (2,144,850) | (6,377,046) |
| Cash and cash equivalents at beginning of period | | 2,962,118 | 13,725,029 |
| Effect of foreign currency movements on cash and equivalents | | (2,526) | 31,910 |
| Cash and Cash Equivalents at end of Period | | 814,742 | 7,379,893 |

## SUNDANCE RESOURCES LIMITED
## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Issued Capital<br>$ | Share Based Payments Reserve<br>$ | Convertible Note & Option Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Share Trans-actions with Non-Controlling Interests<br>$ | Accumulated Losses<br>$ | Attributable to owners of the parent<br>$ | Non-Controlling Interests<br>$ | Total Equity<br>$ |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2015 | 409,026,056 | 24,345,883 | 16,710,000 | 14,069,390 | (11,160,000) | (279,400,263) | 173,591,066 | (12,895,992) | 160,695,074 |
| Loss for the period | - | - | - | - | - | (91,666,038) | (91,666,038) | (11,820,206) | (103,486,244 |
| Foreign currency gain | - | - | - | 5,845,677 | - | -- | 5,845,677 | 1,483,262 | (7,328,939) |
| Total comprehensive loss | - | - | - | 5,845,677 | - | (91,666,038) | (85,820,361) | (10,336,944) | (96,157,305) |
| Issue of shares | 2,500,000 | - | - | - | - | - | 2,500,000 | - | 2,500,000 |
| Issue of convertible note | - | - | 5,942,500 | - | - | - | 5,942,500 | - | 5,942,500 |
| Share based payment | - | (1,287,687) | - | - | - | - | (1,287,687) | - | (1,287,687) |
| At 31 December 2015 | 411,526,056 | 23,058,196 | 22,652,500 | 19,915,067 | (11,160,000) | (371,066,301) | 94,925,518 | (23,232,936) | 71,692,582 |
| | | | | | | | | | |
| At 1 July 2016 | 420,175,073 | 23,114,485 | 29,191,300 | 19,748,389 | (11,160,000) | (382,262,452) | 98,806,795 | (25,656,689) | 73,150,106 |
| Loss for the period | - | - | - | - | - | (7,852,743) | (7,852,743) | (1,332,452) | (9,185,195) |
| Foreign currency | (1,547) | - | - | (5,730,327) | - | - | (5,731,874) | 420,436 | (5,311,438) |
| Total comprehensive loss | (1,547) | - | - | (5,730,327) | - | (7,852,743) | (13,584,617) | (912,016) | (14,496,633) |
| Equity raising costs | - | - | - | - | - | - | - | - | - |
| Issue of shares | 1,850 | - | - | - | - | - | 1,850 | - | 1,850 |
| Share based payment | - | 28,967 | - | - | - | - | 28,967 | - | 28,967 |
| At 31 December 2016 | 420,175,376 | 23,143,452 | 29,191,300 | 14,018,062 | (11,160,000) | (390,115,195) | 85,252,995 | (256,568,705) | 58,684,290 |

The accompanying notes form part of this financial report

## NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting entity

Sundance Resources Limited is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries ('Consolidated Entity') and the Consolidated Entity's interests in associates and jointly controlled entities.

The statutory annual financial report of the Consolidated Entity for the year ended 30 June 2016 can be downloaded from the Company's website www.sundanceresources.com.au.

Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

The half-year report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Consolidated Entity as at and for the year ended 30 June 2016.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed by the Consolidated Entity in the consolidated financial report as at and for the year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Consolidated Entity's accounting policies and has no effect on the amounts reported for the current or prior half-years.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

At 31 December 2016, the Consolidated Entity had a working capital deficiency of $105.1 million.

## NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

The Directors believe that at the date of signing the financial statements there are reasonable grounds to believe that the Consolidated Entity will have sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate. The ability of the Consolidated Entity to continue as a going concern is dependent on:

1) Securing additional funding of at least $2 million in August 2017 to provide sufficient working capital for the Consolidated Entity to continue to meet its obligations;
2) Extension of the Mbalam Convention long stop date and the expiry date of EP92 beyond 24 July 2017; and
3) The continued monitoring and management by the Directors of the quantum and timing of all discretionary expenditures including exploration and development costs and wherever necessary these costs will be minimised or deferred to suit the Consolidated Entity's cash flow forecast or that the funding shortfall can be met through traditional sources of equity or debt funding.

Should the Consolidated Entity be unable to achieve the matters set out above, a material uncertainty would exist as to whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

As set out in the Material Business Risk section of the Directors' Report, receiving an extension of the EP92 expiry date of 24 July 2017 or an alternative method of securing the tenement and securing additional funding is critical to the development of the Project and therefore the assessment of the carrying value of the capitalised Mine Development expenditure as at 31 December 2016. (refer Note 2).

Critical accounting judgements and the key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, external data and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors evaluate the estimates and judgements 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 Consolidated Entity.

Capitalised mine development expenditure is recognised at cost less accumulated amortisation and any impairments. Where commercial production in an area of interest has commenced, the associated costs, together with any forecast future capital expenditure necessary to develop proved and probable reserves, are amortised over the estimated economic life of the mine on a units-of-production basis. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found and the future US$ iron ore price. Any such estimates and assumptions may change as new information becomes available (please refer to the Directors Report – Material Business Risks). If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

## NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

In respect of the assessment of the carrying value of the capitalised mine development expenditure as at 31 December 2016 the Directors have concluded that a number of estimates and judgements are required the most critical of which relates to the ability of the Consolidated Entity to obtain the necessary funding for the project.

The Consolidated Entity measures financial assets and liabilities at fair value on a recurring basis. Management uses significant estimates when estimating the fair value of financial instruments.

## NOTE 2. MINE DEVELOPMENT

| | 31-Dec-16<br>$ | 30-Jun-16<br>$ |
|---|---|---|
| Carrying amount at beginning of period | 169,233,990 | 231,957,060 |
| Effect of movements in exchange rates | (5,340,596) | 7,308,740 |
| Additions | - | 1,726,142 |
| Project impairment | - | (71,757,952) |
| TOTAL MINE DEVELOPMENT ASSET | 163,893,394 | 169,233,990 |

At 31 December 2016, the Company held a 90% interest in Cam Iron S.A. which holds a 100% interest in the Project in Cameroon and an 85% interest in Congo Iron S.A. which holds a 100% interest in the Project in Congo. The mining codes in both Cameroon and Congo entitle the state to take up an equity interest in the Project.

Sundance reviews the carrying value of its assets at each balance date. During the period to 31 December 2016, the following material events occurred which were considered indicators of impairment:

- Whilst the benchmark spot price of iron ore, being the Consolidated Entity's sole product, increased significantly from US$59.50 per dry metric tonne ('dmt') as at 30 June 2015 to over $80/dmt as at 31 December 2016, an increase of approximately 37%, the iron ore price was depressed during most of 2016; and
- as at 31 December 2016, the market capitalisation of the Consolidated Entity was below the net assets.

Consequently, an impairment assessment was undertaken on the combined Cam Iron and Congo Iron Cash Generating Unit ('CGU'). The Fair Value less cost to sell is assessed as the present value of future cash flows expected to be derived less costs to sell the CGU and this falls under Level 3 of the fair value hierarchy. The Consolidated Entity used the income approach in determining the fair value. There have been no changes to the valuation technique used in previous financial years.

The following assumptions were used in determining the Fair Value less cost to sell for the CGU:

- Cashflow forecasts for the life of the CGU were derived from a life of mine model based on the following assumptions:
    - o The Consolidated Entity achieving funding for the development of the Project;
    - o The definitive feasibility study completed in March 2011 for Stage 1 of the Project. The results of which were announced to ASX on 6 April 2011. Operating costs have been adjusted to incorporate an oil price of U$50 per barrel. Infrastructure EPC price and all other capex costs have been inflated to take account of cost increases through to the end of construction; The mines to be funded, owned and operated by

- NOTE 2. MINE DEVELOPMENT (CONTINUED)

Sundance whilst the rail and port infrastructure is funded, owned and operated by the Government of Cameroon;

- o Construction and development for Stage 1 to commence in the March quarter of 2019;
- o Production from Stage 1 commencing in late 2021, ramping up to annual production of 40Mtpa;
- o The latest JORC code compliant reserves and resource estimates;
- o The receipt of all necessary approvals for the development and operation of the Project;
- o Financial commitments outlined in the Conventions with both Government of Cameroon and Government of Congo;
- o A range of forecast long term iron ore prices for the 62% Fe/dmt fines CFR price (northern China) provided by leading external economic forecasters was considered. The range considered by management (expressed in 2021 real terms) was between U$68/dmt and U$75/dmt compared to consensus forecast pricing range of U$41 – U$75/dmt. The Consolidated Entity used U$69/dmt (2022 real) for the 62% Fe fines CFR price (northern China) as its long term iron ore price; and
- o Revenue and cost inflation estimates of 2.5% per year.

- Discount rate of 16.5% (nominal, after tax) which is consistent with the rate used at 30 June 2016.

Given the improvement in the iron ore price and the market capitalisation of the entity, no impairment has been recognised in this financial report.

The ultimate recoupment of costs capitalised for both Mine Development Assets and Exploration and Evaluation Assets for specific areas of interest is dependent on the successful financing, development and commercial exploitation, or alternatively, sale of the respective areas. As detailed in Note 1, the Consolidated Entity requires significant additional funding in order to develop the Project.

As set out in the Material Business Risk section of the Directors' Report there is a risk that the expiry date of 24 July 2017 for EP92 and the Mbalam Convention long stop date will not be extended. This will have a material impact on the assessment of the recoverable amount of the Mine Development asset. Should one or both of these extensions not be granted, it is likely that a full impairment of the Mine Development asset will be required.

As announced to ASX on 30 June 2015, the Government of the Republic of Cameroon (' Cameroon Government') has agreed to seek to fund 100% of the capital requirement for the rail and port infrastructure in Cameroon via a loan from China and possibly other friendly countries. As a consequence, the Cameroon Government will own 98% of the rail and port infrastructure entities and in recognition of the capital invested to date by Sundance's subsidiary Cam Iron and the ongoing support that Sundance will provide towards the development of the rail and port infrastructure, Cam Iron will obtain a 2% free carried interest in these entities until the date of first commercial production. Cam Iron will not be required to provide any equity or debt funding for the construction of the rail and port infrastructure. Sundance subsidiaries, Cam Iron and Congo Iron S.A., will enter into take or pay agreements incorporating a commercial tariff for each tonne transported and loaded using the infrastructure.

Sundance has commenced the process to achieve funding of the Mine Infrastructure by concentrating its efforts into China for the Mine Infrastructure equity and debt funding, Sundance is seeking an equity partner to acquire a significant equity interest in the Mines. The success and the pricing of any such sale of equity in the Mines and/or debt financing will be dependent upon the prevailing market conditions at that time. Failure to secure appropriate funding for the development of the Project will result in a delay or inability to develop the Project, the potential loss of the Project and the impairment of the carrying value of the capitalised mine development expenditure related to the Project.

## NOTE 2. MINE DEVELOPMENT (CONTINUED)

To date Sundance had capitalised approximately $47.6 million of expenditure relating to the feasibility study on the rail and port infrastructure in the Mine Development asset. Sundance wrote off this expenditure at 30 June 2015.

## NOTE 3. FINANCE CHARGES

| | 31-Dec-16 $ | 31-Dec-15 $ |
|---|---|---|
| Implied Interest Expense - Convertible Notes | (7,143,212) | (7,603,033) |
| Option and Conversion Right Valuation Expense - Convertible Note | - | (1,367,799) |
| Amortisation of Capitalised Borrowing Costs | (661,015) | (699,968) |
| | (7,804,227) | (9,670,800) |

## NOTE 4. BORROWINGS

| | 31-Dec-16 $ | 30 June 16 $ |
|---|---|---|
| CURRENT BORROWINGS | | |
| Convertible Note - Debt Liability | 106,352,568 | 2,750,000 |
| Convertible Note - Derivative Liability | 55,833 | 833,333 |
| Convertible Note - Capitalised Borrowing Costs | (2,070,129) | (119,113) |
| | 104,338,272 | 3,464,220 |

| | 31-Dec-16 $ | 30 June 16 $ |
|---|---|---|
| NON-CURRENT BORROWINGS | | |
| Convertible Note - Debt Liability | - | 96,584,356 |
| Convertible Note - Derivative Liability | - | - |
| Convertible Note - Capitalised Borrowing Costs | - | (2,653,696) |
| | - | 93,930,660 |
| TOTAL BORROWINGS | 104,338,272 | 97,394,880 |

## NOTE 4. BORROWINGS (CONTINUED)

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and a derivative component, representing the residual attributable to the option to convert the financial liability into equity of the Company.

CURRENT BORROWINGS

Hanlong Convertible Note:

5 million convertible notes were issued by the Company on 6 February 2013 to Hanlong (Africa) Mining Investment Ltd ('Hanlong') at an issue price of $1.00 per note with a total face value of $5 million. On 12 December 2014, Sundance advised that the maturity date had been extended from 31 December 2014 to 31 December 2015, and from 1 January 2015, Sundance will pay interest to Hanlong at the rate of 10% per annum on a quarterly basis on the outstanding convertible notes.

On 30 December 2015, Hanlong converted 2.5 million convertible notes into 192,307,692 fully paid Sundance shares at $0.013 per share which was based on the average daily volume weighted average price of Sundance shares traded on the ASX over the five trading days preceding the date of notice of conversion.

On 15 December 2015 Sundance advised that the maturity date for the remaining $2.5 million convertible notes had been extended from 31 December 2015 to 31 December 2016, and from 1 January 2016, Sundance will continue to pay interest to Hanlong at the rate of 10% per annum on a quarterly basis on the outstanding convertible notes.

Conversion may occur at any time until 31 December 2016 at the election of either Sundance or Hanlong utilising a conversion price of the average daily volume weighted average price of Sundance shares traded on the ASX over the five trading days preceding the notice of conversion. If the notes have not been converted into Sundance shares by 31 December 2016, they will be redeemed at $1.00 per note.

The total outstanding at 31 December 2016 is $2.5 million.

Noble Convertible Notes:

On 26 October 2015, the Company announced that it had executed all of the agreements for the effective extension of the maturity date of the convertible notes due on 1 December 2015 to 23 September 2017 held by Noble.

Under the binding convertible note deed entered into by the Company and Noble (Replacement Noble Deed), the Company with ASX and any other regulatory and Shareholder approval:

(a) issued 200,000 new AUD denominated convertible notes at an issue price of $100 per note and a conversion price of $0.03 per share, to Noble valued at $20,000,000 with a maturity date of 23 September 2017 (Replacement Noble Notes); and

(b) issued 200,000,000 free options with an exercise price of $0.07 (New Noble Options).

Under the Replacement Noble Deed, the Company redeemed the Existing Noble Notes and cancelled the Existing Noble Options.

No funds were raised by the issue of the Replacement Noble Notes and New Noble Options. The redemption amount of $20,000,000 owed by Sundance to Noble under the Existing Noble Note (being 100% of face value) was set-off against the subscription amount of $20,000,000 owed by Noble in connection with the Replacement Noble Notes and New Noble Options. The redemption of the Existing Noble Note and cancellation of the Existing Noble Options in consideration for the issue of the Replacement Noble Notes and New Noble Options was a rollover of existing debt and accrued obligations, and did not increase the Company's indebtedness. The Existing Noble Deed was terminated on the 1 December 2015 with full effect.

The replacement Noble Notes and Noble Options are secured.

NOTE 4. BORROWINGS (CONTINUED)

If the replacement Noble Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $25,156,200 (including $1,156,200 of capitalised interest accrued on the original convertible notes). No interest will accrue in respect of the replacement Noble Notes.

The Noble Options have an exercise price of $0.0695 and will lapse on the earlier of:

- 5pm (WST) on 23 September 2019;
- 40 business days after the Company achieves Financial Close; and
- if a Change of Control Event is announced prior to the expiry of the Options, the date on which the Change of Control Event is completed which:
    - in the case of limb (a) of the definition of Change of Control Event, shall be the day the takeover offer closes;
    - in the case of limb (b) of the definition of Change of Control Event, shall be the implementation date of the scheme;
    - in the case of limb (c) of the definition of Change of Control Event, shall be the date of completion of the sale; and
    - in the case of limb (d) of the definition of Change of Control Event, shall be the date of change in control.

The total outstanding at 31 December 2016 is $24 million.

For full details of the convertible notes and options issued to Noble refer to the 2016 Notice of Annual General Meeting.

Investor Consortium Notes:

Following shareholder approval, on 1 December 2015, the Company issued the following to an investor consortium made up of investment vehicles managed by Blackstone Alternative Solutions, L.L.C., the D. E. Shaw Group and Senrigan Capital ('Investor Consortium'):

- convertible notes with a face value of $24 million (240,000 AUD denominated convertible notes at an issue price of $100 per note) and a conversion price of $0.03 per share subject to adjustment ( 'Investor Consortium Notes'); and
- 260 million free attaching options ( 'Investor Consortium Options').

The Investor Consortium Notes and Investor Consortium Options are secured.

If the Investor Consortium Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $28.8 million. No interest will accrue in respect of the Investor Consortium Notes.

The Investor Consortium Options have an exercise price of $0.0695 and will lapse on the earlier of:

- 5pm (WST) on 23 September 2019;
- 40 business days after the Company achieves Financial Close; and
- if a Change of Control Event is announced prior to the expiry of the Options, the date on which the Change of Control Event is completed which:
- in the case of limb (a) of the definition of Change of Control Event, shall be the day the takeover offer closes;
- in the case of limb (b) of the definition of Change of Control Event, shall be the implementation date of the scheme;

NOTE 4. BORROWINGS (CONTINUED)

- in the case of limb (c) of the definition of Change of Control Event, shall be the date of completion of the sale; and
- in the case of limb (d) of the definition of Change of Control Event, shall be the date of change in control.

The total outstanding at 31 December 2016 is $24 million.

For full details of the convertible notes and options issued to the Investor Consortium refer to the 2016 Notice of Annual General Meeting.

Wafin Notes:

On 23 September 2014 Sundance issued 400,000 convertible notes to Wafin Limited ( 'Wafin') with an issue price of $100 per convertible note for a total investment of $40 million, maturing 36 months from the date of issue (23 September 2017) ('Wafin Note'). Wafin also received options over 260 million ordinary shares with an exercise price of 12 cents ('Wafin Options').

Following shareholder approval, on 1 December 2015, the Company amended the Wafin Note and Wafin Options as follows:

- convertible notes with a face value of $40 million (400,000 AUD denominated convertible notes at an issue price of $100 per note) and a conversion price of $0.03 per share subject to adjustment ( 'Wafin Replacement Notes'); and
- 260 million free attaching options ( 'Wafin Replacement Options').

The Wafin Replacement Notes and Wafin Replacement Options are secured.

If the Wafin Replacement Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $52 million.

The Wafin Replacement Options have an exercise price of $0.0695 and will lapse on the earlier of:

- 5pm (WST) on 23 September 2019;
- 40 business days after the Company achieves Financial Close; and
- if a Change of Control Event is announced prior to the expiry of the Options, the date on which the Change of Control Event is completed which:
- in the case of limb (a) of the definition of Change of Control Event, shall be the day the takeover offer closes;
    - in the case of limb (b) of the definition of Change of Control Event, shall be the implementation date of the scheme;
    - in the case of limb (c) of the definition of Change of Control Event, shall be the date of completion of the sale; and
    - in the case of limb (d) of the definition of Change of Control Event, shall be the date of change in control.

The total outstanding at 31 December 2016 is $40 million.

For full details of the convertible notes and options issued to Wafin refer to the 2016 Notice of Annual General Meeting.

## NOTE 4. BORROWINGS (CONTINUED)

2015 Investor Consortium Notes

On 9 November 2015, the Company issued the following to an investor consortium made up of investment vehicles managed by Noble, Wafin, the D. E. Shaw Group and Senrigan Capital ( '2015 Investor Consortium'):

- convertible notes with a face value of $7 million (70,000 AUD denominated convertible notes at an issue price of $100 per note) and a conversion price of $0.01 per share subject to adjustment ( '2015 Investor Consortium Notes')

The 2015 Investor Consortium Notes are secured.

Conversion may occur at any time between 27 October 2015 and 22 September 2017. If the 2015 Investor Consortium Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $8.4 million. No interest will accrue in respect of the 2015 Investor Consortium Notes.

The funds raised from the issue of these convertible notes will be used for working capital and project development.

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and a derivative component, representing the residual attributable to the option to convert the financial liability into equity of the Company, as follows.

| | $ |
|---|---|
| Proceeds of issue | 7,000,000 |
| Liability component at date of issue | (3,937,500) |
| Equity component | 3,062,500 |

The equity component of $3,062,500 has been credited to equity (reserves).

The liability component is measured at amortised cost. The interest expense for the year of $1,219,105 is calculated by applying an effective interest rate of 43.3% to the liability component for the period since the loan notes were issued. Interest paid in the period is nil. The difference between the carrying amount of the liability component at the date of issue ($3,937,500) and the amount reported in the statement of financial position at 31 December 2016 ($6,282,010) represents the effective interest rate less interest paid to that date.

The total outstanding at 31 December 2016 is $7 million.

For full details of the convertible notes issued to the 2015 Investor Consortium refer to the 2016 Notice of Annual General Meeting.

## NOTE 5. FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

## NOTE 5. FINANCIAL INSTRUMENTS (CONTINUED)

| Financial Liabilities | 31-Dec-16 | | 30-June-2016 | |
|---|---|---|---|---|
| | Carrying Amount $ | Fair Value $ | Carrying Amount $ | Fair Value $ |
| Convertible note debt liability - Hanlong | 2,875,000 | 2,875,000 | 2,750,000 | 2,750,000 |
| Convertible note debt liability - Noble | 22,907,125 | 22,907,125 | 21,478,293 | 21,478,293 |
| Convertible note debt liability - Investor Consortium | 26,054,316 | 26,054,316 | 24,320,311 | 24,320,311 |
| Convertible note debt liability - Wafin | 47,726,125 | 48,234,120 | 44,447,693 | 45,629,150 |
| Convertible note debt liability – 2015 Investor Consortium | 5,834,408 | 6,282,010 | 4,398,583 | 5,156,605 |

The fair value amounts have been reasonable estimated at balance sheet date, while the carrying amount reflects the fair value less the capitalised borrowing costs incurred in the arrangement of the Noble and Investor Consortium convertible notes.

## NOTE 6. ISSUED CAPITAL

| | 31-Dec-16 $ | 30-June-16 $ |
|---|---|---|
| Ordinary Shares | | |
| 6,241,071,289 fully paid ordinary shares (30 June 2016: 6,240,762,949) | 420,175,376 | 420,175,072 |
| | 420,175,376 | 420,175,072 |
| Movements in ordinary shares | | No. |
| At the beginning of the period | 6,240,762,949 | 3,110,250,938 |
| Shares issued | 308,340 | 3,130,512,011 |
| AT THE END OF THE PERIOD | 6,241,071,289 | 6,240,762,949 |

## NOTE 7. SEGMENT INFORMATION

AASB 8 Operating Segments ('AASB 8') requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is specifically focused on each project being developed. The only project currently under development is the Mbalam-Nabeba Iron Ore Project which includes iron ore deposits in the Republics of Cameroon and Congo in Central Africa. The unallocated portion relates to head office and corporate activities.

## NOTE 7. SEGMENT INFORMATION (CONTINUED)

The Consolidated Entity's reportable segment under AASB 8 is therefore the Mbalam-Nabeba Iron Ore Project.

Information regarding this segment is presented below. The accounting policies of the reportable segment are the same as the Consolidated Entity's accounting policies.

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the half financial year ended 31 December 2016:

| | Revenue | | Segment Loss | |
|---|---|---|---|---|
| | Half-year ended | | Half-year ended | |
| | 31-Dec-16 $ | 31-Dec-15 $ | 31-Dec-16 $ | 31-Dec-15 $ |
| Continuing operations | | | | |
| Mbalam-Nabeba Iron Ore Project | - | - | (918,529) | (81,199,276) |
| Total segments | - | - | (918,529) | (81,199,276) |
| Interest income | | | 7,878 | 79,593 |
| Unallocated expenses | | | (8,274,544) | (22,366,561) |
| Loss before tax | | | (9,185,195) | (103,486,244) |
| Income tax expense | | | - | - |
| Consolidated segment loss for the period | | | (9,185,195) | (103,486,244) |

There were no intersegment sales during the year recorded in the revenue reported above.

Segment losses represent the expenses of each segment without allocation of central administration costs and Director's salaries and investment revenue. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Consolidated Entity's assets by reportable operating segment

| | 31-Dec-16 $ | 30-Jun-16 $ |
|---|---|---|
| Continuing operations | | |
| Mbalam-Nabeba Iron Ore Project | 164,286,024 | 169,513,065 |
| Total segment assets | 164,286,024 | 169,513,065 |
| Unallocated assets | 646,343 | 3,030,724 |
| Total assets | 164,932,367 | 172,543,789 |

## NOTE 8. CONTINGENT LIABILITIES

The Consolidated Entity is aware of the following contingent liabilities as at 31 December 2016:

Hold Co Production Based Compensation

- Sundance is required to pay ongoing production based compensation to Hold Co SARL, Cam Iron's minority shareholder, pursuant to a compensation deed. The obligation to pay this compensation is based on iron ore

## NOTE 8. CONTINGENT LIABILITIES (CONTINUED)

sold by Congo Iron and is calculated at the rate of US$0.10 per tonne for iron ore sold at the price of US$80 per tonne and is subject to a rise and fall of US$0.005 per tonne for every US$10 movement in the price (i.e. at US$90 per tonne the rate is US$0.105).

Use of the Quantm System on the Mbalam Rail Corridor

- In July 2007, Sundance entered into an agreement with Quantm Pty Ltd for the application of the Quantm System on the Mbalam Rail Corridor. This agreement provided for a success fee of US$1,850,000 which is only payable upon the completion of Financial Close as interpreted under the agreement. The timetable and certainty to achieve Financial Close is not known. As a result, no amount has been recognised as a liability in the financial statements.

Fiscal Compliance

- The Group, including its subsidiaries in Cameroon and Congo are engaged in ongoing discussions with the financial administrations on customs, indirect taxes and other fiscal administrative matters. The ongoing discussions may or may not lead to further costs being incurred by the Group.

## NOTE 9. EXPENDITURE COMMITMENTS

Exploration Permit – Republic of Cameroon

- The Cameroon Ministry of Mines ('Ministry') granted an extension of Exploration Permit No. 92 requiring a total minimum expenditure of XAF1,000,000,000 (approximately AUD$2,200,000) over the period 29 September 2014 to 24 July 2015. Exploration Permit No. 92 has been further extended for 24 months to 24 July 2017, with minimum expenditure of XAF 1,638,000,000 required over the two year period. Cam Iron is on track to meeting its minimum requirements with CFA 1,288,857,842 spent to date as at 23 January 2017. The expenditure requirements of Exploration Permit No.92 are denoted in Central African CFA franc (XAF).

Exploration Permits and Mining Permit – Republic of Congo

- On 6 February 2013, by Presidential Decree 2013-45, Congo Iron obtained a Mining Permit over the Nabeba – Bamegod exploration permit area for a period of 25 years.
- On 9 August 2013 by Presidential Decree 2013-405, the Ministry granted a second 2 year extension of the Ibanga Exploration Permit, which requires a total minimum expenditure requirement of XAF 3,550,000,000 (approximately AUD$8,000,000) over the two year period to 8 August 2015. This permit expired in August 2015. Congo Iron made application for a new permit, the Bethel Exploration Permit covering only part of the previous Ibanga permit area containing the most prospective area in August 2015.

Mbalam Convention, Cameroon

- On 29 November 2012, Cam Iron agreed the terms of the Convention with the Republic of Cameroon. The Convention underpins the agreement between Cam Iron and the government outlining the fiscal and legal terms and conditions and commitments to be satisfied for the development and operation of the Project in Cameroon.

Nabeba Convention, Republic of Congo

- On 24 July 2014, Congo Iron agreed the terms of the Convention with the Republic of Congo. The Convention underpins the agreement between Congo Iron and the government outlining the fiscal and legal terms and conditions and commitments to be satisfied for the development and operation of the Project in the Republic of Congo.

## NOTE 10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than set out below, no matters or circumstances have arisen since the end of the half-year ended 31 December 2016 which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial periods:

- On 12 January 2017, the Consolidated Entity announced that it had executed formal documentation for the:
  - investment of A$1.3 million into the Company through a subscription for new convertible notes ('2016 Investor Group Notes') by Noble Resources International Pte Ltd ("Noble"), an investment vehicle managed by Senrigan Capital Group ('Senrigan') and David Porter, to be used to assist in an enhanced strategy to find a partner for the Mbalam Nabeba Iron Ore Project; and
  - extension of the maturity date of the convertible notes due on 23 September 2017 to 23 September 2019 held by Noble, Wafin Limited, Senrigan and investment vehicles managed by D.E. Shaw and Blackstone Group L.P.
- On 31 January 2017, the Consolidated Entity announced that 2,332,500 Hanlong Notes had been converted into fully paid ordinary shares in Sundance. Following the conversion, Hanlong held 167,500 Hanlong Notes at an issue price of A$1.00 per note with a total face value of $167,500 (excluding the interest component of $375,000 which will be capitalised and convertible under the same conditions as the Hanlong Notes) and a maturity date of 31 December 2017.

## NOTE 11. DIVIDENDS

No dividends have been paid or proposed during the half-year.

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# Independent Auditor's Review Report to the members of Sundance Resources Limited

We have reviewed the accompanying half-year financial report of Sundance Resources Limited, which comprises the condensed statement of financial position as at 31 December 2016, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 27.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sundance Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sundance Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sundance Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material Uncertainty Relating to Going Concern*

We draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net losses of $9,185,195 (31 December 2015: $103,486,244) and experienced net cash outflows from operating activities of $2,146,736 (31 December 2015: $10,964,192) for the period ended 31 December 2016. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**Ian Skelton**
Partner
Chartered Accountant
Perth, 15th March 2017