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Equities Research

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The Global Metals & Mining Specialist

AUSTRALIA

SDL AU		**Outperform**
Price (at 05:10, 14 Jan 2014 GMT)		**A$0.09**
Valuation - DCF (WACC 15.0%)	**A$**	**0.15**
12-month target	**A$**	**0.15**
12-month TSR	**%**	**+74.4**
Volatility Index		**Very High**
GICS sector		**Materials**
Market cap	**A$m**	**264**
30-day avg turnover	**A$m**	**1.2**
Number shares on issue	**m**	**3,073**

Investment fundamentals

Year end 30 Jun		2013A	2014E	2015E	2016E
Revenue	m	0.0	0.0	0.0	0.0
EBIT	m	-31.0	-22.0	-12.3	-12.5
Reported profit	m	-31.6	-14.9	349.5	-4.9
Adjusted profit	m	-31.8	-14.9	-152.6	5.9
Gross cashflow	m	-27.1	-14.5	-150.6	7.9
CFPS	¢	-0.9	-0.4	-4.3	0.2
CFPS growth	%	-27.3	53.0	-935.0	nmf
EPS adj	¢	-1.0	-0.4	-4.3	0.2
EPS adj growth	%	-20.8	59.1	-924.5	nmf
Total DPS	¢	0.0	0.0	0.0	0.0
Total div yield	%	0.0	0.0	0.0	0.0
ROA	%	-12.7	-8.3	-1.6	-1.1
ROE	%	-13.1	-5.7	-21.8	0.6
EV/EBITDA	x	-8.7	-12.4	-24.3	-23.7
Net debt/equity	%	-6.1	-8.0	-54.9	-46.5
P/BV	x	1.1	1.1	0.3	0.3

Source: FactSet, Macquarie Research, January 2014
(all figures in AUD unless noted)

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16 January 2014
Macquarie Securities (Australia) Limited

Sundance Resources

Looking for a dance partner

Initiating coverage with an Outperform

We are initiating coverage on Sundance Resources (SDL) with an Outperform rating and a A$0.15 price target. SDL owns the largest scale iron-ore development project outside of the global majors. The Mbalam–Nabeba project has the potential to produce up to 35mtpa of high grade DSO product with production starting in 2017.

The project has a pre-production capital cost of nearly US$5bn; hence securing a funding solution for the project is a key catalyst for the stock. The key risk to our A$0.15 price target is the level of ownership dilution SDL will endure at the asset level to secure a funding solution. Our price target is based on the sale of half its interest in the project at NPV, which is sufficient to provide SDL's equity financing requirement for the development.

Funding deal is critical

SDL is currently in the process of tendering for parties to finance and build the port and rail infrastructure as well as provide additional funding for the project through off-take agreements. The company has indicated it expects to finalise an exclusivity agreement with the preferred party by mid 2014.

The company's ability to secure financing for the Mbalam–Nabeba project remains the most significant risk for equity investors. The sustained strength in the iron-ore price is improving the chance of a deal being secured; however the level of ownership dilution at the project level that SDL incurs is the key variable in our valuation. We currently assume SDL gives up half of its project interest at NPV.

A project of significant scale

The Mbalam–Nabeba project is one of the largest DSO iron-ore projects not owned by the global resource majors. The project has the potential to produce up to 35mtpa of iron-ore with an average grade above the current industry benchmark of 62% Fe. With a strip ratio of less than 1:1, we expect C1 cash costs to be around US$20/t with CFR China costs around US$40/t.

DSO reserves currently stand at 436mt @ 62.3% Fe implying a mine life of 12 years at full production. The reserves are located at Mbalam in Cameroon and Nabeba in Congo. The US$5bn development assumes mines in both countries are developed with a 580km rail line that connects both projects to a new iron-ore port facility to be built at Kribi in Cameroon.

Itabirite development in the long term

In addition to the large scale DSO operation, the Mbalam–Nabeba project boasts a very large itabirite resource that underpins a much longer mine life. Current itabirite resources stand at 4.0bt @ 36.3% Fe implying a potential mine life over 30 years at the DSO production rate of 35mtpa.

Like Vale's itabirite mines in Brazil, the ore will need to undergo beneficiation to reduce the silica levels in the resource and lift the iron grade. The capital cost of the second development is ~US$3.5bn; however with production unlikely to occur until the DSO project is completed, its contribution to NPV is marginal.

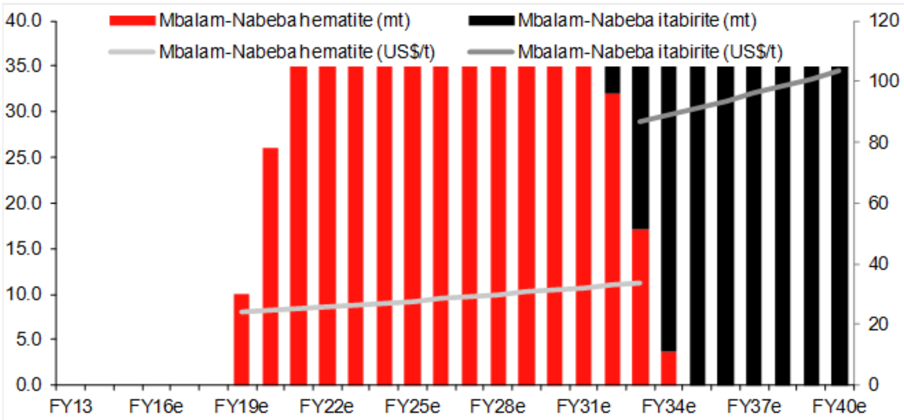
Inside

Sundance Resources

Company profile

- Sundance Resources (SDL) owns the Mbalam-Nabeba iron-ore project in Cameroon and Congo in Africa. The project boasts a significant hematite and itabirite iron-ore reserve and resource base that could underpin a 30-year operation.
- SDL was founded in 1993 as St Francis Mining however the company has been focused on its iron-ore assets in Africa since 2003 when it changed its name to Sundance Resources. The company has undertaken a major drill out of the Mbalam and Nabeba deposits over the past 10 years, spending over $200m on resource drilling and project studies.
- In 2011, the company received a cash takeover bid by Chinese-based Sichuan Hanlong Group at A$0.45/share valuing the company at A$1.37bn. However after a protracted offer period, the Hanlong deal collapsed in April 2013 after Hanlong was unable to secure financing to back the deal. We note that Hanlong remains SDL's largest shareholder with a 14.1% stake.
- Since the Hanlong deal fell over, SDL has been pursuing other funding partners to bring the Mbalam-Nabeba project into production. Discussions have been on-going and we believe preferred partner status could be granted by mid 2014. Assuming a further 12 months to finalise a deal, we believe the two year construction process could commence in mid 2015.

Fig 1 Mbalam-Nabeba production forecasts (100% basis)



Source: Sundance Resources, Macquarie Research, January 2014

Fig 2 SDL AU vs Small Ordinaries

Source: FactSet, Macquarie Research, January 2014

(all figures in AUD unless noted)

Looking for a dance partner

Initiating coverage with an Outperform

Mbalam-Nabeba could produce 35mtpa

We are initiating coverage on Sundance Resources (SDL AU) with an Outperform rating and a A$0.15 price target. SDL owns the largest scale iron-ore development project outside of the global majors. The Mbalam-Nabeba project has the potential to produce up to 35mtpa of high grade DSO product with production starting in 2017.

Securing a funding agreement to build the US$5bn project critical

The project has a pre-production capital cost of nearly US$5bn, hence securing a funding solution for the project is a key catalyst for the stock. The key risk to our A$0.15 price target is the level of ownership dilution SDL will endure at the asset level to secure a funding solution. Our price target is based on the sale of half its interest in the project for US$500m, which is sufficient to provide SDL's equity financing requirement for the development.

Fig 3 SDL NPV breakdown

Projects	A$m	A$ps
Mbalam-Nabeba JV	554	0.16
Corporate/forwards	(54)	(0.02)
Net cash (debt)	40	0.01
Net Equity Value (@ 15% WACC)	**540**	**0.15**

Source: Sundance Resources, Macquarie Research, January 2014

Funding deal is critical

Tender process underway

SDL is currently in the process of tendering for parties to finance and build the port and rail infrastructure as well as provide additional funding for the project through off-take agreements. The company has indicated it expects to finalise an exclusivity agreement with the preferred party by mid 2014.

Ultimate ownership structure the key variable

The company's ability to secure financing for the Mbalam-Nabeba project remains the most significant risk for equity investors. The sustained strength in the iron-ore price is improving the chance of a deal being secured; however the level of ownership dilution at the project level that SDL incurs is the key variable in our valuation. We currently assume SDL gives up half of its project interest at NPV.

Fig 4 Mbalam-Nabeba ownership structure post sell down

Ownership	Cam Iron	Congo Iron
Sundance Resources	38.25%	38.25%
Funding Partner	38.25%	38.25%
Cameroon Hold Co	8.5%	
Congo Mining		13.5%
Government interest (free carried)	15.0%	10.0%
Total	**100.0%**	**100.0%**

Source: Sundance Resources, Macquarie Research, January 2014

A project of significant scale

One of the largest projects not owned by a major

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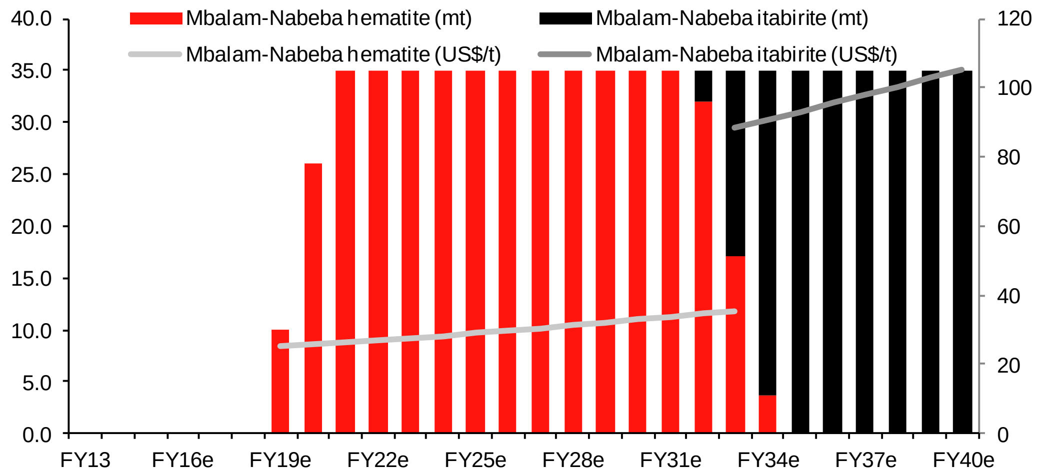
DSO ore with a grade over 62% Fe

DSO reserves currently stand at 436mt @ 62.3% Fe implying a mine life of 12 years at full production. The reserves are located at Mbalam in Cameroon and Nabeba in Congo. The US$5bn development assumes mines in both countries are developed with a 580km rail line that connects both projects to a new iron-ore port facility to be built at Kribi in Cameroon.

Fig 5 Mbalam-Nabeba production and cash cost forecast



Source: Sundance Resources, Macquarie Research, January 2014

Itabirite development in the long-term

Itabirite development underpins long life

In addition to the large scale DSO operation, the Mbalam-Nabeba project boasts a very large itabirite resource that underpins a much longer mine life. Current itabirite resources stand at 4.0bt @ 36.3% Fe implying a potential mine life over 30 years at the DSO production rate of 35mtpa.

Like Vale's itabirite mines in Brazil, the ore will need to undergo beneficiation to reduce the silica levels in the resource and lift the iron grade. The capital cost of the second development is around US$4bn; however with production unlikely to occur until the DSO project is completed its contribution to NPV is marginal.

Fig 6 SDL summary financials

Sundance Resources

ASX: SDL	**Price: (A$ps)**	0.086	**Year end:**	Jun	**Rating:**	**Outperform**	**Up/dn**
	Mkt cap: (A$m)	264	**Diluted shares (m)**	3073.1	**Target:**	**0.15**	**74%**

ASSUMPTIONS		FY11	FY12	FY13	FY14e	FY15e	FY16e
Exchange Rate	A$/US$	0.99	1.03	1.03	0.89	0.83	0.84
Spot iron-ore (62% CIF)	US$/t	163	151	128	132	113	110

RATIO ANALYSIS		FY11	FY12	FY13	FY14e	FY15e	FY16e
Diluted share capital	m	2,741.5	2,952.3	3,074.5	3,519.8	3,519.8	3,519.8
EPS (diluted and pre sig. items)	A¢	-0.8	-0.9	-1.0	-0.4	-4.3	0.2
P/E	**x**	**-10.7x**	**-10.0x**	**-8.3x**	**-20.3x**	**-2.0x**	**51.2x**
CFPS	A¢	(2.2)	(0.6)	(0.6)	(0.5)	0.1	(4.1)
P/CF	x	-3.8x	-15.0x	-13.6x	-16.6x	75.9x	-2.1x
DPS	A¢	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield	**%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Franking Level	%	0%	0%	0%	0%	0%	0%
Book value per share	x	0.08	0.08	0.08	0.08	0.32	0.29
P/Book value	x	1.1x	1.1x	1.1x	1.1x	0.3x	0.3x
R.O.E. (pre sig items)	%	-10%	-11%	-13%	-6%	-14%	1%
R.O.A. (pre sig items)	%	-11%	-11%	-12%	-8%	-1%	-1%
Interest Cover	x	8.5x	10.2x	19.9x	31.7x	1.3x	0.8x
EBITDA per share	A$ps	-0.01	-0.01	-0.01	-0.01	0.00	0.00
EV/EBITDA	**x**	**-9.3x**	**-8.9x**	**-8.7x**	**-12.1x**	**34.3x**	**19.8x**

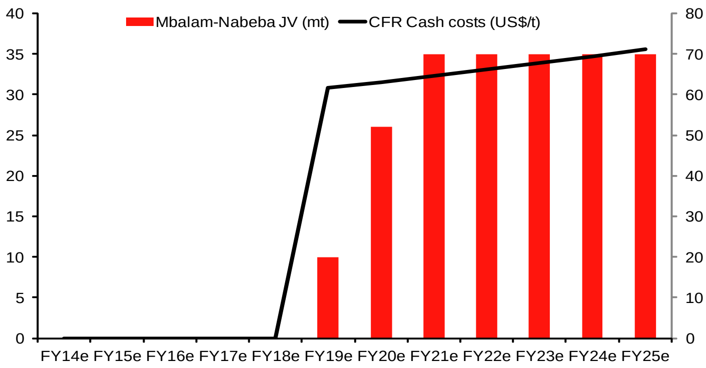
EARNINGS		FY11	FY12	FY13	FY14e	FY15e	FY16e
Sales Revenue	A$m	0	0	0	0	0	0
Other Revenue	A$m	0	0	0	0	0	0
Total Revenue	**A$m**	**0**	**0**	**0**	**0**	**0**	**0**
Operating Costs	A$m	0	0	0	0	0	0
Operational EBITDA	**A$m**	**0**	**0**	**0**	**0**	**0**	**0**
Exploration Expense/Write-offs	A$m	0	0	0	0	0	0
Corporate & Other Costs	A$m	(21)	(23)	(29)	(20)	(10)	(11)
EBITDA	**A$m**	**(21)**	**(23)**	**(29)**	**(20)**	**(10)**	**(11)**
D&A	A$m	(2)	(3)	(2)	(2)	(2)	(2)
EBIT	**A$m**	**(23)**	**(26)**	**(31)**	**(22)**	**(12)**	**(13)**
Net Interest	A$m	3	3	2	1	9	16
Profit Before Tax	**A$m**	**(20)**	**(23)**	**(29)**	**(21)**	**(3)**	**4**
Tax Expense	A$m	0	0	0	5	(150)	2
Minorities	A$m	(2)	(2)	(2)	2	0	0
Adjusted NPAT	**A$m**	**(22)**	**(25)**	**(32)**	**(15)**	**(153)**	**6**
Associates	A$m	0	0	0	0	502	(11)
Reported NPAT	**A$m**	**(22)**	**(25)**	**(32)**	**(15)**	**349**	**(5)**

CASHFLOW		FY11	FY12	FY13	FY14e	FY15e	FY16e
Net Profit	**A$m**	**(22)**	**(25)**	**(32)**	**(15)**	**349**	**(5)**
Interest/Tax/D&A	A$m	(43)	3	2	(3)	157	(150)
Working Capital/other	A$m	3	6	10	(1)	(502)	11
Net Operating Cashflow	**A$m**	**(62)**	**(17)**	**(19)**	**(18)**	**4**	**(144)**
Capex	A$m	(3)	(42)	(26)	(20)	0	0
Investments	A$m	0	0	0	0	592	0
Sale of PPE and Other	A$m	0	0	0	0	0	0
Free cash flow	**A$m**	**(65)**	**(59)**	**(46)**	**(38)**	**596**	**(144)**
Dividends Paid	A$m	0	0	0	0	0	0
Debt	A$m	0	0	5	0	0	0
Equity Issuance	A$m	58	48	1	40	0	0
Other	A$m	0	0	0	0	0	0
Net Financing Cashflow	**A$m**	**58**	**48**	**6**	**40**	**0**	**0**
Net change in cash	**A$m**	**(6)**	**(11)**	**(39)**	**2**	**596**	**(144)**

BALANCE SHEET		FY11	FY12	FY13	FY14e	FY15e	FY16e
Cash	A$m	70	59	20	21	617	473
PP&E & Mine Development	A$m	142	169	229	247	0	0
Exploration	A$m	0	0	0	0	0	0
Total Assets	**A$m**	**220**	**233**	**254**	**274**	**1,218**	**1,063**
Debt	A$m	0	0	5	0	0	0
Total Liabilities	**A$m**	**5**	**5**	**12**	**9**	**94**	**45**
Total Net Assets / Equity	**A$m**	**214**	**228**	**242**	**266**	**1,123**	**1,018**
Net Debt / (Cash)	A$m	(70)	(59)	(15)	(21)	(617)	(473)
Gearing (net debt/(nd + equity))	%	(49%)	(35%)	(7%)	(9%)	(122%)	(87%)
Gearing (net debt/equity)	%	(33%)	(26%)	(6%)	(8%)	(55%)	(46%)

ATTRIBUTABLE MINE OUTPUT		FY11	FY12	FY13	FY14e	FY15e	FY16e
Iron-ore Mined (kt)							
Mbalam-Nabeba hematite	kt	0.0	0.0	0.0	0.0	0.0	0.0
Mbalam-Nabeba itabirite	kt	0.0	0.0	0.0	0.0	0.0	0.0
Mbalam-Nabeba JV	**kt**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash costs							
Mbalam-Nabeba hematite	(US$/t)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Mbalam-Nabeba itabirite	(US$/t)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

OPERATIONAL OUTLOOK



RESERVES AND RESOURCES (ATTRIBUTABLE)

Iron-ore hematite reserves							
Project	Mt	Fe	CaFe	SiO2	Al2O3	P	LOI
Mbarga DSO	83.9	63.6%	64.7%	4.6%	2.3%	0.08%	1.7%
Mbarga transition	43.1	63.0%	63.8%	8.0%	1.2%	0.05%	1.3%
Total Mbarga	127.0	63.4%	64.4%	5.8%	1.9%	0.07%	1.6%
Nabeba DSO	249.7	62.8%	64.8%	3.3%	3.0%	0.10%	3.1%
Nabeba transition	59.6	60.1%	62.6%	6.5%	2.1%	0.08%	4.0%
Total	**436.3**	**62.6%**	**64.4%**	**4.5%**	**2.6%**	**0.09%**	**2.8%**

Iron-ore hematite resources							
Project	Mt	Fe	CaFe	SiO2	Al2O3	P	LOI
Mbarga	207.3	56.6%	57.8%	13.3%	3.2%	0.08%	2.0%
South Mbarga	20.7	57.5%	59.4%	10.4%	3.6%	0.07%	3.2%
Total Mbarga	243.2	56.8%	58.1%	13.0%	3.3%	0.08%	2.1%
Nabeba Main	472.0	57.9%	60.4%	7.6%	4.7%	0.11%	4.1%
Nabeba Northwest	50.3	52.8%	57.3%	9.2%	5.6%	0.09%	7.9%
Total	**765.5**	**57.2%**	**59.5%**	**9.4%**	**4.3%**	**0.10%**	**3.8%**

Iron-ore Itabirite resources							
Project	Mt	Fe	CaFe	SiO2	Al2O3	P	LOI
Mbarga	2,325	38.0%	38.1%	44.3%	0.4%	0.0%	0.3%
Nabeba	1,722	33.9%	34.8%	42.5%	2.7%	0.1%	2.6%
Total	**4,047**	**36.3%**	**36.7%**	**43.6%**	**1.4%**	**0.0%**	**1.3%**

EQUITY DCF VALUATION		
Projects	**A$m**	**A$ps**
Mbalam-Nabeba JV	554	0.16
Exploration	0	0.00
Other	0	0.00
Undeveloped Resources	0	0.00
Unpaid capital	0	0.00
Corporate/forwards	(54)	(0.02)
Net cash (debt)	40	0.01
Net Equity Value (@ 15% WACC)	**540**	**0.15**
Price Target	**(1x NPV)**	**0.15**

Source: Sundance Resources, Macquarie Research, January 2014

Valuation, recommendation, risks

We assume SDL sells half its stake in a funding deal

We are initiating coverage on SDL with an Outperform recommendation and set a A$0.15 price target. Securing funding to develop the US$5bn Mbalam-Nabeba project in Cameroon/Congo remains the key catalyst for the stock. Our base case valuation assumes SDL is able to secure a funding agreement in 2014 by selling 50% of its 76.5% interest in the project for US$500m. The sell down should remove the need for SDL to raise additional equity.

We are confident the management team can deliver an accretive outcome

SDL boasts an experienced board and management team. Our Outperform rating on the stock largely reflects our confidence that the SDL team will be able to deliver a value adding outcome for shareholders, whether it be a sell-down into a JV which is our base case, or an outright sale of the asset.

Sum-of-the-parts NPV

The company expects, as do we, that the Mbalam-Nabeba will produce 35mtpa of high grade hematite DSO ore for at least 10 years. The project also has a long-term option to process the lower grade itabirite ore, which could extend the life of the project beyond 30 years. The operational assumptions used in our base case valuation are broadly in line with company guidance. The structure of the project funding agreement is the key variable and risk to our price target.

Fig 7 SDL NPV breakdown

Projects	A$m	A$ps
Mbalam-Nabeba JV	538	0.15
Corporate/forwards	(54)	(0.02)
Net cash (debt)	41	0.01
Net Equity Value (@ 15% WACC)	**525**	**0.15**
Price target		**0.15**

Source: Sundance Resources, Macquarie Research, January 2014

Earnings outlook

SDL's earnings at the associate level

We don't expect SDL to generate any meaningful earnings over the next five years as we do not expect production from the Mbalam-Nabeba project to commence until FY19. Our base case development scenario for SDL assumes the project operates as a standalone joint venture, with SDL's share of earnings reported at the associate line in the company's income statement.

Distributions from the JV not expected until 2023

We expect cash flow from the Mbalam-Nabeba JV to come in the form of dividends, although we do not expect dividend payments to commence until project debt has been fully repaid, which we forecast to occur in 2023. SDL will be required to make equity contributions to the Mbalam-Nabeba JV during the construction period; however we believe that the proceeds from the initial sell-down should be sufficient to meet SDL's equity funding requirements.

Sensitivity analysis

WACC and iron-ore price assumptions critical

We assume a 15% WACC for SDL, higher than for most other iron-ore development plays in our coverage universe. Reducing our WACC from 15% to 12% would nearly double our price target from $0.15 to $0.29 based on our long-term iron-ore price of US$90/t.

Fig 8 NPV sensitivity to iron-ore prices and WACC

WACC / Iron-ore price US$/t	US$70/t	US$80/t	US$90/t	US$100/t	US$110/t
10%	(0.01)	0.22	0.46	0.69	0.92
12%	(0.07)	0.11	0.29	0.47	0.66
15%	(0.12)	0.01	0.15	0.26	0.39
17%	(0.14)	(0.04)	0.07	0.17	0.27
20%	(0.17)	(0.09)	(0.01)	0.07	0.15

Source: Macquarie Research, January 2014

Key risk is securing finance

Key risks

⇒ **Debt financing:** The most significant risk to our base case valuation is our assumption on how the project is funded. Should SDL not be able to secure a financing partner to provide the US$4bn of debt required to develop the project then aside from an outright sale of the asset, our valuation would come under pressure.

⇒ **Equity financing:** Our base case scenario assumes SDL sells 50% of its 76.5% interest in the Mbalam-Nabeba project for US$500m. The sale price provides more than enough cash for SDL to meet its equity funding requirements for the project as well as funding its own corporate overhead costs.

⇒ **Development:** Our development scenario for the Mbalam-Nabeba project assumes a similar construction period and cost as outlined in the definitive feasibility study. The DFS was completed in 2010 and while we have made some adjustments for inflation we concede that the final capital cost could be higher than our US$5bn assumption.

⇒ **Operational:** We have assumed similar operating costs, production ramp up, and production rates as outlined in the definitive feasibility study. The Mbalam-Nabeba project is a greenfield development and we note there is risk that actual operating costs could differ from our estimates.

Funding deal is critical

Asset sell-down most likely

Project capex too much for SDL to absorb

We suspect SDL will have to sell some of the project to get a deal away

With a market capitalisation of ~A$280m we believe it is unrealistic for SDL to attempt to fund and develop the Mbalam-Nabeba project. Our development scenario assumes a pre-production capital cost of US$5bn. Even assuming most of the infrastructure capex can be separated into a specific funding vehicle, we still believe SDL will need to sell down equity in the project to secure the sufficient funds to meet its funding requirements.

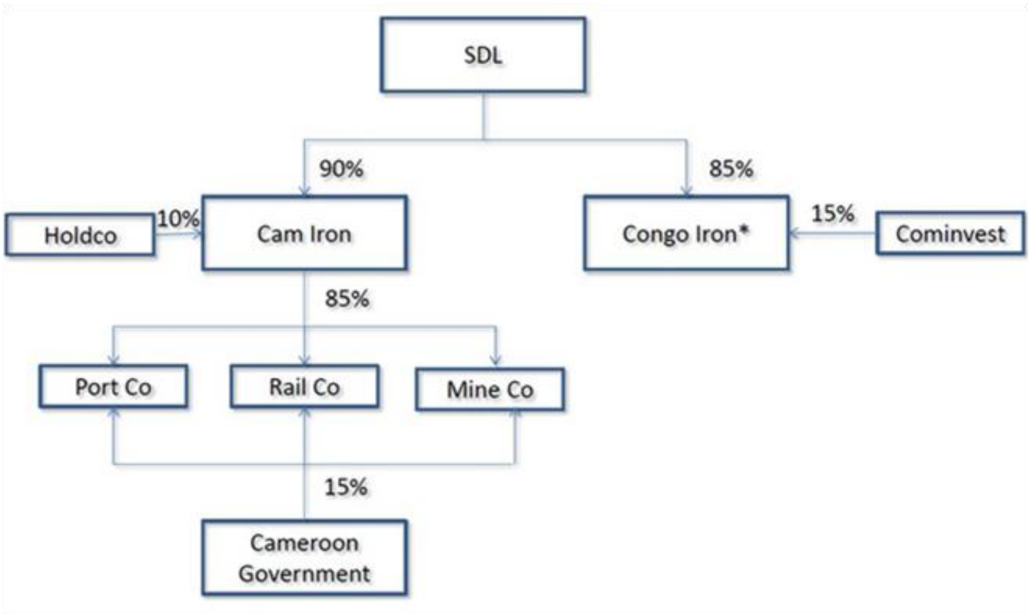
Current ownership structure

SDL currently owns 90% of Cam Iron and 85% of Congo Iron

The Mbalam and Nabeba projects are owned 100% by the Cam Iron and Congo Iron entities, respectively. Both companies are subject to a 10% free carried interest right held by each by the respective Governments which are free carried. In addition, the Cameroon Government can acquire a further 5% interest through loan participation.

SDL currently owns 90% of Cam Iron (Mbalam) and 85% of Congo Iron (Nabeba). Holdco and Cominvest are both private investment companies located in Cameroon and Congo, respectively. Cam Iron was the original vendor of the project and Cam Iron held a majority stake in Congo Iron at the time of the acquisition.

Fig 9 Mbalam-Nabeba project ownership



Source: Sundance Resources, January 2014

We assume SDL has to give up half its ownership

Post Government buy-in SDL's stake falls to 76.5% in both projects

Post the exercise of the free carried buy-in rights of the Cameroon and Congo Governments, SDL's sake in both projects will reduce to 76.5%. We believe the company will have to sell half its stake to secure a funding and development partner for the project. Our development scenario assumes SDL sells 50% of its holding to reduce to 38.25% in exchange for a development partner providing funding for the project.

Fig 10 SDL expected to farm down to 38.25%

Sundance	Current	Govt buy-in	Post sell-down
Cam Iron	90%	76.5%	38.25%
Congo Iron	85%	76.5%	38.25%

Source: Sundance Resources, Macquarie Research, January 2014

We assume SDL ends up with a 38.25% stake

Our base case assumption of a sell-down by SDL to help achieve its equity funding requirement will see the interest in the project split five ways. SDL and its funding partner (or consortium) will be the major shareholder at 38.25% each. The project vendor, Hold Co, will reduce to 8.5% while Congo Mining's stake will fall to 13.5%. Government interests will be 15% for Cameroon and 10% for Congo.

Fig 11 Mbalam-Nabeba ownership structure post sell down

Ownership	Cam Iron	Congo Iron
Sundance Resources	38.25%	38.25%
Funding Partners	38.25%	38.25%
Cameroon Hold Co	8.5%	
Congo Mining		13.5%
Government interest (free carried)	15.0%	10.0%
Total	**100.0%**	**100.0%**

Source: Sundance Resources, Macquarie Research, January 2014

Project funding breakdown

Project gearing expected to be upwards of 80%

SDL has indicated it is targeting a high level of gearing for the Mbalam-Nabeba project. The level of gearing will depend on whether separate vehicles can be established for the rail and port infrastructure, which can then target additional third-party tonnes. Our base case assumes Mbalam-Nabeba JV gearing peaks at 80%. We note that if this level of gearing is not achieved then SDL may need to contribute additional equity to the project.

Fig 12 Funding breakdown

Funding breakdown	US$m
Sources of funds	
Equity	1,066
Debt	4,510
Total	5,576
Uses of funds	
Capex	5,000
Working Capital	576
Total	5,576

Source: Sundance Resources, Macquarie Research, January 2014

Equity requirement estimated at ~US$1bn

The total equity requirement for the project assuming an 80% gearing ratio can be achieved is expected to be around ~US$1bn. Our base case development scenario for the Mbalam-Nabeba project assumes SDL sells 50% of its 76.5% interest in the project (post government buy-in) for US$500m, a slight discount to our NPV_{15} for the project.

Fig 13 Sell down sufficient to meet SDL's equity funding requirement

Equity breakdown	US$m
SDL	453
Funding partners	453
Minority funding	160
Total	1,066

Source: Sundance Resources, Macquarie Research, January 2014

An outright sale is still possible

SDL could sell the project outright

While our base case currently assumes SDL retains a major stake in the Mbalam-Nabeba project we would not rule out an outright sale of the asset. We currently value the Mbalam-Nabeba project at ~US$1bn on a 100% basis assuming the project secures sufficient funding. Should SDL look to sell the project we believe a 0.4-0.6x NPV valuation could be achieved through an outright sale of the project.

A project of significant scale

Potential to produce 35mtpa for over 30 years

A significant independent producer

Mbalam-Nabeba a unique development opportunity

SDL's Mbalam–Nabeba is one of a very limited number of major development projects with the potential to produce over 30mtpa that is not Government controlled or owned by the global resource majors ore iron-ore producers (BHP Billiton, Rio Tinto, Vale, Glencore, Anglo American, Fortescue Metals Group). The only other project of significant scale that is under development is Hancock Prospecting's Roy Hill project.

Project overview and background

Located in Cameroon and Republic of Congo

The Mbalam–Nabeba Iron Ore project is located across two countries in Central Western Africa with tenements totalling 1,740km^2. Exploration work was first undertaken between 1976 and 1984 by the UN, which resulted in a resource of 218mt of hematite and 587mt of itabirite being defined. SDL acquired the project in March 2006 for a small cash consideration and the issue of 140m shares. The vendor retained a 5% free-carried interest in the project through to the completion of the BFS.

Fig 14 Mbalam–Nabeba project location

Source: Sundance Resources, January 2014

A globally significant resource base

A world class DSO resource

SDL has defined a major resource base at its Mbalam–Nabeba project. Mineralisation consists of both hematite and itabirite; however the initial development of the project is only expected to focus on the hematite mineralisation. Drilling to date has defined a high grade hematite resource of 765mt @ 57.2% Fe.

Fig 15 Mbalam-Nabeba hematite resources

Project	Mt	Fe	CaFe	SiO2	Al2O3	P	LOI
Mbarga	207.3	56.6%	57.8%	13.3%	3.2%	0.08%	2.0%
South Mbarga	20.7	57.5%	59.4%	10.4%	3.6%	0.07%	3.2%
Total Mbarga	243.2	56.8%	58.1%	13.0%	3.3%	0.08%	2.1%
Nabeba Main	472.0	57.9%	60.4%	7.6%	4.7%	0.11%	4.1%
Nabeba Northwest	50.3	52.8%	57.3%	9.2%	5.6%	0.09%	7.9%
Total	**765.5**	**57.2%**	**59.5%**	**9.4%**	**4.3%**	**0.10%**	**3.8%**

Source: Sundance Resources, Macquarie Research, January 2014

There is more DSO ore in the Congo

We note that 70% of the hematite resources are located at the Nabeba project in Congo. However as the Mbarga mineralisation in Cameroon contains higher silica and lower alumina while the Nabeba mineralisation contains lower silica and higher alumina, we expect both projects to be developed and mined concurrently with product blended most likely at the port.

Reserve base underpins a 10-year life

Blending from both countries is our base case

Reserves defined at Mbalam–Nabeba total 436mt @ 62.6% Fe. The reserve underpins a mine life of 10-12 years depending if the transitional material is included. As with the resources there is a favourable variation of silica and alumina levels in the Mbarga and Nabeba ore that suggests that blending ore from both projects will generate a superior product.

Fig 16 Mbalam-Nabeba hematite reserves

Project	Mt	Fe	CaFe	SiO2	Al2O3	P	LOI
Mbarga DSO	83.9	63.6%	64.7%	4.6%	2.3%	0.08%	1.7%
Mbarga transition	43.1	63.0%	63.8%	8.0%	1.2%	0.05%	1.3%
Total Mbarga	127.0	63.4%	64.4%	5.8%	1.9%	0.07%	1.6%
Nabeba DSO	249.7	62.8%	64.8%	3.3%	3.0%	0.10%	3.1%
Nabeba transition	59.6	60.1%	62.6%	6.5%	2.1%	0.08%	4.0%
Total	**436.3**	**62.6%**	**64.4%**	**4.5%**	**2.6%**	**0.09%**	**2.8%**

Source: Sundance Resources, Macquarie Research, January 2014

We assume only 10% of resources are converted to reserves

Our development scenario for the hematite DSO project at Mbalam–Nabeba assumes both projects are brought into production at the same time to enable blending of ore to achieve the target product grade. Our mining inventory assumption for the Mbalam–Nabeba hematite project assumes of 470mt assumes 10% of the hematite resources are converted to reserves over the life of the project.

A major capital commitment

US$4.7bn capex estimate made in 2010

The latest capex estimates for the Mbalam–Nabeba hematite project come from the definitive feasibility study completed in December 2010. Capex costs are estimates at US$4.7bn for the hematite development, which includes developing a mine at Mbalam and Nabeba as well as the construction of the rail and port facility.

We assume US$5bn to allow for inflation

We assume a total pre-production capex of US$5bn in our estimates to adjust for inflation. The construction period for the hematite project is estimated at just over 40 months. The long timeframe to build the project reflects the greenfield nature of the development, and the requirement to construct nearly 600km of rail in virgin country.

Fig 17 Mbalam-Nabeba project capex (US$m)

Capex breakdown	Hematite	Itabirite	Total
Mining, Processing	914	1,908	2,822
Rail	2,019		2,019
Port	537		537
Pellet Plant		400	400
Contingency and other	1,216	835	2,051
Total	**4,686**	**3,143**	**7,829**

Source: Sundance Resources, Macquarie Research, January 2014

Most of the approvals have been secured

Project largely de-risked from an approvals perspective

Operationally, SDL has done an excellent job in de-risking the project. The company has signed collective bargaining agreements with the Cameroon Government and the main union organisation in November 2012. The mining permit for the Nabeba project was awarded by Presidential Decree in February 2013. The Nabeba convention agreement is currently being reviewed by the Inter Ministerial Convention Review Committee.

Our development scenario broadly in line with guidance

Our estimates are similar to the DFS

We have assumed a similar capital cost and project ramp up as defined by the company's definitive feasibility study, adjusted for inflation. SDL has not given guidance as to how it will fund the US$5bn capex budget and the level of dilution that the company will endure to secure funding remain the key variable in our development scenario.

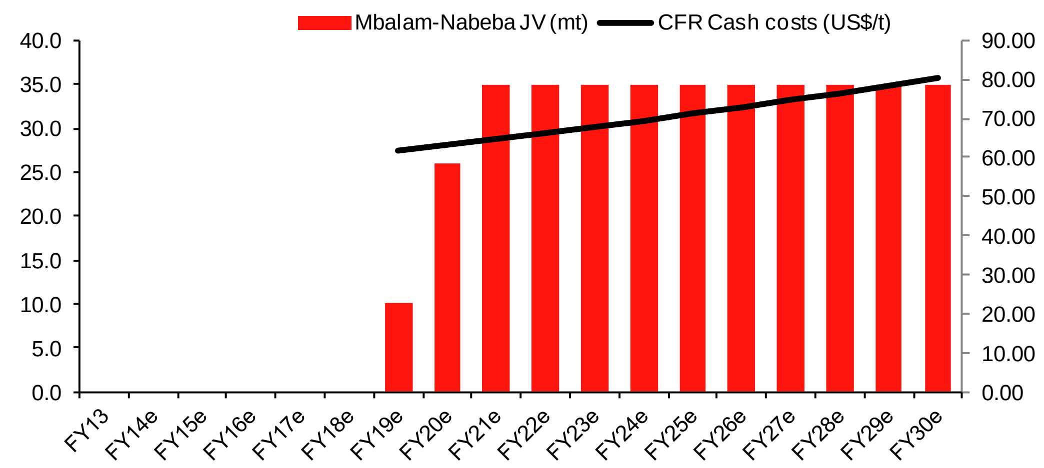
Strip ratio less than 1:1

Operationally, we assume a 35mtpa production rate for the DSO is achieved. The strip ratio of the project is low at less than 1:1. However, as we do not assume any processing of itabirite ore until after 10 years, we note that stockpiling of itabirite ore is likely during the life of the DSO project, effectively lifting the strip ratio.

C1 cash costs forecast to be US$21/t

Cash costs are expected to be very low on a C1 (FOB Cameroon) basis. Our development scenario assumes a C1 cash cost (excluding royalties) of US$21/t. We have assumed a shipping cost of US$16/t, 60% higher than the Australia-China cost and around 20% lower than the cost of shipping from Brazil to China. We note that the planned port at Cameroon will have the potential to receive Capesize vessels with up to 300,000DWT capacity, potentially lowering the cost of shipping ore to China.

Fig 18 Mbalam-Nabeba production statistics



Source: Sundance Resources, Macquarie Research, January 2014

Itabirite development in the long-term

Underpinning a multi-decade operation

Base case delivers strong returns

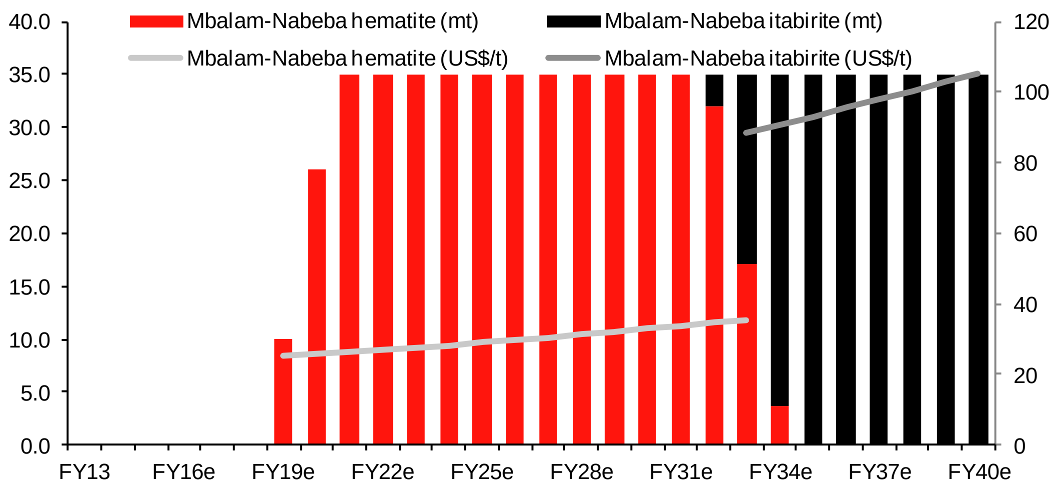
At depth the deposits become itabirite

We have included a full development for the itabirite project in our estimates. However we do not expect construction to commence until the hematite DSO operation is in its last five years of life. As a result, we assume construction of the itabirite project commences in 2028 with a 3.5-year build timeframe, allowing first itabirite concentrate production in 2032.

Leveraging off existing infrastructure itabirite capex is estimated at US$3.5bn

Our development scenario for the itabirite project assumes a capex cost of US$3.5bn. The project is expected to have a strip ratio of less than 1:1 and a mass recovery of 50%. We assume the same mining and infrastructure costs, as the hematite project in real terms and an additional US$10/t for the concentration process. The project has a solid 18% IRR, however given it doesn't start production into 2032, the NPV accounts for less than 5% of our total Mbalam-Nabeba JV NPV.

Fig 19 Mbalam-Nabeba itabirite development scenario



Source: Sundance Resources, Macquarie Research, January 2014

Significant upside to base case

Itabirite resource potential is ~10bt

SDL has already defined over 4.0bt of itabirite resources with an average grade of 36.3% Fe. In addition to the known resources, SDL has indicated that a further 9.3-13.2Bt of itabirite resource potential with an average grade of 30-40% Fe exists on SDL's Mbalam and Nabeba tenement packages.

Fig 20 Mbalam-Nabeba itabirite resources

Project	Mt	Fe	CaFe	SiO2	Al2O3	P	LOI
Mbalam	2,325	38.0%	38.1%	44.3%	0.4%	0.0%	0.3%
Nabeba	1,722	33.9%	34.8%	42.5%	2.7%	0.1%	2.6%
Total	4,047	36.3%	36.7%	43.6%	1.4%	0.0%	1.3%

Source: Sundance Resources, Macquarie Research, January 2014

We believe a larger scale development is likely

Given the potential size of the resource base, our base case assumption of 35mtpa significantly underestimates the potential value of the itabirite development. Should some of the indicated resource potential be proved up into resource and reserve, then we would expect a larger scale itabirite project to be developed.

However given the infrastructure planned for the initial hematite phase will be utilised for the itabirite project we suspect that a 50mtpa project is probably the maximum scale that could be developed without the need for further investment in port and rail infrastructure.

Appendices

Background

SDL has been focused on Mbalam since 2003

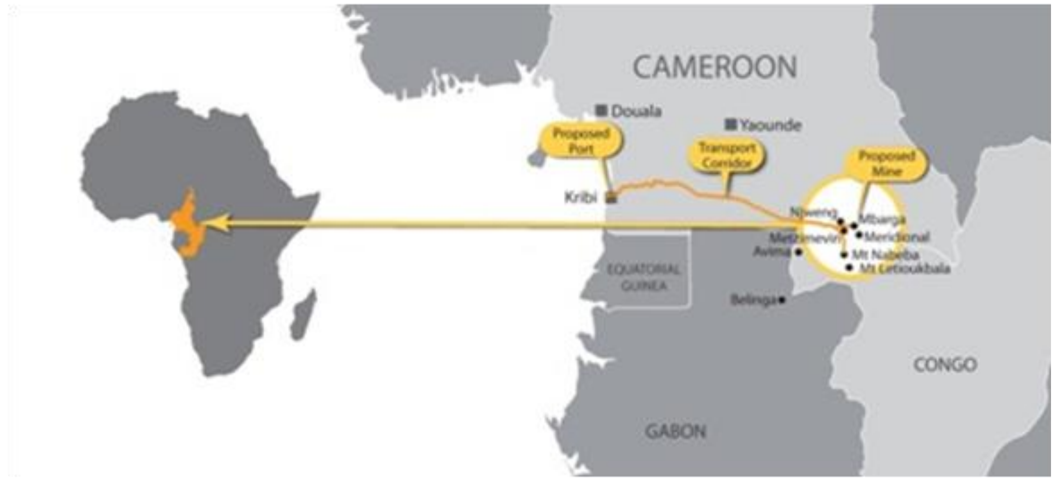
SDL was founded in 1993 as St Francis Mining, however the company has been focused on its iron-ore assets in Africa since 2003 when it changed its name to Sundance Resources. The company has undertaken a major drill out of the Mbalam and Nabeba deposits over the past 10 years spending over A$200m on resource drilling and project studies.

Key projects

A one asset company

SDL's core projects is the Mbalam–Nabeba project, which consists of a number of high grade hematite and itabirite deposits in Cameroon and Congo in central west Africa as well as the right to develop port and rail infrastructure in Cameroon and a rail spur from Cameroon to Congo to bring both projects into production.

Fig 21 SDL project location



Source: Sundance Resources, January 2014

Capital and shareholder structure

Complex capital structure

SDL's capital structure is somewhat complex. The company has 3,073m ordinary shares on issue, 4.5m unlisted options that are currently out of the money and 21.9m performance rights owned by key staff. Hanlong also holds a $5m convertible note.

Convertible notes could significantly alter major shareholders

In October 2013, SDL raised A$40m through the issue of convertible notes which has complicated the company's capital structure. The convertible notes included 460m free attaching options, with exercise prices ranging from A$0.10-0.12/share. Should all notes and options be converted to equity, then SDL's total shares on issue would increase to 3,514m.

Fig 22 SDL major shareholders

Substantial Shareholders	Shares (m)	%
Current		
Hanlong	433.8	14.1
Board and Management	21.4	0.7
Top 20	1,652.6	53.8
Potential post option and convertible note conversion		
Hanlong	486.4	13.8
Blackstone, DE Shaw Group and Senrigan consortium	460.0	13.1
Noble	366.7	10.4

Source: Sundance Resources, Macquarie Research, January 2014

Board and Management

Board of Directors

George Jones – Non-Executive Chairman

George Jones has been involved with the company for a number of years and has a comprehensive understanding of the company and its assets. Mr. Jones has more than 35 years' experience in the mining, banking and finance industries and has been a Director of a number of private and publicly-listed companies. He has been a Director since 2 July 2010.

Giulio Casello – Managing Director and Chief Executive Officer

Giulio Casello is a highly experienced executive with national and global exposure in manufacturing environments for blue chip organisations. Backed by 30 years of experience, he has a track record of success with operations, business development and corporate strategy. He has previously worked at Sinosteel Midwest as Chief Operating Officer, Century Aluminium Company in the United States of America where as Senior Vice President Business Development he was responsible for developing and implementing a growth plan in aluminium, alumina and critical raw material and managing new projects across the globe. He has also held a number of significant positions in Alcoa including Director of WA Operations, General Manager of Alcoa's World Chemicals and Location Manager of the Kwinana Alumina Refinery. He has been a Director since 8 November 2010.

Michael Blakiston – Non-Executive Director

Michael Blakiston is a solicitor with substantial legal experience in the resources sector. He is a partner of the corporate and resource law firm, Gilbert + Tobin and has over 30 years' experience. Mr. Blakiston holds Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of Western Australia. Mr. Blakiston has extensive commercial experience both in advisory and directorial capacities having been involved in project assessment, structuring and financing, joint ventures and strategic alliances in the resource industry. Gilbert + Tobin are currently engaged by Sundance Resources to provide ongoing legal advice. Mr. Blakiston has played a leading role in the negotiation and formulation of a number of key agreements relating to Sundance's Mbalam–Nabeba Iron Ore Project, and is currently involved in the progression of the Convention agreements with the Congolese and Cameroon Governments. He has been a Director since 2 July 2010.

Barry Eldridge – Non-Executive Director

Barry Eldridge has over 40 years' experience as a geologist and mining engineer in the resource industry both in Australia and overseas. Following a 20-year career in the coal industry in Queensland and New South Wales, Mr. Eldridge moved to Western Australia in 1988 where he has been involved in a number of management roles in the mining industry. Most notable of these have been Project Manager for the Super Pit in Kalgoorlie, Project Manager for the development of the Kanowna Belle gold mine, Managing Director of Forrestania Gold NL, Project Director for Rio Tinto's West Angelas iron ore development, Director – Major Projects for North Ltd, Managing Director of Griffin Coal Pty Ltd, Managing Director, Chief Executive Officer of Portman Ltd and Chairman of SNC-Lavalin Australia Pty Ltd. He has been a Director since 2 July 2010.

Fiona Harris – Non-Executive Director

Fiona Harris has extensive experience as a Non-Executive Director over the past 18 years, including with iron ore companies, other companies in the energy and natural resource sector, and companies with overseas operations. She has significant experience in mergers, acquisitions and other corporate activity. Ms. Harris was previously a member of the Australian Institute of Company Directors (AICD) National Board and a Western Australian State President. Ms. Harris is a former partner of KPMG Chartered Accountants, specialising in financial services and superannuation, capital raising, due diligence, initial public offerings, capital structuring of transactions and litigation support. She has been a Director since 12 July 2010.

Robin Marshall – Non-Executive Director

Robin Marshall is an experienced mining executive with an impressive track record of international experience in positions with several global mining groups including Project Director for Vale Inco at its world-class Goro Nickel Project, Vice-President – Asset Development Projects for BHP Billiton Iron Ore, Project manager for North Limited, Project Director with Iron Ore Company of Canada, Manager Project for Forrestania and Project services for Western Mining Corporation and Nedpac (Signet Engineering). Mr. Marshall has also spent a number of years in Africa in senior positions in both project and operational areas. He has been a Director since 14 October 2010.

David Southam – Non-Executive Director

David Southam is a Certified Practicing Accountant with more than 20 years of experience in accounting, banking and finance across the resources and industrial sectors. He is currently an Executive Director at ASX-listed nickel miner, Western Areas Ltd, and was previously the Chief Financial Officer of Gindalbie Metals Ltd and a Director of Karara Mining Ltd. Mr Southam was responsible for completing one of Australia's largest project financing transactions for 2010 and in securing life of mine off-take contracts with consortiums out of China. Mr. Southam also spent almost six years with Brambles Industries Limited in a number of finance executive roles, including Chief Financial Officer of Cleanaway Industrial. He has been a Director since 11 September 2013.

Key Management

Giulio Casello – Managing Director and Chief Executive Officer

See above.

David Meehan – Chief Operating Officer and Project Director

David Meehan joined Sundance Resources in July 2011 as Project Director for the M'Balam project development. David studied mining engineering in Edinburgh and trained as a mining engineer with the National Coal Board in the UK. Since graduating in 1971 he has spent 40 years in the development of major projects in the civil infrastructure, oil and gas and mining industries and has extensive experience in Africa, China, the Middle East and Russia. His recent experience includes leading a number of multi-billion dollar projects and also a period as corporate business unit Director of Major Projects for a large international project management contractor.

Rob Longley – General Manager, Geology

Rob Longley has been involved with Sundance at the Mbalam-Nabeba Iron Ore project since commencement of activities early in 2007. As General Manager of Geology, Rob has been involved from the first drill hole through to successful DFS. Rob has extensive experience in Iron Ore Exploration, Development and Mining, including Iron Ore Projects in Mauritania, West Africa and with Rio Tinto and BHP in Australia. Rob holds a First Class Honours degree in Geology from the University of Western Australia and is a Member of the Australian Institute of Geoscientists.

Paul De Nardi – General Manager, Finance and Commercial

Paul De Nardi joined Sundance in January 2010. Paul has an MBA in Finance and a Bachelor of Chemical Engineering. He has over 20 years experience in mining business development, project financing, corporate advisory and engineering construction. Prior to Sundance Resources Paul spent 9 years at Rio Tinto Iron Ore most recently as General Manager Global Development Iron Ore where he was responsible for the generation, financial and technical analysis, negotiation and execution of global iron ore project opportunities. Paul has also spent 11 years working in project and corporate finance within various investment banks (lastly as Senior Manager, Corporate Finance with JP Morgan) providing financial and structuring advice for corporations on resource, power and oil and gas project financings and as a chemical engineer on large oil and gas design and construction projects.

Alain Pfammatter – Group Manager, Human Resources

A Swiss national conversant in operating inter-country, Alain Pfammatter joined Sundance in June 2010. He holds a Bachelor of Political Science from the University of Lausanne, Switzerland, as well as graduate qualifications in Human Resource management gained in both Europe and Australia. He is a Certified Professional member (CAHRI) of the Australian Human Resources Institute. In Australia, Alain has held roles within BHP Billiton Nickel West, Georgiou Construction and Amcor. With over ten years experience in the human resource field in both corporate and operational environments, Alain has significant international experience across a variety of industries, notably with French group Bouygues.

Nicola Gill – Manager Business Services

Nicola Gill joined Sundance in July 2010 in the role of Acting CFO. Nicola is a Chartered Accountant with 20 years experience in the mining industry holding a variety of roles with manganese producer Consolidated Minerals Ltd, Xstrata's nickel division, Jubilee Mines NL, LionOre Mining and Sons of Gwalia. Nicola brings to SDL extensive financial, contractual, corporate governance and management experience.

Tim Sewell – Group Manager, Heath, Safety, Environment and Community (HSEC)

Tim has overall responsibility for the Heath, Safety, Environment, Community and Security activities for Sundance Resources. Tim has over 28 years experience in open cut, minex, projects and underground mining and has spent several years working in West Africa, Indonesia, Australia and Canada with Inco, Teck Cominco and BHP Billiton. Tim's educational background is in Environmental Studies and he has held various positions in a number of charities and is the founder of the special needs children's charity – Wingfest.

Jill Thomas – Manager, Investor Relations and PR

Jill joined Sundance Resources in November 2010. She has over 13 years experience in corporate communications and investor relations. Prior to joining Sundance she held various roles with ASX-listed resources companies including Woodside, Hardman Resources and Otto Energy, and as the General Manager of Communications and Advocacy for the RAC WA and as Corporate Communications Manager at Mitsubishi Motors Australia.

Marc Montadon – General Counsel

Marc is a qualified common law and civil law lawyer fully fluent in French (native tongue), English, German, Spanish and Portuguese. Marc has in excess of 20 years, multi jurisdictional, corporate commercial and legal experience. Marc has worked in Switzerland, England, and Australia, as a lawyer, as in-house counsel, in private practice and as a delegate of the International Red Cross for 2 years in Angola and Peru. Marc holds a law degree (Lic. Jur.) from Geneva University (Switzerland) and is admitted to practice in Western Australia, New South Wales, the United Kingdom, and Switzerland.

Clinton Booth – Deputy Project Director/Project Services Manager

Clinton joined Sundance Resources in February 2010. He has over 15 years project development experience encompassing all phases of a project from concept through to close-out, which includes more than eight years on iron ore projects. This experience has included open pit, underground mining and infrastructure projects. Prior to joining Sundance, Clinton spent time working for various engineering groups such as Fluor, SKM, KBR and TWP Australia, working on both the engineers and owner's side.

Carol Marinkovich – Company Secretary

Carol joined Sundance in July 2010 in the role of Assistant Company Secretary. Carol has over 20 years experience in the mining industry. She has extensive experience in Company Secretary and Corporate Governance Practices. Prior to joining Sundance, Carol worked at Portman Limited and various junior miners, both listed and unlisted. Carol is a member of Chartered Secretaries Australia.

Key Management - Africa

Serge Asso'o – Chief Executive Officer, Cam Iron SA

Serge Asso'o is a co-founder of Cam Iron SA and a member of the Cam Iron Board. Mr Asso'o played a decisive role on the process of securing the Mbalam-Nabeba iron ore tenement which was eventually sold to Sundance Resources. After acquiring his Baccalaureat Degree at Lycée Descartes in France, Mr Asso'o spent two years at French agro-business school ESMAP before specialising in agricultural business at the University of Georgia in USA.

Prior to engaging with Cam Iron, he managed the family timber and forestry business and started a small marketing company specialising in diamond and gold in Cameroon. Serge has a strong entrepreneurial business sense and an outstanding reputation among the local business and mining sectors in central Africa. He has a large network of industry and government contacts which is benefiting the public relations and government affairs initiatives within Cameroon to advance the Mbalam-Nabeba project to development.

Bruno Pennetier – Country Manager, Cam Iron SA

Bruno Pennetier was appointed as Country Manager Cameroon in January 2011. He has a BA in business administration from Le Havre business school. Bruno has spent most part of his career with the Swiss cement group HOLCIM, one of the main groups producing building materials products. Bruno has over 20 years in managing industrial companies and development projects in manufacturing environments.

He has a very good knowledge of Africa as General Manager for HOLCIM in Sierra Leone, Gabon and Guinea. Bruno has been also in charge of group of companies as HOLCIM Overseas, taking over the global business in Reunion Island, Madagascar, Mauritius and New Caledonia before setting up HOLCIM in Algeria.

Aimé Emmanuel Yoka – General Manager, Congo Iron SA

Aimé Emmanuel Yoka was appointed as the Country Manager/General Manager for Congo Iron in August 2013. He brings to the group over 10 years of International Advisory, Business, Energy and Mining experience, most recently with BHP Billiton in Singapore where he gained extensive commercial experience as a senior strategist and analyst in both energy and metals commodities.

Emmanuel is fluent in French and English and has fair ability in Mandarin and Spanish. He holds a Bachelor of Science in Physics and Mathematics from Columbia University (New York, USA) as well as a Master of Science (Honors) in Energy Studies (specialisation in international oil and gas management) from Dundee University (Scotland, UK) where he graduated with overall distinction. He is a member of both the Society of Mining, Metallurgy and Exploration (SME) and Society of Petroleum Engineers (SPE).

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell)– return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2013

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	47.89%	60.13%	37.97%	39.49%	59.64%	48.65%	(for US coverage by MCUSA, 6.52% of stocks followed are investment banking clients)
Neutral	35.56%	22.65%	46.84%	54.50%	35.54%	32.43%	(for US coverage by MCUSA, 4.35% of stocks followed are investment banking clients)
Underperform	16.55%	17.22%	15.19%	6.01%	4.82%	18.92%	(for US coverage by MCUSA, 0.00% of stocks followed are investment banking clients)

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