



ASX Announcement | Media Release
28 April 2016

QUARTERLY ACTIVITIES REPORT PERIOD ENDED 31 MARCH 2016

Summary:

- **Settlement of Porter litigation**
- **Successful completion of Entitlement Offer**
- **EPC contract signing postponed**
- **Cameroon representatives visit China to progress Project**
- **Implementation of further cost-cutting including board changes**
- **Cash on hand at 31 March 2016 of \$4.3 million**
- **Post-quarter end:**
 - **Congo Parliament ratifies convention**

Sundance Resources Limited (ASX: SDL) ("**Sundance**" or "**the Company**") provides the following information about activities for the quarter ended 31 March 2016:

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 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 were made in relation to either interest or costs however these are estimated to be in the order of \$3 million.

On 18 January 2016, Sundance announced 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 was a prudent and commercial decision in the best interests of all shareholders. 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 totaled \$11.5 million and included a cash payment of \$0.5 million when the Prospectus was lodged for the pro-rata renounceable Entitlement Offer.

ENTITLEMENT OFFER

On 18 January 2016, the Company announced to the ASX that in conjunction with the settlement with Mr Porter, it had appointed Patersons Securities Limited (“**Patersons**”) as Lead Manager for a 1-for-1 pro-rata renounceable Entitlement Offer at an issue price of \$0.005 per share to raise up to \$16.5 million. Each new share subscribed came with an attaching 1-for-1 free option exercisable at \$0.006 per share before 31 August 2017.

On 3 February 2016, the Company announced to ASX it had lodged a Prospectus with ASIC and ASX for the Entitlement Offer, detailing the following:

- The rights issue would be partially underwritten by Patersons for an amount of \$13.25 million and Patersons had entered into sub-underwriting arrangements with Mr David Porter for \$11 million and other investors for \$2.25 million;
- The proceeds of the Entitlement Offer, net of expenses, together with existing cash reserves would be used for the following purposes:
 - to pay Mr Porter in cash \$500,000 and a portion of the proceeds received by Sundance from the Entitlement Offer in accordance with the terms of a deed of release and settlement dated 17 January 2016 between the Company, Mr Porter and Absolute Analogue Inc;
 - 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;
 - continuing the process of negotiating and then agreeing the terms of an equity investment into the Mine Infrastructure; and
 - general working capital purposes.

The Entitlement Offer closed on 2 March 2016 with subscriptions received from shareholders totaling \$2.3 million, resulting in a shortfall of \$10.94 million that was taken up by Mr Porter pursuant to the underwriting agreement.

On 8 March 2016, the Company announced the issue and allotment of:

- 2,936,750,000 fully paid ordinary shares at an issue price of \$0.005 each; and
- 2,824,250,000 options exercisable at \$0.006 each on or before 31 August 2017.

As a consequence of the completion of the Entitlement Offer and the underwriting by Mr Porter, the litigation with Mr Porter and his associates has been settled in full. Mr Porter now owns 35.1% of the Company.

PORT AND RAIL DEVELOPMENT PROCESS UPDATE

During the December quarter, the Cameroon Government and Sundance made excellent progress on finalising the appointment of an Engineering, Procurement and Construction (“**EPC**”) contractor for the port and rail components of the Mbalam-Nabeba Iron Ore Project (“**Project**”) in Cameroon and the Republic of Congo. Sundance provided the Government of Cameroon with technical and commercial support during the selection of the preferred contractor and throughout the contract negotiations.

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

During the quarter the Cameroon Government sent representatives to China to discuss progress of the Project. The Government delegation was well received by financial institutions, MOFCOM and the EPC contractor, with strong support shown for the Project.

Feedback from the delegation was that the funding for the Project is available in China and support for development of the Project exists. The Cameroon government expects that the EPC contract for the construction of the port and rail will be signed and a number of potential equity partners for the mines have been identified. Sundance will work with the Cameroon Government, the EPC contractor and potential equity partners into the mines to progress the development of the Project.

As at the end of March, discussions with potential equity partners were yet to commence and the timing for the signing of the EPC contract remained unclear.

CONGO PARLIAMENT RATIFIES CONVENTION

On 25 July 2014, Sundance announced that the Republic of Congo convention had signed the Nabeba Mining Convention (“**Convention**”). The Convention outlines the fiscal and legal terms and the conditions to be satisfied by Congo Iron SA for the development and management of the Nabeba Iron Ore Project. The key terms were set out in the ASX release of 25 July 2014.

On 8 April 2016, the Convention was unanimously ratified by both houses of Parliament in Congo. This allows the Convention to be promulgated into law when signed by the Congolese President, which is now expected to be a formality.

This ratification is not only testament to the ongoing support Sundance has received from the Congolese Government, but it demonstrates the belief local authorities have had in the Project and its current structure. For both the Republic of Congo and Cameroon, the Project represents a major opportunity to increase GDP and strongly improve local job creation over the coming years.

The Project conditions are guaranteed for the next 25 years, making it relatively risk-free at a national level.

COST REDUCTIONS

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 included the following:

- 60 personnel across Perth, Cameroon and Congo were made redundant, resulting in 10 full time direct employees remaining (two in Perth with eight in Cameroon and Congo);
- Number of Directors on the Board reduced from 6 to 3;
- IT changes to eliminate need for servers and communication infrastructure in Perth, Cameroon and Congo; and
- Decommissioning and sale of assets in Cameroon and Congo to reduce operating costs.

The Company has retained the services of the Cam Iron CEO, Mr Serge Asso’o; the Congo Iron CEO, Mr Emmanuel Yoka; and on a part time basis the Country Manager in Cameroon Mr Bruno Pennetier.

BOARD CHANGES

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



In addition, Alan Rule stepped down as CFO and was appointed a non-executive director so that Sundance will 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).

CORPORATE

Total cash outflow for the quarter excluding interest was \$5.2 million, which was above the forecast of \$4.5 million due redundancy payments, legal costs, fees on the rights issue and a reduction in working capital. Offsetting this was the inflow of \$2.3 million from the Rights Issue.

In the coming quarter a cash outflow of \$1.2 million from operations is expected together with an additional reduction in working capital of \$0.7 million.

Sundance ended the quarter with \$4.3 million in cash and deposits.

PATH FORWARD

Even though timing is uncertain, key focus points for the coming quarter are:

- Ensuring cost reductions are locked in place while supporting all statutory requirements for the Perth, Cameroon and Congo entities;
- Preparing for discussions with equity investors into the mines; and
- Supporting the Cameroon Government as required to advance the port and rail infrastructure funding.

SHAREHOLDING STRUCTURE

As at 31 March 2016, Sundance had the following on issue:

- 6,239,308,630 ordinary fully paid shares;
- 6,762,180 performance rights;
- 720,000,000 unlisted options exercisable at \$0.0695 each on or before 23 September 2019;
- 2,824,250,000 listed options exercisable at \$0.006 each on or before 31 August 2017; and
- 3,410,000 unlisted convertible notes.

Since the end of the quarter 800,576 listed options were exercised and converted into ordinary fully paid shares.

EXPENDITURE

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

COMMENT FROM THE CEO

Sundance Managing Director Giulio Casello said: *"It has been a difficult quarter in a difficult environment for iron ore. Following the unexpected news on the EPC contract delay and the Porter case judgement, we were left with no option but to let go of many excellent employees in Perth, Cameroon and Congo and that wasn't easy. But, we have done what was needed to secure the Company into 2017, raising \$2.3 million and resolving the litigation matters with Mr Porter.*

"I also believe we are seeing progress on the Project. I had face-to-face meetings with representatives of the Cameroon Government following their visit to China in which they spoke of continuing strong support. They reinforced their support for Sundance and the development of the Project. I was assured that they are pursuing the EPC contract and funding for the infrastructure and they will support Sundance in dealings with potential equity partners.



“The recent ratification of the Nabeba convention in Congo by both houses of Parliament has further strengthened our position and we are appreciative of the continued support we are receiving from the Congolese Government.

“We will do everything within our power to keep the Project in good standing and continue to explore opportunities to take it forward where circumstances permit.”

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 and the half-year ended 31 December 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 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.