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Sundance Resources Limited flagged at its recent AGM a proposed increase in annual production up to 50 million tonnes per annum for its Mbalam Iron Ore Project in Cameroon, West Africa. Why are you contemplating this increase when several Australian iron ore producers have been forced to reduce short-term production targets?

MD Don Lewis

It needs to be recognised that Mbalam is a very large, long-term iron ore project.

In November 2008, we announced a 0.5 billion tonne increase in Inferred Resources at the Mbarga Deposit, to a total of 2.45 billion tonnes.

This makes Mbarga one of the largest known iron ore deposits in the world that is NOT controlled by a major mining group or steel producer. This is a real competitive advantage for Sundance as it offers the opportunity for the project to be a long life independent producer – this is of great value to major steel producers looking to diversify their long-term supply options.

As soon as we announced this increase in resources at Mbarga, we commenced a review of the optimal scale of production from the deposit. We have just completed the first phase of this review which has shown that staged production

up to 50 million tonnes per annum appears achievable over the first 20 years of operations, solely from currently estimated resources at Mbarga. This still leaves scope for further increases in capacity and/or mine life as additional resources are defined - a very important point as the project has significant exploration upside with less than 0.3% of our total landholding having been drilled to date. This really is a project of world scale.

Our planning of the Mbalam Project is based on taking maximum advantage of the size of the resource and the capacity of the proposed transport infrastructure. This dictates that we maximise production throughput.

This approach may seem counter to the current market, but Sundance is taking a long-term view in its development planning. The current downturn in financial and commodities markets will pass and I am quite confident that markets will have recovered by the time we come into production. We are therefore planning for generational growth in demand over the next twenty to thirty years, not market conditions in the next two or three years.

I am convinced that China, and other emerging economies, will underpin a return to strong commodities demand over the next few years and that major steel producers will position themselves to support new, large scale, independent producers such as Sundance.

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What are the implications of this increase in production for the Mbalam Project's capital cost and economics?

MD Don Lewis

The proposed increased in production can be delivered very efficiently as it requires minimal increase in transport and export infrastructure above that already required for 35 million tonnes per annum throughput. This dramatically reduces the capital cost of the project on an annual tonne production basis. It also reduces unit operating costs and shortens the capital payback period.

What we are proposing makes a lot of sense and we expect that it will be well supported by prospective customers. Sundance is also fortunate in that we are not yet in the construction or start-up phase of our project, which will enable us to take advantage of the more competitive construction cost environment and means that we currently carry no debt.

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You also indicated at the AGM that the Company has commenced discussions with a number of major industry groups who have expressed strong interest in respect of iron ore sales, equity and financing. Can you give more detail?

MD Don Lewis

Sundance recently commenced a process to identify potential strategic partners for the project. This process has attracted the attention of a number of major mining, steel producing and trading companies.

Expressions of Interest have been received from a range of groups. Discussions are continuing, with due diligence underway. Azure Capital is advising Sundance on this process.

The responses to date support our view that major industry groups are keen to ensure diversity of future supply of high quality product. We expect that recent announcements that a number of established iron ore producers are cutting production will make the Mbalam Project even more attractive as the major steel producers remain concerned about consolidation in the industry and the tightening of supply as existing operators defer expansion projects.

Mbalam has the resource base necessary to be one of the top ten iron ore projects in the world, so it is not surprising that we are attracting attention from some of the heavyweights of the global iron and steel industry.

Mbalam certainly brings something different to the table because of the quality of its product mix, the project's exploration upside, the potential for downstream processing opportunities based on low cost energy in Cameroon and the project's geographic location relative to key markets.

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What are the major strategic milestones achieved by Sundance and what are the immediate challenges for the Sundance Board and management team?

MD Don Lewis

Sundance has announced successive increases in tonnage and grade at Mbalam through 2008. We have exceeded our exploration targets both in terms of resources and timeline. This is a real credit to our exploration team. We are now undertaking in-fill drilling on the deposit to progressively convert the resource to Indicated and Measured status. This is being undertaken in the context of recent capital management initiatives by the Company including the conversion of some exploration services costs to equity.

Preliminary mine pit modelling estimates economically recoverable resources of around 200 million tonnes of DSO and 1.5 billion tonnes of itabirite from Mbarga with a strip ratio of less than 0.3: 1. The resource remains open at depth. This supports staged production of up to 50 million tonnes per annum of product over 20 years of operations.

We have drilled only around 10 km² of a total 3,755 km² landholding controlled by Sundance in this iron ore province. We plan to extend drilling on the Metzimevin deposit, where we have already identified "DSO-style" supergene mineralisation from drilling over recent months, and progress exploration over our

adjacent permits in the Congo. We have recently obtained some historical logs from drilling on the Nabeba deposit in the Congo which indicate interesting near-surface mineralisation similar to historical values reported at Mbarga and Metzimevin by the UNDP.

The main focus for 2009, however, will be to complete the Feasibility Study of the Mbalam Project, including Government and financing approvals. Confirmation of construction costs will be critical to this work program and we have commenced discussions with a number of major international contractors in this regard.

As mentioned previously, one important consequence of the financial crisis is that the capital cost environment is shifting in favour of large-scale projects such as Mbalam with material, equipment and engineering costs falling and improved access to labour and contractors. This will reduce capital costs and enhance the construction timeline to completion.

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What's your assessment of the iron ore market after your recent travels through Asia?

MD Don Lewis

There is little doubt that Chinese economic growth is slowing from its peak last year, probably to levels of around 7-8% per annum next year. That's still strong growth, which will be supported by recent fiscal stimulus measures announced in China and other countries around the world. We expect this growth to provide a solid base demand for key raw materials in the medium to long-term that will continue to underpin and sustain quality, iron ore projects.

The fact that major companies are continuing to invest in iron ore projects around the world sends a very positive message about the long-term future of the industry. We are certainly seeing evidence that major steel producers are continuing to encourage the development of high quality suppliers of iron ore independent of the major mining houses.

Of particular relevance to Sundance is the deal announced in October by a consortium of five major Japanese and Korean steelmakers and trading house Itochu Corporation to buy a 40% stake in the itabirite iron ore mining subsidiary of the Brazilian steel maker CSN for US\$3 billion. This is a major investment which rivals Anglo American's acquisition of Brazilian itabirite iron ore producer MMX earlier this year. Interestingly, our Mbalam Project holds resources equivalent, if not larger, than these Brazilian projects.

The value of recent iron ore transactions in Brazil is also enlightening. The transaction value for itabirite projects in Brazil is approximately US\$1.00/tonne of in-ground itabirite resource. Sundance's current market capitalisation is equivalent to only US\$0.05/tonne of in-ground resource – clearly a significant mis-match given that the quality and nature of the Mbarga itabirite is similar to the Brazilian itabirite ores.

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There has been a lot of press recently commenting on the quality of iron ore supply from newer producers, particularly from spot sales. How does the Mbalam ore compare on quality? Will there be any quality impact on the prices you will receive for Mbalam iron ore?

MD Don Lewis

One of the consequences of the financial crisis on the iron ore sector has been a flight to quality – in terms of project scale, product quality and longevity. This focus on product quality is also driven by energy and environmental pressures on major steel producers.

The strong demand and valuation for the Brazilian style itabirites I just mentioned is driven by the quality of the concentrate product. These itabirite ores can be upgraded to produce a premium quality iron concentrate with extremely low contaminant content.

Our testwork to date shows that the Mbalam itabirite can produce a similar high quality concentrate product. We have significant flexibility in terms of product range, with the itabirite upgrading to produce both Blast Furnace (“BF”) grade concentrate (65% Fe) and/or Direct Reduction (“DR”) grade concentrate (68% Fe). Silica, alumina and phosphorus contents are well within desired levels for both product streams.

Major steel producers are very keen to secure both DR grade concentrate, for pellet production, and BF grade sinter feed, where the high quality concentrate is blended with sinter fines sourced from sources such as Australia which have increasing contaminant levels.

The bulk of our DSO resource produces a run-of-mine product grading 62% Fe and around 5% silica. The balance of the DSO resource will be upgraded to maintain a consistent high quality DSO product grading 62% Fe, 5% silica, 2.8% alumina and 0.08% phosphorus. This product specification will be readily marketable to major mills.

Mbalam can therefore deliver high-grade itabirite concentrate and DSO products.

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Can you give an updated financial assessment of the project? What are some of the specific operational and technical advantages?

MD Don Lewis

Our financial modelling of the project gives an average annual cash flow of around US\$1.2 billion per year (real, calculated before tax and financing costs).

This modelling is based on our PFS cost and price estimates and assumes staged DSO and itabirite concentrate production over 20 years. The model gives an

ungeared project NPV of US\$2,300 – US\$3,000 million after tax (using a 10% discount rate). We have assumed long term iron ore prices 20% above 2007 contract prices which is significantly below current 2008 contract prices.

The Mbarga mining operation will be very low cost with a very low strip ratio. The Mbarga itabirite is similar to the Brazilian itabirites in generally having a higher feed grade and lower grinding index than magnetite iron ores. This leads to lower mining costs and better iron recoveries than similar projects.

Cameroon also offers very interesting energy opportunities with current supply dominated by low-cost hydro power. There is enormous capacity to increase this hydro-power supply. This is expected to lead to low power costs for itabirite beneficiation.

The country is also a fledgling gas producer, with potential to utilize these resources for value adding to part of our itabirite concentrate output through pellet production. We are also investigating the potential of a start-up pig iron operation. This staged value adding development model has been adopted very successfully by a number of Brazilian itabirite producers.

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What is the latest on dealings with the Cameroon Government? What support do you expect Sundance to get from development banks or agencies?

MD Don Lewis

Sundance is working closely with the Cameroon Government on the development terms required to progress the project. The Government rapidly renewed Exploration Permit No. 92 to September 2010 in accordance with the terms of the Cameroon Mining Code, a clear example of their commitment and understanding of the significance of the Project.

We are continuing to progress negotiations with the Government in respect of fiscal, equity and development terms which will underpin the project. While these negotiations are taking more time than anticipated, we are confident that agreement will be reached as we progress our Feasibility Study. The terms will ultimately be defined in the Mbalam Convention to be ratified by the Parliament of Cameroon prior to project commencement.

The Government is very supportive of Sundance and the project. Interest within Cameroon is very high. George Jones and I recently met the Prime Minister and it was very pleasing to hear him confirm that the Cameroon Government was committed to establishing an internationally competitive fiscal regime for the project through the Mbalam Convention.

The Government is ultimately a partner in this project, through its right under the Mining Code to a 10% interest in Cam Iron SA and through its interest in the project's long term success due to its impact on the economy of the country. We will be pleased to have the Government take up a direct interest in Cam Iron as

they will then have common economic interests to Sundance. This will provide significant security and support for the project.

As a “transforming development” for Cameroon, the Mbalam Project is likely to draw funding support from sources such as development banks, export credit agencies and sovereign funds. We have already been approached by a number of such agencies with interest in participating in funding of the project based on its potential to assist in the country’s broader development. These financing discussions will be progressed in partnership with Government.

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Thank you Don.

For further information on Sundance Resources visit www.sundanceresources.com.au or call Don Lewis on 08 9220 2300.

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