



ASX Announcement | Media Release
28 January 2016

QUARTERLY ACTIVITIES REPORT - PERIOD ENDED 31 DECEMBER 2015

Summary:

- **Extension of maturity dates for convertible notes to 2017 approved by shareholders**
- **New \$7 million convertible note issue completed**
- **Hanlong conversion of \$2.5 million of convertible note into equity**
- **Cash on hand at 31 December 2015 of \$7.29 million**
- **Post quarter end:**
 - **Settlement of Porter litigation**
 - **EPC contract signing postponed**
 - **Rights issue and further cost cutting**
 - **Board changes**
 - **Impairment review**

Sundance Resources Limited ("**Sundance**" or "**Company**") (ASX: SDL) provides the following information about activities for the quarter ended 31 December 2015.

EXTENSION OF MATURITY DATE ON THE EXISTING CONVERTIBLE NOTES

At the AGM held on 30 November 2015, shareholders approved the extension of the maturity dates of convertible notes totaling \$44 million from 1 December 2015 to 23 September 2017.

NEW CONVERTIBLE NOTE FOR A\$7 MILLION

On 9 November 2015 the Company announced that it completed the issue of a new convertible note for \$7 million to the 2015 Investor Group consisting of existing convertible noteholders due on 23 September 2017.

HANLONG CONVERTIBLE NOTE

On 15 December 2015 the Company announced the following:

- The extension of the maturity date for the existing 5,000,000 convertible notes issued to Hanlong (Africa) Mining Investment Limited ("**Hanlong**") at an issue price of \$1.00 per note with a total face value of \$5 million from 31 December 2015 to 31 December 2016;
- 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 2,500,000 convertible notes into 192,307,692 fully paid ordinary shares in Sundance on 30 December 2015 at an issue price of \$0.013. These shares were issued to Hanlong on 30 December 2015. As a consequence, only \$2,500,000 of the convertible note remains outstanding at 31 December 2015; and
- Sundance will continue to pay interest at 10% per annum on a quarterly basis on the outstanding convertible notes.

It is the Board's intention that should the rights issue detailed below reach its conclusion and Hanlong does not take up its entitlement, the Company will issue a conversion notice to Hanlong for the remaining \$2.5 million after the rights issue has closed.

PORTER LITIGATION AND SETTLEMENT

On 23 December 2015 the Supreme Court of Western Australia (Action no. CIV 1632 of 2013) delivered its judgment in the dispute between David Porter (as plaintiff) and Sundance relating to an agreement made in 2006, following a trial in September 2015. The Court ordered Sundance to pay damages in the amount of \$5,037,407 in lieu of a grant of 10 million options. No orders have been made yet in relation to either interest or costs however these are estimated to be in the order of \$3 million.

Subsequent to the end of the quarter, on 18 January 2016, Sundance announced that it had reached an agreement to settle, in full, the following two matters:

- Supreme Court of Western Australia (Action No. CIV 1632 of 2013) action as referred to above; and
- Supreme Court of Western Australia (Action No. CIV 1773 of 2007) action commenced by Absolute Analogue Inc. ("AAI") and Mr Porter as plaintiffs. The action is in relation to an alleged agreement between the Company and the plaintiffs for the issue of 30 million options (20 million options with an exercise price of \$0.10 and 10 million options with an exercise price of \$0.20). The plaintiffs were seeking damages in lieu of specific performance assessed at \$9 million plus interest at 6% p.a. since 2007 and costs.

Both of these legal actions pre-date the current Board and the Board believes that reaching a settlement with Mr Porter and AAI is a prudent and commercial decision in the best interests of all shareholders as failure to reach a settlement would have resulted in the Company not being able to pay the judgment amount to Mr Porter which would have presented significant issues for the Company.

The settlement with Mr Porter and AAI totals \$11.5 million and includes a cash payment of \$0.5 million on lodgement of a Prospectus for the pro-rata renounceable rights issue to be undertaken by Sundance and an undertaking by Mr Porter to sub-underwrite an amount of \$11 million of the pro-rata renounceable rights issue. See further details below.

RIGHTS ISSUE

Subsequent to the end of the quarter, on 18 January 2016, Sundance announced that in conjunction with the settlement with Mr Porter, the Company had appointed Patersons Securities Limited ("Patersons") as the Lead Manager for a 1-for-1 pro-rata renounceable rights issue at an issue price of 0.5 cents per share to raise up to \$16.5 million. Each new share subscribed will carry an attaching 1-for-1 free option exercisable at 0.6 cents before 31 August 2017.

Sundance proposes to have the rights issue underwritten to a minimum of \$13.25 million, inclusive of Mr Porter's support outlined above (\$11 million sub-underwriting). The balance of the underwriting is to come from Patersons.

The rights issue will allow Sundance to settle the disputes with Mr Porter and AAI and all related obligations, as well as put in place additional working capital. With the proceeds of the Offer and the costs reductions referred to below, if no more than \$2.25 million is subscribed by Shareholders or taken up by the Underwriter, the Company expects it will have sufficient working capital until early 2017. If however, the rights issue is fully subscribed by Shareholders, Sundance will have sufficient working capital to last until December 2017.

Sundance anticipates being in a position to lodge its rights issue prospectus on or about 29 January 2016.

PORT AND RAIL DEVELOPMENT PROCESS

During the December quarter, the Cameroon Government made excellent progress on finalising an Engineering, Procurement and Construction (“EPC”) contract to appoint an EPC contractor for the port and rail components of the Project. Sundance provided the Government of Cameroon with technical and commercial support during the selection of the preferred contractor and through the contract negotiations.

Subsequent to the end of the quarter, on 13 January 2016, Sundance announced it had been advised that the proposed signing of an EPC contract between the Government of Cameroon and a Chinese state-owned construction company to construct the port and rail infrastructure for the Mbalam-Nabeba Iron Ore Project (“Project”) located in Cameroon and Congo has been postponed.

The selected EPC contractor advised that it continues to support the Project but has requested a postponement of the contract signing until market conditions improve and progress on the port and rail infrastructure financing is more advanced.

Sundance had previously advised that it expected the contract would be signed during the December 2015 quarter. The postponement was unexpected for both Sundance and the Government of Cameroon given the recent advances made with the EPC contract. Despite the delay, Sundance and the Project continues to have the strong support of both the Cameroon and Congo Governments.

The Government of Cameroon is continuing to pursue the signing of the EPC as soon as possible with the Chinese contractor but the timing is unknown at this stage.

COST REDUCTIONS

Subsequent to the end of the quarter, on 18 January 2016, Sundance announced that due to the delay to the signing of the EPC contract for the port and rail infrastructure for the Project and the subsequent delay this will create in finding an equity partner for the mines, it had made the decision to immediately implement a number of additional and significant cost reduction measures. These measures align the Company’s cash position with essential needs whilst retaining the ability to advance the Project as soon as the EPC contract has been signed.

The cost reduction measures include the following:

- Significant scale-back of employees, overheads and activities in Perth, Cameroon and Congo with a planned 80% reduction from the previous spend;
- Effective 1 February 2016, approximately 60 personnel across Perth, Cameroon and Congo to be made redundant resulting in less than 10 employees remaining (two in Perth with eight in Cameroon and Congo); and
- The Company has retained the services of the Cam Iron CEO, Mr Serge Asso’o; the Congo Iron CEO, Mr Emmanuel Yoka; and the Sundance CEO, Mr Giulio Casello.

The retention of these employees enables the organisation to focus on conserving expenditure whilst driving the advancement of the Project. These employees retain knowledge and history of the Project and relationships with each Government. Some of their key tasks will include:

- Protecting the intellectual property and assets of Sundance;
- Maintaining relationships with the Governments of Cameroon and Congo;
- Assisting the Government of Cameroon as required to progress the funding and signing of the EPC contract for the port and rail; and
- Continuing the process of negotiating and then agreeing the terms of an equity investment into the Mine Infrastructure.

BOARD CHANGES

As part of the cost reduction decisions taken, and to align the executive and Board structure with the ongoing focus of Sundance, with effect from 27 January 2016, Robin Marshall, David Southam, Barry Eldridge and Oleg Sheyko have resigned as directors of the Company.

In addition, Alan Rule has stepped down as CFO and has been appointed a non-executive director to continue to have access to his corporate knowledge, history and relationships.

The new Board comprises Wal King (non-executive Chairman), Giulio Casello (CEO and Managing Director) and Alan Rule (non-executive director).

Mr King wishes to thank the departing Directors for their invaluable contribution to Sundance over a long period of time.

IMPAIRMENT REVIEW

The Company will review the carrying value of its assets in the half-year financial statements in accordance with Accounting Standards to reflect changes to assumptions, the current economic conditions and the delay in the EPC contract signing. The results of this review will formally be considered by the Board prior to the release of the half-year financial statements. This review could potentially result in an impairment charge of up to \$245 million (pre and post tax) being recognised in the half-year financial statements. Note 6 on pages 54 and 55 of the 2015 Annual Report sets out the valuation methodology, assumptions and sensitivities used to assess the carrying value of the mine development assets at 30 June 2015 including the impact of an increase to the discount rate, construction delays and a reduction in the long term iron ore price.

Although the current iron ore price remains low, the Company has improved the project fundamentals by reducing forecast operating costs and increasing production and expects iron ore prices and the current economic environment to improve to facilitate financing of the Project. Forecasters are expecting improved supply-demand fundamentals with long-term iron ore price forecasts illustrating the attractive economics of the Project.

CORPORATE

Total cash outflow for the quarter excluding interest was \$6.5 million which was above the forecast of \$5.4 million due to increased expenditure on the DUP and legal fees on the convertible notes. Offsetting this was the inflow of \$7.0 million from the 2015 Investor Group Notes.

In the coming quarter a cash outflow of \$4.5 million from operations is expected including costs of \$1.8 million relating to redundancy payments, fees on the rights issue and a reduction in working capital.

Sundance ended the quarter with \$7.29 million in cash and deposits.

SHAREHOLDING STRUCTURE

As at 31 December 2015, Sundance had the following on issue:

- 3,302,558,630 ordinary fully paid shares;
- 19,687,107 performance rights;
- 720,000,000 unlisted options; and
- 3,410,000 unlisted convertible notes.

EXPENDITURE

The Pro-forma appendix 5B - Statement of Consolidated Cash Flows is provided in a separate report.

Sundance Managing Director Giulio Casello said: *“The Company’s circumstances have been impacted significantly by the EPC contract postponement and the Porter litigation. However, we are pleased that we have been able to develop a plan, that with the support of our shareholders, noteholders and Mr Porter, will allow the company to continue to operate and ultimately realise the potential of our Project for all our stakeholders here and in Cameroon and Congo.”*

ASX ANNOUNCEMENTS

The Quarterly Report should be read in conjunction with all announcements made by the Company to ASX, in particular, the financial statements for the -year ended 30 June 2015 which contain further details about Material Business Risks. These announcements can be found on the following link:

<http://www.sundanceresources.com.au/irm/content/asx-announcements.aspx>

ENDS

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About Sundance Resources

Sundance Resources is seeking to develop its flagship Mbalam-Nabeba Iron Ore Project, which straddles the border of Cameroon and the Republic of Congo in Central Africa. Stage One will be the production of a Direct Shipping Ore (“DSO”)-quality sinter fines product averaging >62.0% Fe at a rate of 40Mtpa for approximately 14 years based on blending material sourced from the deposits in the neighbouring countries of Cameroon and Congo. Stage Two, which is currently at a Pre-Feasibility Stage, would then extend the life of the operation by further 15-plus years producing high-grade Itabirite hematite concentrate. In April 2011, Sundance completed the Definitive Feasibility Study for Stage One and Pre-Feasibility Study for Stage Two of the Mbalam-Nabeba Iron Ore Project. The Project will utilise the rail and port infrastructure to be financed, built and owned by the Government of Cameroon, a 540km rail line dedicated to the transport of iron ore through Cameroon and a dedicated mineral export terminal designed for taking bulk iron ore carriers of up to 300,000 tonnes.

Forward Looking Statements

Certain statements made during or in connection with this communication, including without limitation, those concerning the economic outlook for the iron ore mining industry, financing a large capital project, expectations regarding iron ore prices, production, cash costs and to the operating results, growth prospects and the outlook of Sundance’s operations including the likely financing and commencement of commercial operations of the Nabeba-Mbalam-Nabeba Iron Ore Project and its liquidity and capital sources and expenditure, contain or comprise certain forward-looking statements regarding Sundance’s operations, economic performance and financial condition.

Although Sundance 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, deterioration in the iron ore market, deterioration in debt and equity markets that lead to the Project not being able to be financed, success of business and operating initiatives, changes in the regulatory environment and other government action, fluctuations in iron ore prices and exchange rates, business and operational risk management, changes in equipment life, capability or access to infrastructure, emergence of previously underestimated technical challenges, environmental or social factors which may affect a license to operate.