

Hanlong Deal & Project Outlook

**SUNDANCE
RESOURCES LTD**

Open Briefing interview with CEO & MD Giulio Casello

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In this Open Briefing[®], Giulio discusses:

- Reasons for terminating Hanlong SIA
- Strategy post Hanlong deal termination
- Current progress and positioning of Mbalam-Nabeba project

Record of interview:

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Sundance Resources Limited (ASX: SDL) on Tuesday announced the termination of its Scheme Implementation Agreement (SIA) with Hanlong (Africa) Mining Investment Limited. Why did you terminate the SIA?

CEO Giulio Casello

There were a number of conditions precedent that needed to be met by Hanlong for the SIA to proceed. One of those was a credit-approved term sheet underpinning the funding for Hanlong's acquisition of Sundance. We held a number of discussions with Hanlong after it didn't provide the term sheet on 26 March, and it became clear that Hanlong was not going to be able to meet its future obligations under the SIA.

After reviewing the discussions with Hanlong and looking at where we were in relation to wanting to proceed with development of the Mbalam-Nabeba Iron Ore Project, we concluded that the best position for our shareholders, the project and also for our stakeholders in Cameroon and the Republic of Congo was to terminate the SIA and look for alternative partners.

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Given the initial takeover offer was made in October 2011, Hanlong had some time to obtain a credit-approved term sheet. Why was Hanlong unable to meet the funding conditions?

CEO Giulio Casello

The conditions precedent required of Hanlong were that it had to get approval from the Australian authorities, provisional approval from the National Development and Reform Commission (NDRC) of China, and financing commitment letters from China Development Bank and Everbright. Hanlong achieved all those in 2012. On our side, we had to get a mining permit from the Congo and a mining convention from Cameroon in 2012. We achieved those in November and December 2012.

The credit-approved term sheet was then due after all these other conditions precedent had been met. Originally it was due in January 2013 but it became apparent in late January that the NDRC had put another requirement on Hanlong before it would allow the China Development Bank to issue the term sheet. The condition was that Hanlong had to sign up a large Chinese strategic partner for the project. So we gave Hanlong an extension to 26 March to work through a strategic partner process.

The process was being led by Hanlong Chairman Liu Han, who was dealing directly with a number of state owned entities inside China, and we understood that substantial progress had been made. Then the unfortunate events of last month meant the chairman was not able to continue those discussions on behalf of Hanlong. Without the strategic partner discussions progressing, it became clear that Hanlong would be unable to meet the requirements of the SIA, and that's when we terminated the agreement.

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Is there a break fee payable by Sundance for terminating the SIA?

CEO Giulio Casello

No, under the SIA there's no break fee for failure to meet the conditions precedent by either party. A break fee was due if Hanlong wanted to renegotiate price or for a material breach and not meeting a condition precedent was not considered a material breach under the SIA.

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What is Sundance's back-up strategy for the development of the Mbalam-Nabeba project now that you've terminated the deal with Hanlong?

CEO Giulio Casello

We're looking at three options. Before the Hanlong deal, our strategy was to joint venture with a Chinese steel mill or another substantial steel player. This would basically be a joint venture at the asset level, where the steel mill or other large player buys into the asset and we retain part of the asset and develop it together. We've resumed looking for such a joint venture partner.

We're also looking at a low capital strategy where the port and rail is provided by an infrastructure provider and we pay them a tariff, backed by a guaranteed take or pay off-take contract which we provide with a third party – either Chinese or non-Chinese. Then we would provide funding for the development of the mine only.

The third option is a take-over. We're not actively looking to be acquired but obviously we'll always consider what's in the best interest of our shareholders and stakeholders, and we would evaluate any approach along with our other options.

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Is Sundance now at a disadvantage due to being in negotiations with Hanlong for the past 18 months? Are you confident that you can recover shareholder value with this strategy for Sundance?

CEO Giulio Casello

The last 18 months have certainly been productive. We've substantially increased the value of the Mbalam-Nabeba project and we're in a much stronger position than we were 18 months ago. We've increased our high grade hematite resource to three quarters of a billion tonnes; in December last year we confirmed Australian JORC-compliant reserves of 436 million tonnes at 62.6% Fe; we have a mining convention in Cameroon that's one of the benchmark conventions agreed in Africa; we've got a mining permit for the Republic of Congo; we have all environmental approvals including a declaration of land for public utility (DUP) for the rail corridor, and we've developed the project to a position now where it's ready for funding.

From this point, the best way for us to create value for our shareholders is to work on the strategic partner process, whether it's through joint venture arrangements or whether through infrastructure funding.

We're not starting from square one: prior to the Hanlong deal we had formal discussions with a number of Chinese parties who did due diligence on the project. We've also had detailed discussions with the partners that Hanlong had been speaking to regarding potential

involvement in the project. We're increasing our resources in this area to progress discussions with these Chinese parties and in parallel with that we're also considering what opportunities there could also be with non-Chinese parties.

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Should another Chinese company wish to be involved either with Sundance on the project or to make an alternative bid for the company, how would you ensure that they will have the financial wherewithal to proceed quickly to a fair and satisfactory transaction?

CEO Giulio Casello

The project is in a different place now than it was 12 months ago because now we have the Mbalam Convention and Congo Mining Permit in place. That means the risk in the project has been substantially removed from our point of view and also from the point of view of a third party coming in as either a joint venture partner or under any bid process. So we'd expect and demand that any new agreements would be on a much more unconditional basis, both for us and for a potential partner.

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Sundance said in its latest ASX statement that it believed China still supports the Mbalam-Nabeba project. Why do you believe this?

CEO Giulio Casello

We have been involved with China since late 2010 and early 2011 when we were looking for strategic partners. Chinese government entities have reviewed the project, and China Development Bank has been involved in it. As we've progressed the project we've improved it with regards to reserves and resources and government approvals. We also believe that China sees the strategic potential of the project as a large scale iron ore development that isn't aligned to the "big three."

Looking at the bigger picture, China's going to urbanise another 300 million people in the next 20 years and its demand for steel will continue to grow given expected GDP growth is around 7.5 percent. Against that, the larger iron ore miners have recently started talking about shelving and/or delaying projects covering 600 million to 700 million tonnes of iron ore capacity over the next few years, and talking about keeping commodity prices high. Unusually, we've even seen the NDRC complaining about manipulation of the market by the majors.

In this scenario, at a time when engineering resources are freeing up, when demand is still growing, and where some of the major players are taking the back seat, now is the ideal time for China to progress one or more large strategic projects – such as our Mbalam-Nabeba project. We believe this is an ideal project, due to its high grade hematite resource and behind that its long-tail itabirite resource, and its positioning in a region China knows very well. China has invested over US\$1 billion in both Cameroon and Congo in the last few years so China knows the area well.

We've had regular meetings with regulators and funding institutions in China in which they've always expressed their confidence and support of the project. That support is shown by the fact that the NDRC gave provisional approval to Hanlong in the middle of last year and extended that approval in late January of this year. Hanlong has requested the withdrawal of its NDRC provisional approval which will remove Hanlong's exclusivity as proponent of the Mbalam-Nabeba project in China.

China's support is also shown by the fact that China Development Bank, which we've met with a number of times, gave a bid financing commitment letter to Hanlong for \$1 billion in the middle of last year. Recently we've confirmed with the Chinese authorities that they're happy for us to progress discussions with other Chinese parties and that's what we're doing now.

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Does the failure of Hanlong to complete the deal have any impact on the recently signed Mbalam Convention in Cameroon and/or Nabeba Mining Permit in the Republic of Congo?

CEO Giulio Casello

We appreciate Hanlong's input and the work it's done with us over the last year and a half in the negotiations leading up to the signing of these agreements. Nevertheless, the convention and the mining permit are in the names of Sundance subsidiaries: the Cameroon convention is in the name of Cam Iron SA and the Congo mining permit is in the name of Congo Iron SA. Hanlong is not referred to in either of the agreements, so the failure to complete the SIA with Hanlong will have no impact on the convention or mining permit.

The Cameroon and Congo governments continue to be very keen for us to develop the project as quickly as possible as it's a very important project for the economies of both countries.

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As at 31 December Sundance had \$36.2 million in cash. Do you have adequate funding to sustain the company until a new deal can be reached?

CEO Giulio Casello

We had around \$30 million cash at the end of March – and no debt. We expect that to be sufficient while we engage with potential strategic partners but if necessary we can take cash conservation measures to ensure that the cash we have can carry us through the remainder of this process.

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What are Hanlong's plans regarding its 14% ownership of Sundance?

CEO Giulio Casello

We understand that Hanlong has a 14.3% stake, and that this is mortgaged to China Development Bank, so we don't expect there will be any movement of those shares any time in the near future.

Hanlong has also committed to us that it wants to remain a significant shareholder for some considerable period of time and that it would like to see our share price rise. Ideally, that would be the best thing for everybody!

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Thank you Giulio.

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