Sundance Resources Limited

ABN 19 055 719 394

and subsidiaries

Annual Report

2016

CORPORATE DIRECTORY

Directors:	Wal King (Chairman & Non-Executive Director) Giulio Casello (Managing Director & Chief Executive Officer) Alan Rule (Non-Executive Director)
Company Secretary:	Carol Marinkovich
ABN:	19 055 719 394
Registered Office:	45 Ventnor Avenue West Perth WA 6005
Head Office:	45 Ventnor Avenue West Perth WA 6005 PO Box 497 West Perth WA 6872 Tel: +61 (8) 9220 2300 Email: info@sundanceresources.com.au Internet: **www.sundanceresources.com.au**
Auditors:	**Deloitte Touche Tohmatsu** Level 2, Brookfield Place 123 St George's Terrace Perth WA 6000 PO Box A46 Perth WA 6837 Tel: +61 (8) 9365 7000 Fax: +61 (8) 9365 7001
Share Registry:	**Computershare Investor Services Pty Ltd** Level 11 172 St George's Terrace Perth WA 6000 GPO Box D182 Perth, WA 6840 Tel: (within Australia) 1300 850 505 (outside Australia) +61 (3) 9415 4000 Fax: +61 (8) 9323 2033

CHAIRMAN'S REPORT

Dear Shareholder,

After increasing resources, reserves and overall project capacity and reducing forecast operating costs in early 2015, we started the 2016 financial year by signing the Transition Agreement with the Cameroon Government, which passed on responsibility for the construction and funding of the port and rail components of the Project to the Cameroon Government.

Following the Transition Agreement milestone, we completed marking the railway corridor and provided technical support to the Cameroon Government for the development of an EPC contract ready for signature with a Chinese contractor selected by the Government.

We were also pleased when the Nabeba convention was passed into law by the Republic of Congo in May this year.

Those positive developments have been countered to some extent by the emergence of a number of issues that have required management but have not been such that they might prevent us from continuing to progress the company and its objectives.

Both the loss of the trial in the Supreme Court of Western Australia in December 2015 and the delay in the signing of the Mbalam-Nabeba EPC contract required immediate action by the Board and management of Sundance.

Full details of each of these events can be found elsewhere in this report. In response to the problems they presented, we significantly reduced our costs through staff and Board reductions, settled the litigation we lost and performed a rights issue to raise short term funds.

Recent media allegations regarding events in the Congo between 2006 and 2008 have also been addressed. We have engaged an independent legal team to determine the veracity of the allegations and are working cooperatively with the Australian Federal Police, which is conducting a separate investigation of the events.

At this point in time, we are unable to pre-empt what conclusions might be reached in either investigation.

Even though we have seen recovery and stabilisation in the iron ore market over recent months, the more dramatic prior collapse in prices has undoubtedly made it more challenging to attract the funding to build a multibillion dollar enterprise such as Mbalam-Nabeba.

We continue to see that in the longer term the need for high quality iron ore will only increase and the Mbalam-Nabeba Project is still arguably the best project to satisfy the needs of the steel industry in China and elsewhere over the timeframe. These observations drive our unwavering belief that our Project will be developed.

We continue to work with all of our stakeholders to ensure that Sundance is sustainable and in a position to capture this upside whenever it presents itself, either in the short or longer term.

Wal King
Chairman & Non-Executive Director

Giulio Casello
CEO & Managing Director

MINERAL RESOURCES & ORE RESERVES

MINERAL RESOURCES

The Mineral Resources Statement for the Mbalam—Nabeba Iron Ore Project as at 30 June 2016 is summarised in Table 1 and 2 below.

HIGH GRADE HEMATITE RESOURCES

Deposit	Mineralisation	Resource Category	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	LOI (%)
Mbarga (All Deposits)	High Grade Hematite	Indicated	230.9	56.5	13.0	3.4	0.08	2.2
		Inferred	28.8	56.6	16.4	2.9	0.08	1.3
Nabeba (All Deposits)		Indicated	545.9	57.6	7.2	4.8	0.11	4.6
Total High Grade Hematite Resources		**Total**	**805.7**	**57.3**	**9.2**	**4.3**	**0.10**	**3.8**

Table 1 Total High Grade Hematite Mineral Resources of Mbalam-Nabeba Iron Ore Project

ITABIRITE HEMATITE RESOURCES

Deposit	Mineralisation	Resource Category	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	LOI (%)
Mbarga (All Deposits)	Itabirite Hematite	Indicated	1,846	34.6	47.7	1.5	0.04	0.6
		Inferred	2,078	31.8	48.6	2.9	0.05	1.3
Nabeba (All Deposits)		Inferred	1,714	34.1	42.3	2.7	0.05	2.6
Total Itabirite Hematite Resources		**Total**	**5,638**	**33.4**	**46.4**	**2.4**	**0.05**	**1.5**

Table 2 Total Itabirite Hematite Mineral Resources of Mbalam-Nabeba Iron Ore Project

ORE RESERVES

The Ore Resources Statement for the Mbalam—Nabeba Iron Ore Project as at 30 June 2016 are summarised in Table 3 with further details of Ore Reserves released to ASX on 20 May 2015.

Deposit	Reserve Category	Tonnes of Product (Mt)	Fe in Product (%)	SiO2 in Product (%)	Al2O3 in Product (%)	P in Product (%)	LOI in Product (%)
Mbalam (All Deposits)	Probable	154	62.9	5.16	2.81	0.08	2.3
Nabeba (All Deposits)	Probable	363	61.9	4.17	2.79	0.10	3.7
Total	**Probable**	517	62.2	4.46	2.80	0.09	3.3

Table 3 Total High Grade Hematite Ore Reserves of Mbalam-Nabeba Iron Ore Project

Note: Ore Reserves are classed as Probable, based on the conversion of Indicated Mineral Resource. Ore Reserves represent the estimated saleable product. The product is 100% fines.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Robin Longley, a Member of the Australian Institute of Geoscientists, and Mr Lynn Widenbar, a member of the Australasian Institute of Mining and Metallurgy. Mr Longley is a full time employee of Longley Mining Consultants Pty Ltd and Mr Widenbar is a full time employee of Widenbar and Associates. Both Mr Longley and Mr Widenbar are consultants to Sundance and have sufficient experience which is relevant to the style of mineralisation and type of Deposit and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Longley is a shareholder in Sundance.

Messrs Longley and Widenbar consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Lee White and comprehensively reviewed by Mr Bruce Gregory. Mr Gregory is a full time employee of Australian Mining Consultants Pty Ltd and is engaged as an external independent consultant to Sundance. Mr White is a former employee of Sundance Resources and a Shareholder of the company. Both Mr White and Mr Gregory are members of the Australasian Institute of Mining and Metallurgy. Mr Gregory and Mr White have sufficient experience which is relevant to the style of mineralisation and type of Deposit and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Messrs Gregory and White consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Further details are provided in JORC Code 2012 Edition – Table 1 (Appendix B). More information, including past ASX announcements pertaining to the project, is available from Sundance's website: www.sundanceresources.com.au.

SUNDANCE RESOURCES LTD

CONTENTS

SUNDANCE RESOURCES LTD

DIRECTORS' REPORT

The directors present their report together with the financial report on the Sundance Consolidated Group, consisting of Sundance Resources Ltd ('**Company**') and the entities that it controlled during the financial year ended 30 June 2016 ('**Sundance**' or '**Group**' or "**Consolidated Entity**'), for the financial year ended 30 June 2016 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year were:

Name & Qualifications	Age	Experience and Special Responsibilities	Other Directorships held in listed companies during the previous 3 years
Mr Wallace (Wal) King ***Chairman, Non-Executive Director*** AO, BE, MEngSc, Hon DSc, Hon FIE Aust, CPEng, FAICD, FAIM, FAIB, FTSE	72	Mr King has extensive experience having worked in the construction industry for over 40 years and was Chief Executive Officer of Leighton Holdings Limited from 1987 until his retirement on 31 December 2010. Under his leadership, Leighton grew from an organisation with annual revenue of $1 billion to one of the world's leading contracting, services and project development organisations with revenues of more than $20 billion and substantial operations in Australia, Asia and the Middle East. ***Director since 30 May 2014*** ***Appointed Chairman on 27 November 2014***	***Current Directorships:*** Coca-Cola Amatil Ltd ***Directorship Ceased within the past three years:*** Ausdrill Ltd Asia Resources Minerals plc
Mr Giulio Casello ***Managing Director & Chief Executive Officer*** B.Eng, ME Mgt, MAICD	57	Mr 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. ***Director since 8 November 2010***	***Current Directorships:*** Nil ***Directorship Ceased within the past three years:*** Nil
Mr Alan Rule ***Non-Executive Director*** FCA, B.Com, B.Acc, MAICD	54	Mr Rule joined Sundance as Chief Financial Officer (**CFO**) in July 2014. Mr Rule has more than 17 years in the Australian mining industry. He has considerable experience in international financing of mining projects, implementation of accounting controls and systems and mergers and acquisitions. Prior to joining Sundance, Mr Rule was with ASX-listed African uranium producer Paladin Energy, where he had been Chief Financial Officer since July 2012. His previous positions have also included CFO of Mount Gibson Limited. Mr Rule stepped down as CFO and was appointed to the Sundance Board as a Non-Executive director on 27 January 2016.	***Current Directorships:*** Nil ***Directorship Ceased within the past three years:*** Nil

SUNDANCE RESOURCES LTD

DIRECTORS' REPORT

The following Directors have resigned during the year and below are the experience of each of the Director up to the date of resignation:

- Mr Barry Eldridge resigned as Non-Executive Director on 27 January 2016.

  Mr 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. Mr Eldridge has been a Director since 2 July 2010 and resigned on 27 January 2016.

- Mr Andrew (Robin) Marshall resigned as Non-Executive Director on 27 January 2016.

  Mr 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. Mr Marshall has been a Director since 14 October 2010 and resigned on 27 January 2016.

- Mr David Southam resigned as Non-Executive Director on 27 January 2016.

  Mr Southam is a Certified Practicing Accountant with more than 20 years' experience in accounting, banking and finance across the resources and industrial sectors. He is currently an Executive Director of listed nickel miner, Western Areas Ltd and has previously been 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. Mr Southam was a Director since 11 September 2013 and resigned on 27 January 2016.

- Mr Oleg Sheyko resigned as Non-Executive Director on 27 January 2016.

  Mr Sheyko has served as Managing Director of Metals Solutions Limited since March 2007. Mr Sheyko has more than 30 years' experience in investment banking with leadership roles in several global financial institutions. He has led cross-border M&A transactions with a total value of more than twenty billion dollars. Mr Sheyko's experience also includes capital management, private company growth management, equity and debt raisings and project finance. Mr Sheyko has significant sector experience including financial institutions, energy, resources and mining, infrastructure and telecoms. Mr Sheyko was a Director since 14 May 2015 and resigned on 27 January 2016.

2. COMPANY SECRETARY

Mr Alan Rule joined Sundance as Chief Financial Officer ('**CFO**') in July 2014. On 16 December 2014 Mr Rule was appointed to the combined role of CFO and Company Secretary, following the cost reduction program. On 27 January 2016 Mr Rule stepped down as CFO and was appointed to the Board. Mr Rule continues on the Board as a non-executive director and was company secretary until 29 August 2016 when Mrs Carol Marinkovich was appointed as Company Secretary.

3. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the continued evaluation and de-risking of its Mbalam-Nabeba Iron Ore Project ('**Project'**) in the Republic of Cameroon ('**Cameroon'**) and the Republic of Congo ('**Congo'**), and the evaluation of various development scenarios for the Project.

There were no significant changes in the nature of the principal activities during the financial year.

SUNDANCE RESOURCES LTD

DIRECTORS' REPORT

4. RESULTS

The operating loss after tax of the Group for the financial year was $117,316,322 (2015: $78,308,836).

5. REVIEW OF OPERATIONS

The Project

Sundance holds a majority interest in subsidiaries Cam Iron SA ('**Cam Iron**') and Congo Iron SA ('**Congo Iron**') whose principal asset is the Mbalam-Nabeba Iron Ore Project ('**Project**'), which straddles the border of Cameroon and Congo in Central Africa.

- The Project now comprises:
  - The iron ore mine, processing plant and associated infrastructure to be developed on Exploration Permit 92 ('**EP92**') held by Cam Iron located in the East Province of Cameroon ('**Mbarga**'); and
  - The iron ore mine, processing plant and associated infrastructure to be developed on Mining Permit Nabeba-Bamegod held by Congo Iron in the Sangha Province of the Congo ('**Nabeba**').
- Plans to produce at least 40Mtpa from these two mines for 30+ years in two stages:
  - Stage 1: high-grade hematite direct shipping ore for at least 13 years; and
  - Stage 2: 66% - 68% concentrate product from itabirite for further 20+ years.
- Plans to utilise:
  - a new railway (to be constructed) from Congo, through Cameroon, to the coast with:
    - 540km in Cameroon;
    - 40km spur line in Congo; and
  - a dedicated deep water iron ore mineral terminal (to be constructed) in Cameroon.

The port and rail infrastructure in Cameroon is planned to be funded by the Government of Cameroon and be jointly owned by Cam Iron (2%) and the Government of Cameroon (98%).

Since March 2015, a number of significant highlights and project milestones were realised, in particular, the Company has:

- Strengthened the Project fundamentals by: [1]
  - increasing the capacity to 40Mtpa;
  - reducing operating costs by improved strip ratio;
  - increasing the high grade hematite ore reserves to 517Mt at 62.2% Fe; and
  - increasing the itabirite resource to 5.6Bt at 33.4% Fe.
- Completed the Transition Agreement which moved the funding and ownership of the port and rail to the Cameroon Government which is seeking sovereign funds from China;
- Extended EP92 expiry date and the Mbalam Convention long stop date to 24 July 2017;
- Completed the marking of the railway corridor in October 2015. A Declaration of Public Utility ('**DUP**') was issued by the Government of Cameroon for the entire project railway corridor in 2011. Work commenced in 2014 on implementation of the DUP including public consultation meetings, cadastral surveys and evaluations for compensation and resettlement purposes. The work also included physical examination and marking of the route on the ground and potential minor adjustments of the alignment to minimize impacts to communities and the environment;
- Assisted the Cameroon Government to complete the negotiations and finalise the contract ready for signature for the Engineering, Procurement and Construction ('EPC') contract to construct the rail and port infrastructure in Cameroon;
- Extended, after receiving shareholder approval at the 2015 AGM, the maturity date of existing convertible notes due on 1 December 2015 to 23 September 2017;
- Raised $7 million via the issue of new convertible notes on 9 November 2015;
- Raised $2.3 million from shareholders via rights issue on 2 March 2016;
- The Nabeba Mining Convention was passed into law by the Government of the Republic of Congo on 23 May 2016; and
- RFC Ambrian was appointed to assist with assessing capital restructuring proposals on 6 June 2016.

---

[1] *In accordance with ASX Listing Rule 5.23 and the JORC Code the Company confirms that this information was originally sourced from the ASX announcements released on 20 May 2015 and titled 'Mbalam Nabeba Iron Ore Project increases total high grade and itabirite hematite mineral resources' and 'High grade hematite ore reserves increased to over half a billion tonnes at Mbalam-Nabeba'. The Company is not aware of any new information or data that materially affects the information included in those announcements and that all material assumptions and technical parameters underpinning the estimates in those announcements continue to apply and have not materially changed.*

Port and Rail Development Process

Following the Cameroon Prime Minister Philemon Yang's visit to Beijing in June 2015, where he met with the Chinese President Xi Jinping and the Chinese Premier Li Keqiang, the Government of Cameroon expressed its optimism that it will be successful in the financing of the port and rail infrastructure. This gave Sundance a high level of confidence that the Government of Cameroon would be able to achieve sovereign funding on the port and rail infrastructure which supports the Project and would allow Sundance to focus on funding, constructing and operating the Mbarga and Nabeba mines, process plants and associated infrastructure ('**Mine Infrastructure**') in Cameroon and Congo.

In July 2015 the Government of Cameroon commenced the process to select a Chinese EPC contractor for the construction of the port and rail infrastructure to support its application for a loan from China and possible other friendly countries to construct the port and rail infrastructure.

Tenders from EPC contractors for the railway line and port construction were received by the Cameroon Government and detailed evaluations of the tenders were carried out by an expert committee.

On 13 January 2016, the Company announced to ASX that the proposed signing of the 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 has requested a postponement of the contract signing until market conditions improve and progress on their financing is more advanced.

Sundance had previously advised that it expected the contract would be signed during the December 2015 quarter. The postponement was unexpected for both Sundance and the Government of Cameroon given the recent advances made with the EPC contract ready for execution.

In March 2016 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.

In June 2016 the Sundance CEO Giulio Casello held discussions on the future of the Mbalam-Nabeba Iron Ore Project ("**Project**") in both the Congo and Cameroon.

Positive discussions were held with the Prime Minister of Cameroon, the newly appointed Prime Minister of Congo, the Minister of Mines for Cameroon, senior representatives of the Department of Mines in Congo and other government officials. The meetings provided the opportunity for both Sundance and the host Governments to reiterate their support for the Project and the commitment by all parties to work together to move the Project forward.

Progress on the funding of the port and rail by the Cameroon Government was discussed. The Government continues to pursue this actively with Chinese authorities and the selected EPC contractor. They have been encouraged by the discussions but as yet no conclusion has been reached.

Porter Litigation

On 23 December 2015, the Company announced to ASX that the Supreme Court of Western Australia (Action No. CIV 1632 of 2013) had delivered its judgement in the dispute between Mr David Porter (as plaintiff) and Sundance ('**2013 Action'**), and ordered Sundance to pay damages in the amount of $5,037,407 in lieu of a grant of 10 million options to Mr David Porter. No orders had been made in relation to either interest or costs, however these were estimated to be in the order of $3 million. The judgment had effect as soon as it was made on 23 December 2015.

On 18 January 2016, the Company announced to ASX that the Company had reached an agreement with Mr Porter and Absolute Analogue Inc. (together, the '**Porter Parties**') to settle, in full, the 2013 Action and the Supreme Court of Western Australia (Action No. CIV 1773 of 2007) action commenced by Absolute Analogue Inc. and Mr Porter ('**2007 Action'**). The settlement with the Porter Parties totalled $11.5 million and included a cash payment of $0.5 million on lodgement of the Prospectus for the pro-rata renounceable rights issue undertaken by Sundance and an undertaking by Mr Porter to sub-underwrite an amount of $11 million of the pro-rata renounceable rights issue.

The 2007 Action relates to an alleged agreement between the Company and the Porter Parties 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 Porter Parties sought damages in lieu of specific performance assessed at $9 million plus interest at 6% p.a. since 2007 and costs. If Sundance was unsuccessful, Sundance estimates the total amount of interest and costs could be approximately $6 million to $7 million. The 2007 Action proceeded to trial in November 2013 and on 6 August 2014 the Supreme Court of Western Australia delivered its judgment in favour of Sundance dismissing the Porter Parties' claim and ordered the Porter Parties to pay Sundance's costs. The Porter Parties lodged an appeal which was heard in June 2015. The Porter Parties were not successful in having the Supreme Court Judge's decision reversed but a retrial was ordered by the Court of Appeal (WA) in a decision handed down on 28 August 2015.

Entitlement Issue

On 18 January 2016, the Company announced to ASX that in conjunction with the settlement with Mr Porter, Sundance appointed Patersons Securities Limited ('**Patersons**') as the Lead Manager for a 1-for-1 pro-rata renounceable rights issue at an issue price of $0.005 per share to raise up to $16.5 million. Each new share subscribed carried 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 that it had lodged a Prospectus with ASIC and ASX for a partially underwritten pro rata renounceable entitlement offer of 1 new fully paid ordinary Sundance share for every 1 share held to raise up to $16.5 million (before costs of the offer) ('**Entitlement Offer**'):

- The Entitlement Offer was undertaken at an issue price of $0.005 each ('**Offer Price**') together with one (1) new attaching option for every one (1) new share subscribed. The options will be exercisable at $0.006 each on or before 31 August 2017;
- The Entitlement Offer was partially underwritten by Patersons for an amount of $13.25 million. Patersons 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 will 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.

On 4 March 2016, the Company announced to ASX that the Entitlement Offer closed on 2 March 2016 with subscriptions received from shareholders totalling $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 to ASX 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 Issue and the underwriting by Mr Porter, the litigation with Mr Porter and his associates has been settled in full and as a consequence Mr Porter owned 35.1% of the Company.

Nabeba Convention passed into Law

On 25 July 2014, Sundance announced that the Republic of Congo had signed the Nabeba Mining Convention outlining the fiscal and legal terms and conditions to be satisfied by Congo Iron SA for the development and management of the Nabeba iron ore deposit, part of the broader Mbalam-Nabeba Iron Ore Project owned by the Company in Central Africa. The key terms were set out in the ASX release of 25 July 2014.

The Convention was unanimously ratified by both houses of Parliament in Congo on 8 April 2016 and was presented to the President of the Republic of Congo for signing and promulgation into law.

On 23 May 2016 this was completed following the signing by the President His Excellency Denis Sassou-N'Guesso, Minister of Mines and Geology Pierre Oba, Minister of Economy, Finance and Budget Gilbert Ondongo and the Minister of Transport and Civil Aviation Radolphe Adada. Law No. 14-2016 was published in the Official Journal of the Republic of Congo.

SUNDANCE RESOURCES LTD

RFC Ambrian appointed

On 6 June 2016 Sundance announced it had appointed specialist resources sector advisory firm RFC Ambrian Limited to assist with assessing capital restructuring proposals.

RFC Ambrian has had constructive engagement with the noteholders and it is expected that they will make specific recommendations to the Sundance Board about restructuring options to best position the Company for the future.

To provide additional support, RFC Ambrian engaged Mr Mark Eames as part of its advisory team for the Sundance assignment. Mr Eames was formerly Head of Iron Ore Assets at Glencore plc and has extensive experience in iron ore with both Rio Tinto and Glencore. Specifically, he has intimate knowledge of the African iron ore industry and has worked on developments in the Republic of Congo, where Sundance's Nabeba deposit is located.

It is envisaged that Mr Eames will join the Sundance Board in the event the restructuring process reaches a satisfactory outcome.

Financial Position

Cash and cash equivalents decreased during the year to $3.0 million at 30 June 2016 from $13.7 million at 30 June 2015.

On 27 October 2015, Sundance announced that it had executed an agreement for the Investment of A$7 million into the Company through a subscription for new convertible notes by Wafin Limited ('**Wafin**'), Noble Resources International Pte Ltd ('**Noble**') and investment vehicles managed by Senrigan Capital Group ('**Senrigan**') and D.E. Shaw Group ('**D. E. Shaw**') to be used for working capital.

The consolidated statement of cash flows indicates that expenditure continues to be directed towards development activities on the Project of $2.2 million (2015: $24.4 million) and payments to suppliers and employees $17.0 million (2015: $12.5 million).

The financial position of the Consolidated Entity as at 30 June 2016 remains positive. Net assets of the Consolidated Entity amounted to $73.0 million (30 June 2015: $160.7 million). Mine development assets decreased to $169.2 million (30 June 2015: $232.0 million) due mainly to $71.7 million (2015: $nil) for Project Impairment (Refer to Note 6(d) – "*Mine Development Assets").*

At 30 June 2016, the Consolidated Entity had a net working capital deficiency of $2.2 million (2015: $34.2 million). Refer to Note 1 – "*Going Concern*".

The total loss for the period amounted to $117.3 million compared to $78.3 million for the year ended 30 June 2015. Of this total loss, $18.0 million related to non-cash convertible note financing charges (2015: $18.5 million) and $71.7 million (2015: $nil) for Project Impairment (Refer to Note 6(d) – "*Mine Development Assets").*

Total comprehensive income amounted to a loss of $109.9 million (2015: loss $78.2 million) for the year ended 30 June 2016, which includes an exchange gain on translation of foreign operations. This gain amounted to $7.4 million (2015: $0.1 million) and is due to a movement in the Central African CFA francs against the Australian Dollar from 454 at 30 June 2015 to 438 at 30 June 2016.

Corporate

Cost Reduction

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.

DIRECTORS' REPORT

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).

Convertible Notes

On 30 December 2015, Hanlong converted 2.5 million convertibles notes into 192,307,692 fully paid Sundance shares at $0.013 per share which was based on the average daily volume weighted average price of Sundance shares traded on the ASX over the five trading days preceding the date of notice of conversion.

70,000 AUD denominated convertible notes were issued by the Company on 9 November 2015 at an issue price of $100.00 per note. Each note entitles the holder to convert to one ordinary share at a conversion price of $0.016 per share. Conversion may occur at any time between 27 October 2015 and 22 September 2017. If the notes have not been converted, they will be redeemed on 23 September 2017 at $120.00 per note.

At 30 June 2016 the Company had convertible notes on issue a total face value of $93.5 million and a total redemption value of $116.85 million (see Note 5(c) - "*Borrowings*" for full details):

Material Business Risks

The material business risks faced by Sundance that are likely to have an effect on the prospects of the Company are considered below:

- **Working Capital Funding**

  At 30 June 2016, Sundance held cash of $3.0 million (2015: $13.7 million). Sundance is not currently in a position to generate income from operations and as such is reliant upon the equity and/or debt markets for additional working capital funding.

  The Company expects it will have sufficient working capital until early 2017 as it is currently considering various funding alternatives.

  At 30 June 2016, the Consolidated Entity had a net working capital deficiency of $2.2 million (2015: $34.2 million) due mainly to convertible note borrowings.

- **Convertible notes**

  Sundance has convertible notes on issue with a total face value of $93.5 million and a total redemption value of $116.85 million. See note 5(c) – *"Borrowings"* for further details of these convertible notes.

  Should the Company be unable, prior to the maturity date of 23 September 2017, to either convert the convertible notes in full into Sundance equity, repay these convertible notes in full, extend the maturity dates of the convertible notes or refinance the convertible notes in full, a material uncertainty would exist as to whether Sundance will be able to remain solvent and continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business. Sundance has commenced discussions with the convertible noteholders to seek to extend the maturity dates of these convertible notes.

- **Project Funding**

  Sundance will need to raise further capital and/or debt financing in order to advance the development of the Project. Sundance has commenced the process to achieve funding of the Mine Infrastructure by concentrating its efforts into China for the Mine Infrastructure equity and debt funding, Sundance is seeking an equity partner to acquire a significant equity interest in the Mines. As a result of the postponement of the EPC contract signing, this process has been placed on hold. The success and the pricing of any such sale of equity in the Mines and/or debt financing will be dependent upon the prevailing market conditions at that time. Failure to secure appropriate funding for the development of the Project will result in a delay or inability to develop the Project, the potential loss of the Project and the impairment of the carrying value of the capitalised mine development expenditure related to the Project.

DIRECTORS' REPORT

- **EPC contract**

  On 13 January 2016, the Company announced to ASX that the proposed signing of the 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 has been postponed. There is a risk that the postponement will continue indefinitely which will likely have a material impact on the Company's ability to proceed with the Project due to the material impact this will create in finding an equity partner for the mines. Any such delay will likely also materially impact the Project Funding, Mbalam Convention and EP92 set out in this section.

- **Commodity Price**

  The price of iron ore can be volatile and is affected by numerous factors beyond Sundance's control such as supply and demand dynamics; and changes in global economic conditions. The decision to develop the Project, and the returns to be achieved from it, are dependent upon the future price of iron ore. The current spot iron ore price is at its lowest level since early 2009. The price has reduced by approximately 50% in the last 12 months due mainly to reduced steel demand in China and a significant surge in supply by the iron ore major producers. Sundance expects that iron ore pricing will continue to exhibit volatility on a short term basis however notes that the Project is a mid to longer term project where long term iron ore price forecasts are more favourable than the current spot price and short term outlook.

- **Mbalam Convention**

  The Government of Cameroon has extended the date to complete the conditions precedent to the Mbalam Convention to 24 July 2017. Failure to achieve the conditions precedent prior to that date will, if no further extension is granted, result in the cessation of the Mbalam Convention which will be considered an event of default as defined in the various convertible note deeds in place which will most likely result in the convertible notes becoming immediately due and payable at their full redemption value. The Mbalam Convention will, pursuant to the Transition Agreement signed on 30 June 2015, be renegotiated as part of the restructure of the Project. It is likely that, given the postponement of the signing of the EPC contract for the port and rail infrastructure, this renegotiation will take longer than previously anticipated and there is a risk that it may not be renegotiated before 24 July 2017.

- **Exploration Permit 92 ('EP92')**

  This is the permit held by Cam Iron located in Cameroon that contains the Mbalam deposit. EP92 expires on 24 July 2017. Sundance is required to achieve a financing commitment (credit approved term sheet) for the Mine Infrastructure no later than 9 months (or such later date as agreed) after the Government of Cameroon achieves its financing commitment for the rail and port infrastructure. If this is not achieved within the timeline or any agreed extension, Cam Iron may, at the request of the Government of Cameroon, be required to transfer EP92 to a nominee of the Government of Cameroon for no consideration. It is likely that, given the postponement of the signing of the EPC contract for the port and rail infrastructure, the time it takes the Government of Cameroon to achieve its financing commitment for the rail and port infrastructure will take longer than previously anticipated and there is a risk that it may not be completed before 24 July 2017.

- **Key Personnel**

  On 28 January 2016, the Company announced a significant reduction in employees and restructure of the Board. The success of the Project in the future is dependent on securing the services of key engineering, managerial, financial, commercial, marketing and processing personnel. Loss or diminution in the services of key employees, particularly as a result of an inability to retain key employees or the ability to attract suitable replacement staff could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

- **Foreign Jurisdiction**

  Sundance's operations in Cameroon and Congo, in Central Africa, are exposed to various levels of political, economic and other risks and uncertainties associated with operating in foreign jurisdictions. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; tropical diseases; acts of terrorism; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

- **Political**

  Changes, if any, in mining or investment policies or shifts in political attitude in Cameroon and Congo or elsewhere may adversely affect Sundance operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to: restrictions on production; pricing controls; export controls; currency remittance; income taxes; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people; water use; mine safety and government and local participation. Failure to comply strictly with applicable laws, regulation and local practices relating to mineral tenure and development could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted.

- **Resource/Reserve estimates**

  The resources and reserve estimates are expressions of judgements based on knowledge, experience and industry practice. These estimates are currently considered appropriate and have been made in accordance with Joint Ore Reserves Committee ('**JORC**') requirements, however, they may change significantly when additional data becomes available or economic assumptions change.

- **Production and other operational risks**

  Future operations will be subject to a number of factors that can cause material delays or changes in operating costs for varying lengths of time. These factors include weather conditions and natural disasters, disruption to supply**,** unexpected technical problems, unanticipated geological conditions, equipment failures, personnel issues, or disruptions of rail and ship loading facilities.

- **Litigation**

  Sundance may be exposed to risks of litigation which may have a material adverse effect on the financial position of the Group.

Details of Mining and Exploration Tenements

The Company, through its subsidiary companies, held the following exploration/mineral research permits and mining tenements at 30 June 2016:

Country	Area	Permit	Holder
Republic of Cameroon	Mbalam	Exploration Permit No. 92	Cam Iron SA (i,iii,v)
Republic of Congo	Nabeba-Bamegod	Decree No.2013-45	Congo Iron SA (ii,iv,v)
Republic of Congo	Ibanga	Decree No. 2013-405	Congo Iron SA (ii,iv,v,vi)

(i) Cam Iron holds 100% interest; Cam Iron is a 90%-owned subsidiary of Sundance.
(ii) Congo Iron holds 100% interest; Congo Iron is an 85%-owned subsidiary of Sundance.
(iii) Under the key terms of the Mbalam Convention the Government of Cameroon has a right to a 10% free carry interest in the project companies pursuant to the Cameroon Mining Code and an additional 5% interest where the equity requirements can be loaned to the State and then repaid with interest out of dividends.
(iv) The Government of Congo has a right to a 10% interest in Congo Iron pursuant to the Congo Mining Code
(v) Should both Governments exercise their rights for an interest in Cam Iron and Congo Iron then Sundance's interest would reduce to 76.5%
(vi) This permit expired in August 2015. Congo Iron made application for a replacement permit covering only part of the Ibanga permit area containing the most prospective area in August 2015.

6. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors at the directors' meetings and of members at the meetings of the committees of the Company during the financial year were:

Columns A = Number of meetings attended

Columns B = Number of meetings held while the Director held office

Bolding of the number of meetings attended denotes the Chairman of the Board or Board Committee.

SUNDANCE RESOURCES LTD

Director	Directors' Meetings		Audit & Risk Management Committee Meetings		Project Development Oversight Committee Meetings		Finance Committee Meetings	
	A	B	A	B	A	B	A	B
Mr W King	26	28	-	-	-	-	-	-
Mr G Casello	28	28	-	-	-	-	4	4
Mr B Eldridge(i)	22	23	2	2	-	-	-	-
Mr A Marshall(ii)	23	23	2	2	-	-	4	4
Mr D Southam(iii)	23	23	2	2	-	-	-	-
Mr O Sheyko(iv)	12	23	-	-	-	-	-	-
Mr A Rule (v)	5	5	-	-	-	-	-	-

(i) Mr B Eldridge resigned on 27 January 2016.
(ii) Mr A Marshall resigned on 27 January 2016.
(iii) Mr D Southam resigned on 27 January 2016.
(iv) Mr O Sheyko resigned on 27 January 2016.
(v) Mr A Rule was appointed as a Non-Executive Director on 27 January 2016.

In addition to the above meetings, a number of matters were dealt with by way of circular resolution during the year.

7. STATE OF AFFAIRS

Other than set out in section 5 "*Review of Operations*" above, there was no significant change in the state of affairs of the Group during the financial year.

8. LIKELY DEVELOPMENTS

The Group will explore and evaluate development alternatives for the Project in Cameroon and Congo as discussed in section 5 "*Review of Operations*".

9. ENVIRONMENTAL REGULATION

The Group's operations are subject to environmental regulations under Cameroon and Congo legislation.

Cam Iron received environmental approval to progress the Project on 25 June 2010 with the receipt of a Certificate of Conformity from the Ministry of Environment and Nature Protection ('**MINEP**'). This approval was unconditional but upgrades to the Environmental and Social Assessment ('**ESA**') documentation were required to be completed prior to the commencement of operations. The ESA has been assessed by the Government of Cameroon and Certificate of Environmental Conformity has been re-issued to Cam Iron on 5 August 2014.

The baseline study programme for Congo Iron's Nabeba Permit ESA was conducted in early 2011. The ESA documentation was first submitted on 24 January 2012 to the Ministry for Sustainable Development, Forest Economy and the Environment ('**MDDEFE**') and presented to the public. The ESA was reviewed by the MDDEFE and additional amendments to the ESA were requested. The revised ESA was re-submitted on 15 May 2012 and was then followed up with a project site visit from members of the MDDEFE on 10 June 2012. On 13 August 2012 a letter from the Chairman of the Inter-Ministerial Commission was received stating that the working group is satisfied with the amended terms of reference and the ESA has been accepted in its final form. The Certificate of Environmental Conformity was received from the Minister of the Environment in September 2012 and reissued in June 2013.

10. DIVIDENDS

In respect of the year ended 30 June 2016, no dividends have been paid or proposed (2015: nil).

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than as said elsewhere in this financial report since the end of the financial year:

- On 25 August 2016, the Company commissioned an independent party to assist a review of allegations regarding events that occurred between 2006 and 2008. The Australian Federal Police (**AFP**) contacted Sundance regarding these allegations and has commenced an investigation. Sundance is cooperating fully with the Australian Federal Police. Costs to be incurred in relation to this matter are substantially expected to be covered under the Company's Directors and Officers Insurance policy.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of these operations, or the state of affairs of the group in future financial years.

REMUNERATION REPORT

12. REMUNERATION REPORT OVERVIEW

The remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Key Management Personnel ('**KMP**') of the Company for the financial year ended 30 June 2016.

Contents

Section		What it covers
12.1	**Nomination & Remuneration Committee**	The Nomination and Remuneration Committee, composition and activities
12.2	**KMP details**	Shows the individuals comprising the KMP
12.3	**Remuneration Policy**	Describes the key principles that underpin the Company's remuneration strategy and how the outcomes for KMP are determined, including the use of external remuneration consultants
12.4	**Relationship between Remuneration Policy and Company Performance**	Describes the structure of at risk remuneration (Short and Long Term Incentive plans) and explains how it relates to Company performance
12.5	**Remuneration of KMP**	Details total remuneration for KMP in 2015 and 2014, pursuant to legislative and accounting requirements
12.6	**Short Term Incentive ('STI') Payments**	Outlines the Key Performance Indicators ('**KPI**'), assessment process and outcomes of the 2014 calendar year STI payments
12.7	**Long Term Incentives ('LTI') and Share Based Payments**	Outlines the terms, performance conditions, assessment, valuations of grants and KMP interests in LTI Plans and other share based payments
12.8	**Key terms of KMP agreements**	Summarises key contract terms for KMP
12.9	**KMP Share Holdings**	Lists the fully paid ordinary share holdings and net changes in those holdings through the period

12.1 NOMINATION AND REMUNERATION COMMITTEE, COMPOSITION AND ACTIVITIES

The Nomination and Remuneration Committee ('**NRC**') was in place to assist the Board in nomination and remuneration related matters. The NRC operated until 16 December 2014 when it was put on hold and since then all matters previously handled by the NRC are now dealt with by the full Board.

Significant matters to note for the 2016 Financial Year remuneration are:

- All KMP and other senior managers agreed to a 10% pay cut effective from 1 January 2015 and a further 10% - 20% pay cut effective 1 November 2015;
- 2014 calendar year STI payments were made to eligible staff in ordinary shares. No STI shares were granted to the CEO in 2015. No STI performance objectives were set as no STI's were issued for the 2016 calendar year;
- No LTI performance objectives set as no LTI's will be issued for the 2016 calendar year;
- All Non-Executive Directors agreed to a 10% fee cut effective from 1 January 2015 and a further 20% fee cut effective 1 November 2015. There have been no fee increases for any Non-Executive Directors during their respective tenures; and
- There were no share based remuneration grants to Directors in the reporting period.

12.2 KMP DETAILS

The following persons acted as KMP of the Company during and since the end of the reporting period.

Non-Executive Directors

- Wal King — Independent Non-Executive Chairman
- Barry Eldridge — Independent Non-Executive Director (resigned 27 January 2016)
- Andrew (Robin) Marshall — Independent Non-Executive Director (resigned 27 January 2016)
- David Southam — Independent Non-Executive Director (resigned 27 January 2016)
- Oleg Sheyko — Non-Executive Director (resigned 27 January 2016)
- Alan Rule — Non-Executive Director (appointed 27 January 2016)

Executive Director

- Giulio Casello — Managing Director & Chief Executive Officer ('MD/CEO')

Other KMP

- David Meehan — Chief Operating Officer & Project Director (resigned 14 October 2015)
- Alan Rule — Chief Financial Officer (stepped down 27 January 2016) and Company Secretary until 26 August 2016

All executive KMP are employed under contracts of employment on a full time basis. Mr Meehan continued to be engaged under a consultancy arrangement until it was terminated on 1 February 2016.

12.3 REMUNERATION POLICY

The Board has adopted a Remuneration Policy to ensure that its remuneration practices enable the Company to:

- Provide reasonable remuneration to employees for the services they provide to the Company;
- Attract and retain employees with the skills required to effectively manage the operations and growth of the business;
- Motivate employees to perform in the best interests of the Company and its stakeholders;
- Provide an appropriate level of transparency and meet all ASX and ASIC requirements; and
- Ensure a level of equity, consistency and transparency across the Company.

The Board is responsible for reviewing remuneration arrangements within the Company. The Board assesses the appropriateness of the nature and amount of emoluments of KMP on an annual basis.

The Remuneration Policy can be found on the Company Website and is reviewed annually by the Board.

Non-Executive Directors

The overall level of annual Non-Executive Director fees is approved by shareholders in accordance with the requirements of the Company's Constitution and the Corporations Act. The Board decides on actual fees to be received by individual Directors within the quantum approved by shareholders. In accordance with the resolution passed at the Company's annual general meeting on 24 November 2010, the maximum aggregate Directors' fees payable to all of the Company's Non-Executive Directors remains fixed at $1,000,000 per annum (this fee pool includes superannuation entitlements).

In setting the fees, the Board has regard to the rates payable by ASX listed entities of similar size, Director skills and expertise, the circumstances of the Company and the actual and expected workloads of the Directors.

Non-Executive Directors are remunerated by way of fees paid; including fees paid in recognition of acting as Chair on Board committees, superannuation and, in certain circumstances, by way of shareholder approved equity issues. Issues of equity to Non-Executive Directors will only occur where the Board believes it is in the best interests of the Company to do so, in particular where such issues may reduce the amount of cash remuneration otherwise required to be paid to attract the appropriate calibre of Directors, or in recognition of exceptional workload or circumstances.

All Non-Executive Directors agreed to a 10% fee cut effective from 1 January 2015 and a further 20% fee cut effective 1 November 2015. The number of Non-Executive Directors reduced from 5 to 2 during the year.

Employees (including executive KMP)

The Company aims to align remuneration, including executive KMP, with that of other comparable ASX listed entities for roles at all levels of the Company. Remuneration comprises both fixed remuneration and performance based (at risk) remuneration.

The proportion of an employee's total remuneration that is at risk increases with the seniority of the role and with the individual's ability to impact the performance of the Company. At risk elements of total remuneration for KMP may comprise both short term incentives as a reward for achievement of specific objectives during the calendar year and long term incentives that align medium and long term shareholder interests.

Fixed Remuneration (base salary and superannuation)

Fixed remuneration is set having regard to the levels paid in comparable ASX listed entities at the time of recruitment, Company position and performance and the individual's experience or specialist skills and market demand for particular roles. Consideration is given to the overall total remuneration package of the employee when setting the remuneration package.

A review of fixed salary is conducted on an annual basis. Any increases in fixed salary are based on market movements, growth in role, Company position and performance (including capacity to pay), remuneration history and individual performance.

All KMP's agreed to a 10% base salary cut effective from 1 January 2015 and a further 10% base salary cut effective 1 November 2015.

Performance Based (at Risk) Remuneration

In addition to fixed remuneration employees may be entitled to performance based remuneration which is paid to reward achievement of corporate and individual objectives. The level at which performance based remuneration is set is based on independent market surveys and analysis supported by information gathered from a number of consulting organisations about other ASX listed entities of similar size, nature and industry.

Performance based remuneration is initially determined by assessing performance against the achievement of predetermined KPIs and challenging objectives. The outcomes of the formula calculation are capped as a percentage of the relevant employee's base remuneration, dependant on level of seniority and direct influence on the Company's performance, and are reviewed by the Board to guard against anomalous or inequitable outcomes.

Use of Remuneration Consultants

Where necessary and appropriate, the Board seeks and considers advice from independent remuneration consultants. Remuneration consultants are engaged by and report directly to the Board.

During the reporting period no remuneration consultants were used.

12.4 RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Performance based remuneration aims to align remuneration with the Company's performance and attainment of strategic objectives. Performance based remuneration may comprise both short term (annual) and long term (3-4 year) incentives.

Short Term Incentive ('STI') Plan

The purpose of this plan is to:

- Drive achievement of the stated objectives of Sundance and its subsidiaries;
- Drive a culture of 'delivering outputs' as a team and also as an individual;
- Motivate employees to contribute to the best of their capabilities by recognising and rewarding high individual and group contributions towards the organisation's objectives via a mix of individual and corporate objectives, and
- To attract and retain the right people.

The maximum remuneration opportunity provided by the STI plan is based on a percentage of annual salary and is pre-determined.

The level of STI ultimately paid is determined based on meeting both corporate and individual objectives against the pre-determined KPIs, comprising both financial and non-financial indicators.

The Company assesses the achievement of both Company and individual KPIs on a calendar year basis (January to December). Corporate achievements are assessed by the NRC and submitted for Board approval. Individual performance is determined during the annual performance appraisal process. All these measures are taken into account when determining the amount, if any, to be paid to KMP as a short term incentive. Short term incentives are only used when they support and are consistent with the Company's long term goals. For the 2016 calendar year no STI has been agreed by the Board.

Long Term Incentive ('LTI') Plan

The purpose of the LTI plan is to provide an appropriate incentive to eligible persons to deliver the medium and longer term development and success of the Company, and to align the interests of KMP with the interests of shareholders. It also aims at attracting and retaining key employees, including executive KMP.

SUNDANCE RESOURCES LTD

LTI's are available by invitation to senior, or specifically targeted, staff and consultants/contractors where there is a clear intention of long term engagement with the Company.

Eligible persons, including KMP, are granted performance rights to a specified dollar value at the beginning of each LTI plan grant period. The remuneration opportunity provided by the LTI plan is based on a percentage of the annual fixed remuneration at the time of the grant. Rights are issued at the Volume Weighted Average Price ('VWAP') over the last thirty days leading up to January 1 of any issue year. Under the plan, participants are granted performance rights which only vest if certain performance conditions are met and they are employed by the Company at the measurement date.

Each performance condition is chosen to correlate directly to the Company's medium and longer term interests and success of the Project, the Company, and shareholders' best interests. Performance conditions typically spread over a 4-year period. These performance conditions are then submitted to the Board for consideration and approval.

Performance conditions are set with quantifiable and measurable outcomes, which can then be objectively assessed against supporting information and evidence of achievement. Progress toward, and achievement of, performance conditions is assessed by the MD/CEO and reviewed by the Board. The Board will then determine the level of achievement for each performance condition, seeking information where needed from the Executive Committee, other Managers or sources.

Further detail of awards made under the LTI Plan is set out in Section 12.7 of this report.

For the 2016 calendar year no LTI performance conditions have been set by the Board and no performance rights have been granted.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2016.

	30 June 2016 $	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $
Revenue(i)	263,259	4,936,478	726,951	1,771,966	2,539,818
Net loss before tax	(117,316,322)	(78,308,836)	(32,941,511)	(31,641,559)	(25,308,131)
Net loss after tax	(117,316,322)	(78,308,836)	(32,941,511)	(31,641,559)	(25,308,131)
	$/share	**$/share**	**$/share**	**$/share**	**$/share**
Share price at start of year	0.02	0.08	0.07	0.35	0.34
Share price at end of year	0.00	0.02	0.08	0.07	0.35
	cents/share	**cents/share**	**cents/share**	**cents/share**	**cents/share**
Basic earnings per share	(2.06)	(2.53)	(1.01)	(0.95)	(0.79)

(i) *Revenue includes fair value gains on convertible notes.*

Company performance

The Company considers it appropriate to review Company performance in its progress to financial close for the Project. Over the reporting period significant events occurred to that end, including:

- Increase in Resources and Reserves;
- Increase in Project capacity to 40Mtpa;
- Transition Agreement signed which included extension of EP92 and the Convention long stop date to 2017;
- Raising $7 million via the 2015 Investor Consortium Note;
- Raising $2.3 million from shareholders via rights issue; and
- The Nabeba Mining Convention passed into law by the Government of the Republic of Congo

SUNDANCE RESOURCES LTD

12.5 REMUNERATION OF KMP

2016 FY	Short-term benefits			Post-employment benefits	Total cash based remuneration	Share Based Payments			Total Remuneration(vi)
	Salary & Fees	STI Payment(ii)	Other (i) and (iii)	Superannuation		STI(ii)	Performance Rights(iv)	Total Share Based Payments	
	$	$	$	$	$	$	$	$	$
Non-Executive Directors									
Mr W King	126,636	-	-	12,030	138,666	-	-	-	138,666
Mr B Eldridge*	39,452	-	-	3,748	43,200	-	-	-	43,200
Mr A Marshall*	39,452	-	-	3,748	43,200	-	-	-	43,200
Ms D Southam*	46,027	-	-	4,373	50,400	-	-	-	50,400
Mr O Sheyko*	48,469	-	-	-	48,469	-	-	-	48,469
Mr A Rule	18,771	-	-	1,783	20,554	-	-	-	20,554
Executive Director									
Mr G Casello(ix)	690,501	-	(62,792)	19,068	646,777	-	12,508(v)	12,508	659,284
Other KMP									
Mr A Rule*	238,766	-	439,203	11,139	689,108	-	(46,527)(vii)	(46,527)	642,581
Mr D Meehan*	197,876	-	12,367	5,482	215,725	-	(409,967)(viii)	(409,967)	(194,242)
	1,445,950	**-**	**388,778**	**61,371**	**1,896,099**	**-**	**(443,986)**	**(443,986)**	**1,452,113**

** Part year only*

- *(i) Includes statutory leave for Executive Director and other KMP. Non-Executive Directors do not receive leave entitlements.*
- *(ii) 0% have vested during the period. Further detail on STI awards are covered in section 12.6.*
- *(iii) Other includes accommodation costs for Mr Meehan and termination pay for Mr Rule.*
- *(iv) Performance Rights- Further details of performance right grants are provided in Section 12.7.*
- *(v) Mr Casello's performance rights were those approved by Shareholders on 27 November 2014, 40% have lapsed and 60% have not yet vested at the date of this report.*
- *(vi) No Director or Executive appointed during the current or previous period received a cash payment as part of their consideration for agreeing to hold the position.*
- *(vii) Mr Rule's performance rights were issued under LTI and Retention plans. 100% have lapsed.*
- *(viii) Mr Meehan's performance rights were issued under LTI and Retention plans. 100% have lapsed.*
- *(ix) Includes cash out of annual leave.*

SUNDANCE RESOURCES LTD

DIRECTORS' REPORT

12.5 REMUNERATION OF KMP (CONTINUED)

2015 FY	Short-term benefits			Post-employment benefits	Total cash based remuneration	Share Based Payments			Total Remuneration (vi)
	Salary & Fees $	STI Payment (ii) $	Other (i) & (iii) $	Superannuation $	$	STI (ii) $	Performance Rights (iv) $	Total Share Based Payments $	$
Non-Executive Directors									
Mr W King	165,080	-	-	15,145	180,225	-	-	-	180,225
Mr B Eldridge	78,082	-	-	7,418	85,500	-	-	-	85,500
Mr A Marshall	85,959	-	-	8,166	94,125	-	-	-	94,125
Ms D Southam	84,247	-	-	8,003	92,250	-	-	-	92,250
Mr O Sheyko*	10,669	-	-	-	10,669	-	-	-	10,669
Mr G Jones*	92,174	-	-	7,826	100,000	-	-	-	100,000
Mr M Blakiston*	34,247	-	-	3,253	37,500	-	-	-	37,500
Ms F Harris*	47,945	-	-	4,555	52,500	-	-	-	52,500
Executive Director									
Mr G Casello	626,483	-	-	21,892	648,375	-	7,348(v)	7,348	655,723
Other KMP									
Mr A Rule	458,592	-	-	18,783	477,375	28,590	25,071(vii)	53,661	531,036
Mr D Meehan	610,453	-	36,500	18,783	665,736	76,710	126,555	203,265	869,001
Mr R Longley*	348,300	-	-	-	348,300	52,710	(136,987)	(84,277)	264,023
	2,642,231	**-**	**36,500**	**113,824**	**2,792,555**	**158,010**	**21,987**	**179,997**	**2,972,552**

** Part year only*

(i) *Includes statutory leave for Executive Director and other KMP. Non-Executive Directors do not receive leave entitlements.*
(ii) *100% have vested during the period. Further detail on STI awards are covered in section 12.6.*
(iii) *Other includes accommodation costs for Mr Meehan.*
(iv) *Performance Rights- Further details of performance right grants are provided in Section 12.7.*
(v) *Mr Casello's performance rights were those approved by Shareholders on 27 November 2014, 40% have lapsed during the period and 60% have not yet vested at the date of this report.*
(vi) *No Director or Executive appointed during the current or previous period received a cash payment as part of their consideration for agreeing to hold the position.*
(vii) *Mr Rule's performance rights were issued under LTI and Retention plans. 14% have lapsed during the period and 86% have not yet vested at the date of this report.*

12.6 SHORT TERM INCENTIVE ('STI') PAYMENTS

2016 Calendar Year STI Payments

STI payments awarded to Mr Casello in the 2014 calendar year received shareholder approval and were paid in May 2016.

There were no STIs granted in the 2016 calendar year.

2015 Calendar Year STI Payments

Board approved STI payments were made in January 2015 based on the achievement of individual and Corporate KPI's as stated for the 2014 calendar year.

The 2014 Corporate KPI's were derived from the following areas:

- In country Project Approvals;
- Corporate Agreements;
- Project activities and progress; and
- Health, Safety, Environment, Community and Security.

The NRC assessed the extent to which the Corporate KPIs were met for the year in December 2014 and recommended to the Board that an average of 60% of the STI awards be granted; resulting in the forfeiture of 40% of the potential incentive awards attributed to Corporate KPIs. All 2014 STI payments were made in ordinary fully paid shares, unless indicated otherwise.

The MD/CEO along with the NRC reviewed the individual performance of all other KMP's.

Details of the payment values and resulting share issues to KMP for the 2014 calendar year STI's are provided below:

2014 Calendar Year (paid in Jan 2015)	**Potential Variable Remuneration STI (% of base salary)**	**Maximum Potential STI $**	**% of maximum STI paid**	**Fair Value $**	**Shares issued #**	**% of maximum STI forfeited**
Mr G Casello(i)	25%	164,375	0%	-	-	100%
Mr A Rule(ii)	20%	48,371	66%	28,590	1,191,242	34%
Mr D Meehan	20%	129,200	66%	76,710	3,196,254	34%
M R Longley	20%	90,000	65%	52,710	2,196,269	35%

(i) STI award for Mr Casello which were pending shareholder approval as at 30 June 2015 and therefore the shares had not been issued, have subsequently lapsed and forfeited.

(ii) Pro Rata payment for 2014 tenure

DIRECTORS' REPORT

12.7 LONG TERM INCENTIVES AND SHARE BASED PAYMENTS

Performance Rights Plan ('PRP')

The Company's Performance Rights Plan ('**PRP**') was approved by Shareholders at the AGM on 29 November 2013. The PRP can be found in full on the Company website **www.sundanceresources.com.au**.

Under the PRP, Performance Rights may be offered to Eligible Persons as determined by the Board. The Performance Rights are an entitlement to receive ordinary shares in the Company, subject to satisfaction by Eligible Persons of specified criteria set by the Board. The Performance Rights are granted at no cost. Upon vesting of the Performance Rights, shares will automatically be issued or transferred to the participant, unless the Company is in a 'Blackout Period' (as defined in the Company's Securities Trading Policy) or the Company determines in good faith that the issue or transfer of shares may breach the insider trading provisions of the Corporations Act or the Securities Trading Policy, in which case the Company will issue or transfer the shares as soon as reasonably practical thereafter.

Long Term Incentives issued to KMP

Mr Rule received performance rights granted as part of the 2014 LTI Plan, prorated for 2014 tenure.

Mr Casello received performance rights granted as part of the 2014 LTI Plan, after shareholder approval at the AGM on 27 November 2014.

The fair value of performance rights granted to KMP under the 2014 calendar LTI Plan are as follows:

Name	2014 LTI Plan – Tranche 1 Assessment due 31 Dec 2014		2014 LTI Plan – Tranche 2 Assessment due 31 Dec 2016		2014 LTI Plan -Tranche 3 Assessment Due 31 Dec 2017		Total 2014 LTI Plan	
	No. of Rights	Fair Value	No. of Rights	Fair Value	No. of Rights	Fair Value	No. of Rights	Fair Value
Mr G Casello	1,972,500[(i)]	67,065	2,465,625	14,797	493,125	16,766	**4,931,250**	**98,625**
Mr A Rule	586,451[(i)]	19,939	1,454,175[(ii)]	8,725	290,835[(ii)]	9,888	**2,331,461**	**38,553**

(i) *The Tranche 1 Performance Rights issued to Mr Casello and Rule lapsed at 31 December 2014 as the Performance Conditions were not met.*

(ii) *The Tranche 2 & 3 Performance Rights issued to Mr Rule lapsed at 27 January 2016 as the Performance Conditions were not met.*

SUNDANCE RESOURCES LTD

DIRECTORS' REPORT

12.7 LONG TERM INCENTIVES AND SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentive Plan Performance Conditions

The objectives and application of the Long Term Incentive plan is detailed in Section 12.4. The specified Performance Conditions are detailed in the table below:

LTI Plan Grant Year	Tranche No.	% of total grant	Performance Condition	Measure Date	Achieved	Forfeited
2011	1	50%	Securing funding commitment for Stage 1 of the Mbalam Iron Ore Project with a high degree of certainty before 31 December 2011	31 Dec 2011	-	100%
	2	15%	Increasing JORC high grade hematite resources by 15% by 31 December 2011	31 Dec 2011	100%	-
	3	25%	Achievement of Total Shareholder Returns (TSR) of 15% per annum (cumulative) over a three year period - to 31 December 2013 or alternatively over a four year period to 31 December 2014	31 Dec 2014	-	100%
	4	5%	Achievement of production targets prior to 31 December 2014	31 Dec 2014	-	100%
	5	5%	Achievement of budgeted operating costs prior to 31 December 2014	31 Dec 2014	-	100%
2012	1	40%	Achievement of funding (equity and debt) commitment for Stage 1 of the Mbalam Iron Ore Project before 31 December 2012	31 Dec 2012	50%	50%
	2	35%	Achieving Total Shareholder Return ('TSR') of 15% per annum cumulative over the three year period from 1 January 2012 to 31 December 2014 or alternatively over the four year period to 31 December 2015	31 Dec 2014	-	100%
	3	25%	Achieving an increase in Net Present Value ('**NPV**') of the Mbalam Iron Ore Project of 10%.	31 Dec 2015	-	100%
2013	1	25%	Achieving funding (equity & debt) commitment for Stage 1 of the Mbalam Iron Ore Project	31 Dec 2013	-	100%
	2	50%	Achieving TSR of 15% per annum cumulative over three year period from 1 January 2013 to 31 December 2015 or alternatively over the four year period to 31 December 2016	31 Dec 2015	-	-
	3	25%	Increasing NPV of the project by 10%	31 Dec 2016	-	
2014	1	40%	Final Investment Decision (FID) approved by Board or Board approved take over completed before 31 December 2014	31 Dec 2014	-	100%
	2	50%	Achieving TSR of 15% per annum cumulative over three year period from 1 January 2014 to 31 December 2016 or alternatively over the four year period to 31 December 2017.	31 Dec 2016	-	-
	3	10%	Increasing NPV of the Project by 15% (prorate award from 10 – 14.9%)	31 Dec 2017	-	-

For the 2016 calendar year no Long Term Incentive has been agreed by the Board and no performance rights have been granted.

DIRECTORS' REPORT

12.7 LONG TERM INCENTIVES AND SHARE BASED PAYMENTS (CONTINUED)

Retention Plan

A Retention Plan involving the use of performance rights was introduced in August 2013. Performance Rights are issued pursuant to the terms and conditions of the PRP, were reviewed by the NRC and approved by the Board. Any such grant of Performance Rights under the PRP is subject to ongoing employment for specified periods subsequent to achievement of specified conditions

The plan was a one off Performance Rights issue which aims to affordably meet the needs of business continuity and the retention of critical skill and knowledge throughout 2013-2016. All current executive KMP are participants in the Plan, excluding the MD/CEO.

There were no issue of rights under the Retention Plan during the period.

Retention Plan Performance Conditions

The specified Performance Conditions are detailed in the table below:

Retention Plan Grant Year	Tranche No.	% of total grant	Performance Condition	Measure Date	Achieved	Forfeited
2014	1	50%	Final Investment Decision (FID) approved by Board or Board approved take over completed before 1 November 2016	6 months after Performance Condition satisfied	-	-
	2	50%	Final Investment Decision (FID) approved by Board or Board approved take over completed before 1 November 2016	12 months after Performance Condition satisfied	-	-

Retention Plan performance rights issued to KMP

The fair value of performance rights granted to KMP under the 2014 Retention Plan are as follows:

Name	Total 2014 Retention Plan	
	No. of Rights	Fair Value
Mr A Rule[(i)]	2,000,000	$68,000

(i) Performance rights granted to Mr Rule lapsed at 27 January 2016 as the Performance Conditions were not met.

12.7 LONG TERM INCENTIVES AND SHARE BASED PAYMENTS (CONTINUED)

The total performance rights held by KMP at the end of the financial year is as follows:

Name	Performance Rights Series	Grant Date (ii)	No. Held at Start of Financial Year	Granted During Financial Year			Vested During Financial Year (vi)			Lapsed During Financial Year			No. Held at End of Financial Year
				No.	Value of rights granted $	Vesting Period (iii,iv,v)	No.	% of Grant Vested	Fair Value of Rights Issued $	No.	% of Grant Lapsed	Fair Value of Rights Lapsed $	
Executive Director													
Mr G Casello(i)	2014 LTI Plan(i)	27/11/2014	2,958,750	-	-	31/12/2017	-	-	-	-	-	-	2,958,750

(i) *The issue of performance rights to Mr Casello was approved by shareholders at the Company's Annual General Meeting held on 27 November 2014.*
(ii) *The Grant Date is the date at which the Performance Rights were issued following approval by the Board of Sundance. The 2014 LTI Plan are effective from 1 January 2014.*
(iii) *Upon vesting of the performance rights, shares will automatically be issued to the participant, unless the Company is in a 'Blackout Period' (as defined in the Company's Share Trading Policy) or the Company determines in good faith that the issue of shares at that time may breach the insider trading provisions of the Corporations Act, in which case the Company will issue the shares as soon as reasonably practical thereafter.*
(iv) *Performance rights issued under the 2014 LTI Plans vest on the achievement of performance conditions at specified measurement point being 31 December 2017. Details of the LTI Plans and performance conditions are provided in this report.*
(v) *In the event a takeover bid is declared to be unconditional, a change in control event has occurred or if a merger by way of a scheme of arrangement under the Corporations Act has been approved by the Court the Board will at its discretion determine the extent to which unvested performance rights vest.*
(vi) *There was no award of the assessed LTI tranches over the reporting period to any participants.*

DIRECTORS' REPORT

12.7 LONG TERM INCENTIVES AND SHARE BASED PAYMENTS (CONTINUED)

Employee Share Option Plan

An Employee Share Option Plan ('**ESOP**') has been approved by the shareholders of the Company. A copy of the ESOP is available on the Company website.

Share-based grants were made to Executive KMP in prior financial years pursuant to the ESOP arrangements. All options have expired or were exercised. The Company does not intend to make any future awards under the current ESOP. With recent changes to ESOP taxing arrangements, the Company will reconsider the use of options in the future.

Share Options

Share-based grants, not made pursuant to the ESOP arrangements, were made to Non-Executive Directors in 2010. These options were approved by shareholders at the Company's AGM held on 24 November 2010. All options have expired and were unexercised.

12.8 KEY TERMS OF KMP AGREEMENTS

Remuneration and other terms of employment for the Executives disclosed in this Remuneration Report are contained in contracts of employment or consultancy agreements. The remuneration and other terms are reviewed at least annually and generally relate to a calendar year. As such the current terms are effective November 2015.

Executive	Date of Agreement Commence ment	Term of Agreement	Total Fixed Remuneration (vi)	Others(i)	Variable Remuneration - STI (% of Base Salary)(ii)	Variable Remuneration-LTI (% of Base Salary) (iii)	Notice of Termination required by the Company (other than dismissal for cause) (iv)&(v)	Notice required on resignation of Executive
Mr G Casello Managing Director & Chief Executive Officer	16/01/2015	Ongoing	$614,250	-	25%	75%(vi)	12 months	3 months
Mr G Casello Managing Director & Chief Executive Officer	1/11/2015	Ongoing	$491,400(vii)	-	25%	75%(vi)	12 months	3 months

(i) The value of benefits to the employee or consultant is determined by the market value of such benefit and is detailed further in Section 12.5.
(ii) Entitlement to Short Term Incentive payment on termination is subject to the terms and conditions of the STI plan.
(iii) Entitlement to Performance Rights is subject to the terms and conditions of the Performance Rights Plan.
(iv) Payment of any termination benefit to Mr Casello is to be made pursuant to section 200 of the Corporations Act 2001.
(v) All agreements include provision to make payment in lieu of notice period if deemed appropriate.
(vi) Total fixed remuneration (TFR) includes compulsory superannuation payments
(vii) TFR is after agreements to reduce salary by 10% in January 2015 and a further 20% in November 2015.

DIRECTORS' REPORT

12.9 KMP SHARE HOLDINGS

Fully paid ordinary share holdings and net changes through the reporting period, and the previous period are set out below:

FY 2016	Opening Balance	Granted as Compensation	Received on the Exercise of Options	Purchases	Net Other Change	Closing Balance
Non-Executive Directors						
Mr B Eldridge	-	-	-	-	-	-
Mr W King	1,200,000	-	-	-	-	1,200,000
Mr A Marshall	500,000	-	-	-	(500,000)	-
Mr D Southam	100,000	-	-	-	(100,000)	-
Mr O Sheyko	-	-	-	-	-	-
Mr A Rule	1,191,242	-	-	1,391,242[(i)]	-	2,582,484
Executive Director						
Mr G Casello	7,950,000	-	-	7,000,000[(i)]	-	14,950,000
Other KMP						
Mr D Meehan	4,046,350	-	-	-	(4,046,350)	-
FY 2015	**Opening Balance**	**Granted as Compensation**	**Received on the Exercise of Options**	**Net Other Change**	**Net Other Change**	**Closing Balance**
Non-Executive Directors						
Mr B Eldridge	-	-	-	-	-	-
Mr W King	1,200,000	-	-	-	-	1,200,000
Mr A Marshall	500,000	-	-	-	-	500,000
Mr D Southam	100,000	-	-	-	-	100,000
Mr O Sheyko	-	-	-	-	-	-
Executive Director						
Mr G Casello	7,950,000	-	-	-	-	7,950,000
Other KMP						
Mr A Rule	-	1,191,242	-	-	-	1,191,242
Mr D Meehan	850,096	3,196,254	-	-	-	4,046,350

(i) The shares were purchased as part of the 2016 Rights issue and the KMPs are entitled to one attaching option for every share purchased. Please see further details on unissued share options on page 27.

There were no other transactions with key management personnel of the consolidated entity.

END OF REMUNERATION REPORT

DIRECTORS' REPORT

13. SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under options are:

Issuing Entity	Expiry Date	Exercise Price	Number of Options	Class of Shares
Sundance Resources Limited	23 September 2019	$0.0695	50,000,000	Ordinary
Sundance Resources Limited	28 November 2019	$0.0695	210,000,000	Ordinary
Sundance Resources Limited	23 September 2019	$0.0695	200,000,000	Ordinary
Sundance Resources Limited	23 September 2019	$0.0695	260,000,000	Ordinary
Sundance Resources Limited	31 August 2017	$0.006	2,824,250,000	Ordinary

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

14. DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the Australian Securities Exchange ('**ASX**') in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as disclosed in the Remuneration Report at 12.9 KMP Share Holdings (page 26). The Directors do not hold any options or performance rights over ordinary shares.

15. INDEMNIFYING OFFICER OR AUDITOR

The Company, during the financial year, in respect of any person who is or has been an officer or auditor of the Company or any related body corporate:

- has not indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor.
- has paid a premium in respect of a policy of insurance to cover legal liability and expenses for the directors and executive officers in the event of any legal action against them arising from their actions as officers of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amounts of the premium.

The insurance policy does not contain details of the premiums paid in respect of individual officers of the Company.

16. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration has been included on page 29.

In accordance with the Corporations Act 2001 section 307C the Auditors of the Company, Deloitte Touche Tohmatsu have provided a signed auditor's independence declaration to the Directors in relation to the year ended 30 June 2016. This declaration has been attached to the independent audit report to the members of the Company.

Non-audit services were provided to the Company by the Auditors, Deloitte Touche Tohmatsu, details of which are outlined in Note 19 to the financial statements. On the basis of written advice from the Audit & Risk Management Committee, the directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

DIRECTORS' REPORT

17. CORPORATE GOVERNANCE STATEMENT

The Company has determined to early adopt the recommendations of the ASX Corporate Governance Council's Principles and Recommendations (Third Edition) in regard to the Corporate Governance Disclosures and provide disclosure of the Company Corporate Governance Statement on the Sundance Website at **www.sundanceresources.com.au.**

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001, in Perth, Western Australia on 29 September 2016.

On behalf of the Directors

Mr Wal King	**Mr Giulio Casello**
Chairman	Managing Director and Chief Executive Officer

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

29 September 2016

The Board of Directors
Sundance Resources Limited
Level 3, 24 Outram Street
WEST PERTH WA 6005

Dear Board Members

Sundance Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sundance Resources Limited.

As lead audit partner for the audit of the financial statements of Sundance Resources Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Sundance Resources Limited we declare that:

1) In the opinion of the Directors:
   a. the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2016 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards and the Corporations Act 2001; and
   b. the financial statements and notes also comply with International Reporting Standards as disclosed in Note 1; and
   c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Directors

Mr Wal King	**Mr Giulio Casello**
Chairman	Managing Director and Chief Executive Officer
29 September 2016	
Perth, Western Australia	

SUNDANCE RESOURCES LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 $	2015 $
CONTINUING OPERATIONS			
Other income	2	263,259	4,936,478
Administration expense	3	(1,403,798)	(1,206,224)
Consultants fees expensed		(301,443)	(492,198)
Depreciation and amortisation expense	3	(308,593)	(821,190)
Employee and director benefits expense	3	(5,291,499)	(8,823,294)
Exchange rate losses		(52,913)	(35,456)
Legal fees		(1,214,591)	(1,407,913)
Listing and registry fees		(426,125)	(219,868)
Occupancy costs		(1,037,745)	(1,240,399)
Professional fees	3	(258,877)	(615,695)
Personnel travel expenses		(418,764)	(1,321,641)
Finance charges on Convertible Notes	3	(17,980,333)	(18,494,632)
Port and rail costs written off	6(d)	-	(47,593,287)
Project impairment	6(d)	(71,757,952)	-
Rail project public utility expense		(2,863,208)	-
Property, plant and equipment impairment	6(c)	(1,548,207)	-
Inventory impairment	6(b)	(471,984)	-
Litigation settlement		(11,500,000)	-
Other expenses	3	(743,548)	(973,517)
Loss from continuing operations before tax		(117,316,322)	(78,308,836)
Income tax expense	9	-	-
LOSS FOR THE PERIOD		**(117,316,322)**	**(78,308,836)**
Loss attributable to:			
Owners of the parent		(102,862,189)	(72,413,196)
Non-controlling interests		(14,454,133)	(5,895,640)
NET LOSS ATTRIBUTABLE TO MEMBERS		**(117,316,322)**	**(78,308,836)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		7,372,435	138,607
Other comprehensive income for the period		7,372,435	138,607
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(109,943,887)	**(78,170,229)**
Total comprehensive income attributable to:			
Owners of the parent		(97,183,190)	(72,255,394)
Non-controlling interests		(12,760,697)	(5,914,835)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS		**(109,943,887)**	**(78,170,229)**
LOSS PER SHARE FROM CONTINUING OPERATIONS		**¢**	**¢**
- Basic (cents per share)	20	(2.06)	(2.53)

The accompanying notes form part of these financial statements

SUNDANCE RESOURCES LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	5(a)	2,962,118	13,725,029
Trade and other receivables	5(b)	40,556	157,462
Other current assets	6(a)	249,965	616,453
Inventory	6(b)	57,160	415,985
Total Current Assets		**3,309,799**	**14,914,929**
NON-CURRENT ASSETS			
Inventory	6(b)	-	128,092
Property, plant & equipment	6(c)	-	2,353,809
Mine development assets	6(d)	169,233,990	231,948,704
Total Non-Current Assets		**169,233,990**	**234,430,605**
TOTAL ASSETS		**172,543,789**	**249,345,534**
CURRENT LIABILITIES			
Borrowings	5(c)	3,464,220	45,498,100
Trade payables and accruals	5(d)	1,781,528	3,263,974
Provisions	6(e)	159,636	388,955
Total Current Liabilities		**5,405,384**	**49,151,029**
NON-CURRENT LIABILITIES			
Borrowings	5(c)	93,930,660	39,194,356
Provisions	6(e)	57,639	305,075
Total Non-Current Liabilities		**93,988,299**	**39,499,431**
TOTAL LIABILITIES		**99,393,683**	**88,650,460**
NET ASSETS		**73,150,106**	**160,695,074**
EQUITY			
Issued capital	7	420,175,072	409,026,056
Reserves		60,894,175	43,965,273
Accumulated losses		(382,262,452)	(279,400,263)
Equity attributable to owners of the Company		98,806,795	173,591,066
Non-controlling interests		(25,656,689)	(12,895,992)
TOTAL EQUITY		**73,150,106**	**160,695,074**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Share Transactions with Non-Controlling Interests	Foreign Currency Translation Reserve	Issue of Convertible Notes	Option Premium Reserve	Share Based Payments Reserve	Accumulated Losses	Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
	$	$	$	$	$	$	$	$	$	$
At 30 June 2014	**409,071,476**	**(11,160,000)**	**13,911,588**	**12,700,000**	**-**	**23,721,197**	**(206,987,067)**	**241,257,194**	**(6,981,157)**	234,276,037
Loss for the year	-	-	-	-	-	-	(72,413,196)	(72,413,196)	(5,895,640)	(78,308,836)
Foreign Currency Translation	-	-	157,802	-	-	-	-	157,802	(19,195)	138,607
Total comprehensive income for the year	**-**	**-**	**157,802**	**-**	**-**	**-**	**(72,413,196)**	**(72,255,394)**	**(5,914,835)**	(78,170,229)
Equity raising costs	(45,420)	-	-	-	-	-	-	(45,420)	-	(45,420)
Issue of Convertible Notes	-	-	-	4,010,000	-	-	-	4,010,000	-	4,010,000
Share based payments	-	-	-	-	-	624,686	-	624,686	-	624,686
At 30 June 2015	**409,026,056**	**(11,160,000)**	**14,069,390**	**16,710,000**	**-**	**24,345,883**	**(279,400,263)**	**173,591,066**	**(12,895,992)**	160,695,074
Loss for the year	-	-	-	-	-	-	(102,862,189)	(102,862,189)	(14,454,133)	(117,316,322)
Foreign Currency Translation	-	-	5,678,999	-	-	-	-	5,678,999	1,693,436	7,372,435
Total comprehensive income for the year	**-**	**-**	**5,678,999**	**-**	**-**	**-**	**(102,862,189)**	**(97,183,190)**	**(12,760,697)**	(109,943,887)
Equity raising costs	(1,524,659)	-	-	-	-	-	-	(1,524,659)	-	(1,524,659)
Securities issued	17,192,475	-	-	-	-	-	-	17,192,475	-	17,192,475
Reallocation to options	(4,518,800)	-	-	-	4,518,800	-	-	-	-	-
Issue of Convertible Notes	-	-	-	7,962,500	-	-	-	7,962,500	-	7,962,500
Share based payments	-	-	-	-	-	(1,231,398)	-	(1,231,398)	-	(1,231,398)
At 30 June 2016	**420,175,072**	**(11,160,000)**	**19,748,389**	**24,672,500**	**4,518,800**	**23,114,485**	**(382,262,452)**	**98,806,795**	**(25,656,689)**	73,150,106

The accompanying notes form part of these financial statements

SUNDANCE RESOURCES LTD

CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers & employees		(16,970,929)	(12,491,979)
Interest received		110,525	640,789
Interest paid		(2,682)	(9,872)
Net Cash Used in Operating Activities	8	**(16,863,086)**	**(11,861,062)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(14,960)	(558,894)
Proceeds from disposal property, plant & equipment		462,103	985
Exploration and development expenditure		(2,177,604)	(24,390,281)
Net Cash Used in Investing Activities		**(1,730,461)**	**(24,948,190)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Raising		2,312,128	-
Share issue expenses		(90,909)	(45,420)
Proceeds from the issue of Convertible Notes	5(c)	7,000,000	40,000,000
Interest paid on Convertible Notes		(250,000)	(2,114,041)
Convertible Note issue expenses		(1,172,852)	(1,684,251)
Net Cash Generated by Financing Activities		**7,798,367**	**36,156,288**
Net Decrease in Cash Held		**(10,795,180)**	**(652,964)**
Cash and cash equivalents at beginning of year		13,725,029	14,377,685
Effect of exchange rates on cash and cash equivalents		32,269	308
Cash and cash equivalents at end of Year	5(a)	**2,962,118**	**13,725,029**

The accompanying notes form part of these financial statements

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

Sundance Resources Limited A.C.N. 055 719 394 (‘**Company**’) is a public company listed on the Australian Stock Exchange (trading under the symbol ‘SDL’), incorporated in Australia and operating in Australia and Africa.

Sundance Resources Limited’s registered office and its principal place of business is as follows:

Level 3
24 Outram Street
West Perth WA 6005

The Company’s principal activities during the year were the continued evaluation and de-risking of its Mbalam-Nabeba Iron Ore Project (‘**Project**’) in the Republics of Cameroon and Congo in Central Africa, and the evaluation of various development scenarios for the Project. These activities were undertaken through the Company’s subsidiary companies Cam Iron S.A. (‘**Cam Iron**’) and Congo Iron S.A. (‘**Congo Iron**’), which upon consolidation creates the Consolidated Entity (‘**Group**’ or ‘**Consolidated Entity**’).

The financial statements were approved by the Board of Directors (‘**Directors**’) and authorised for issue on the 29 September 2016.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the financial statements of the Group and the separate financial statements of the parent entity (refer note 22). For the purposes of preparing the consolidated financial statements, the Company and the Group are for-profit entities.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (‘**IFRS**’).

Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

At 30 June 2016, the Consolidated Entity had a net working capital deficiency of $2.1 million.

The Directors believe that at the date of signing the financial statements there are reasonable grounds to believe that the Consolidated Entity and the Company will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate. The ability of the Consolidated Entity and the Company to continue as going concerns is dependent on:

1) Securing additional funding of between $2 to $3 million by no later than November 2016 to provide sufficient working capital for the Consolidated Entity and the Company to continue to meet its obligations for the period to September 2017;
2) The ongoing support of the convertible noteholders in extending the maturity date of the existing convertible notes (excluding the Hanlong convertible notes) which are due for repayment on 23 September 2017. It is not expected that shareholder or ASX approval will be required;
3) Extension of the Mbalam Convention long stop date and the expiry date of EP92 beyond 24 July 2017; and
4) The continued monitoring and management by the Directors of the quantum and timing of all discretionary expenditures including exploration and development costs and wherever necessary these costs will be minimised or deferred to suit the Consolidated Entity’s and the Company’s cash flow forecast or that the funding shortfall can be met through traditional sources of equity or debt funding.

Should the Consolidated Entity and the Company be unable to achieve the matters set out above, a material uncertainty would exist as to whether the Consolidated Entity and the Company will be able to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity and the Company not continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS

As set out in the Material Business Risk section of the Directors' Report, securing additional funding is critical to the development of the Project and therefore the assessment of the carrying value of the capitalised Mine Development expenditure as at 30 June 2016. (refer Note 6(d)).

Critical accounting judgements and the key sources of estimation uncertainty

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, external data and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors evaluate the estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

Capitalised mine development expenditure is recognised at cost less accumulated amortisation and any impairments. Where commercial production in an area of interest has commenced, the associated costs, together with any forecast future capital expenditure necessary to develop proved and probable reserves, are amortised over the estimated economic life of the mine on a units-of-production basis. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found and the future US$ iron ore price. Any such estimates and assumptions may change as new information becomes available (please refer to the Directors Report – Material Business Risks). If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

In respect of the assessment of the carrying value of the capitalised mine development expenditure as at 30 June 2016 the Directors have concluded that a number of estimates and judgements are required the most critical of which relates to the ability of the Consolidated Entity to obtain the necessary funding for the project. Refer to Note 23(k) for further details of the specific assumptions and judgements taken into consideration in the assessment as at 30 June 2016.

The Consolidated Entity measures financial assets and liabilities at fair value on a recurring basis. Management uses significant estimates when estimating the fair value of financial instruments. Refer to Note 5(c) for further details.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. OTHER INCOME

Other income from continuing operations	2016 $	2015 $
Interest revenue	110,525	633,898
Gain on revaluation of derivative	142,558	4,209,590
Other income	10,176	92,990
TOTAL OTHER INCOME	**263,259**	**4,936,478**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. EXPENSES

	2016 $	2015 $
Expenses from continuing operations		
Depreciation and amortisation expense:		
- Depreciation of property, plant & equipment	308,593	821,190
	308,593	821,190
Employee and director benefit expense:		
- Share based payment	(1,231,398)	624,686
- Salaries and wages	6,021,006	7,196,982
- Non-Executive Directors' fees	308,138	652,769
- Superannuation	193,753	348,857
	5,291,499	8,823,294
Administration expense:		
- Corporate expenses	447,355	174,124
- General and administration expenses	550,601	566,963
- IT and communications	405,842	465,137
	1,403,798	1,206,224
Professional fees:		
- Audit, accounting and tax	216,929	500,980
- Public relations	41,948	114,715
	258,877	615,695
Convertible Note Finance		
- Convertible note implied interest charge	14,398,433	16,670,480
- Convertible note fair value movement	2,201,132	494,239
- Convertible note capitalised borrowing cost amortisation charge	1,380,768	1,329,913
	17,980,333	18,494,632
Other expenses:		
- Consumables	65,528	96,241
- Insurance	468,709	568,116
- Motor vehicles	163,831	262,423
- Other interest paid	2,682	9,872
- Other	42,798	36,865
	743,548	973,517

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. SEGMENT INFORMATION

4.1 Products and services from which reportable segments derive their revenues

AASB 8 Operating Segments ('**AASB 8**') requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is specifically focused on each project being developed. The only project currently under development is the Mbalam-Nabeba Iron Ore Project which includes iron ore deposits in the Republics of Cameroon and Congo in Central Africa. The unallocated portion relates to head office and corporate activities.

The Group's reportable segment under AASB 8 is therefore the Mbalam-Nabeba Iron Ore Project.

Information regarding this segment is presented below. The accounting policies of the reportable segment are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the financial year.

4.2 Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment.

	SEGMENT REVENUE		SEGMENT EXPENSE	
	Year Ended		Year Ended	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Continuing Operations				
Mbalam-Nabeba Iron Ore Project	-	-	(10,171,106)	(56,978,182)
Impairment expense	-	-	(71,757,952)	-
Total segments	-	-	(81,929,058)	(56,978,182)
Unallocated interest income			110,525	633,898
Unallocated expenses			(35,497,788)	(21,964,552)
Loss before tax			**(117,316,322)**	**(78,308,836)**

There were no intersegment sales during the year recorded in the revenue reported above.

Segment loss represents the loss attributed to each segment without allocation of central administration costs, borrowing costs, director's salaries and investment revenue. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. SEGMENT INFORMATION (CONTINUED)

4.3 Segment assets and liabilities

The following is an analysis of the Group's assets by reportable operating segment:

	30 June 2016 $	30 June 2015 $
Segment assets		
Mbalam-Nabeba Iron Ore Project	169,513,065	236,113,390
Total segment assets	169,513,065	236,113,390
Unallocated assets	3,030,724	13,232,144
CONSOLIDATED ASSETS	**172,543,789**	**249,345,534**
Segment liabilities		
Mbalam-Nabeba Iron Ore Project	743,583	1,455,797
Total segment liabilities	743,583	1,455,797
Unallocated liabilities	98,650,100	87,194,663
CONSOLIDATED LIABILITIES	**99,393,683**	**88,650,460**

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than parent entity current assets, the majority of which are cash and cash equivalents. Assets used jointly by reportable segments are allocated on the basis of the usage by individual reportable segments; and
- All liabilities are allocated to reportable segments other than 'other financial liabilities', current and deferred tax liabilities, and 'other' liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. SEGMENT INFORMATION (CONTINUED)

4.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Mbalam-Nabeba Iron Ore Project	295,734	764,845	1,739,840	25,846,286
Unallocated	12,859	56,345	1,285	46,434
	308,593	**821,190**	**1,741,125**	**25,892,720**

In addition to the depreciation and amortisation reported above, impairment losses of $73,778,143 (2015: nil) were recognised in respect of the Project. These impairment losses were attributed to the following reportable segments.

Impairment losses recognised for the year

	Property, plant and equipment		Inventory		Project	
	Year Ended		Year Ended		Year Ended	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Mbalam-Nabeba Iron Ore Project	1,509,115	-	471,984	-	71,757,952	-
Unallocated	39,092	-	-	-	-	-
	1,548,207	**-**	**471,984**	**-**	**71,757,952**	**-**

4.5 Geographical Information

The Group operates in two principal geographical areas – Australia (country of domicile) and Central Africa (Republic of Cameroon and Republic of Congo).

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		Non-current assets	
	Year Ended		Year Ended	
	30 June 2016 $	30 June 2015 $	30 June 2016 $	30 June 2015 $
Central Africa	-	-	169,233,990	234,379,738
Australia	-	-	-	50,867
	-	**-**	**169,233,990**	**234,430,605**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Notes	2016 $	2015 $
FINANCIAL ASSETS			
Cash and cash equivalents	5(a)	2,962,118	13,725,029
Trade and other receivables	5(b)	40,556	157,462
Total Financial Assets		**3,002,674**	**13,882,491**
FINANCIAL LIABILITIES			
Borrowings	5(c)	97,394,880	84,692,456
Trade payables and accruals	5(d)	1,781,528	3,263,974
Total Financial Liabilities		**99,176,408**	**87,956,430**

Note 5(a) Cash and cash equivalents

	2016 $	2015 $
Cash at bank and in hand	2,962,118	9,676,019
Short-term bank deposits	-	4,049,010
	2,962,118	**13,725,029**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

The effective interest rate on short-term deposits was 0% (2015: 2.79%). These deposits have an average maturity of nil (2015: 90 days).

At 30 June 2016 the Group had no undrawn borrowing facilities (2015: $300,000).

Note 5(b) Trade and other receivables

	2016 $	2015 $
Other receivables	40,556	157,462
	40,556	**157,462**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Note 5(c) Borrowings

	2016 $	2015 $
CURRENT BORROWINGS		
Convertible Note - Debt Liability	2,750,000	45,788,657
Convertible Note - Derivative Liability	833,333	20,000
Convertible Note - Capitalised Borrowing Costs	(119,113)	(310,557)
	3,464,220	**45,498,100**
NON-CURRENT BORROWINGS		
Convertible Note - Debt Liability	96,584,356	40,447,525
Convertible Note - Derivative Liability	-	800
Convertible Note - Capitalised Borrowing Costs	(2,653,696)	(1,253,969)
	93,930,660	**39,194,356**
TOTAL BORROWINGS	**97,394,880**	**84,692,456**

CURRENT BORROWINGS

Hanlong Convertible Note:

5 million convertible notes were issued by the Company on 6 February 2013 to Hanlong (Africa) Mining Investment Ltd ('**Hanlong**') at an issue price of $1.00 per note with a total face value of $5 million. On 12 December 2014, Sundance advised that the maturity date had been extended from 31 December 2014 to 31 December 2015, and from 1 January 2015, Sundance will pay interest to Hanlong at the rate of 10% per annum on a quarterly basis on the outstanding convertible notes.

On 30 December 2015, Hanlong converted 2.5 million convertibles notes into 192,307,692 fully paid Sundance shares at $0.013 per share which was based on the average daily volume weighted average price of Sundance shares traded on the ASX over the five trading days preceding the date of notice of conversion.

On 15 December 2015 Sundance advised that the maturity date for the remaining $2.5 million convertible notes had been extended from 31 December 2015 to 31 December 2016, and from 1 January 2016, Sundance will continue to pay interest to Hanlong at the rate of 10% per annum on a quarterly basis on the outstanding convertible notes.

Conversion may occur at any time until 31 December 2016 at the election of either Sundance or Hanlong utilising a conversion price of the average daily volume weighted average price of Sundance shares traded on the ASX over the five trading days preceding the date of conversion. If the notes have not been converted into Sundance shares by 31 December 2016, they will be redeemed at $1.00 per note.

The total outstanding at 30 June 2016 is $2.8 million.

SUNDANCE RESOURCES LTD

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

NON-CURRENT BORROWINGS

Noble Convertible Notes

On 26 October 2015, the Company announced that it had executed all of the agreements for the effective extension of the maturity date of the convertible notes due on 1 December 2015 to 23 September 2017 held by Noble.

Under the binding convertible note deed entered into by the Company and Noble (Replacement Noble Deed), the Company with ASX and any other regulatory and Shareholder approval:

(a) issued 200,000 new AUD denominated convertible notes at an issue price of $100 per note and a conversion price of $0.03 per share, to Noble valued at $20,000,000 with a maturity date of 23 September 2017 (Replacement Noble Notes); and

(b) issued 200,000,000 free options with an exercise price of $0.07 (New Noble Options).

Under the Replacement Noble Deed, the Company redeemed the Existing Noble Notes and cancelled the Existing Noble Options.

No funds were raised by the issue of the Replacement Noble Notes and New Noble Options. The redemption amount of $20,000,000 owed by Sundance to Noble under the Existing Noble Note (being 100% of face value) was set-off against the subscription amount of $20,000,000 owed by Noble in connection with the Replacement Noble Notes and New Noble Options. The redemption of the Existing Noble Note and cancellation of the Existing Noble Options in consideration for the issue of the Replacement Noble Notes and New Noble Options was a rollover of existing debt and accrued obligations, and did not increase the Company's indebtedness.

The Existing Noble Deed was terminated on the 1 December 2015 with full effect.

The replacement Noble Notes and Noble Options are secured.

If the replacement Noble Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $25,156,200 (including $1,156,200 of capitalised interest accrued on the original convertible notes). No interest will accrue in respect of the replacement Noble Notes.

The Noble Options have an exercise price of $0.0695 and will lapse on the earlier of:

- 5pm (WST) on 23 September 2019;
- 40 business days after the Company achieves Financial Close; and
- if a Change of Control Event is announced prior to the expiry of the Options, the date on which the Change of Control Event is completed which:
    - in the case of limb (a) of the definition of Change of Control Event, shall be the day the takeover offer closes;
    - in the case of limb (b) of the definition of Change of Control Event, shall be the implementation date of the scheme;
    - in the case of limb (c) of the definition of Change of Control Event, shall be the date of completion of the sale; and
    - in the case of limb (d) of the definition of Change of Control Event, shall be the date of change in control.

The total outstanding at 30 June 2016 is $20 million.

For full details of the convertible notes and options issued to Noble refer to the 2015 Notice of Annual General Meeting.

Investor Consortium Notes

Following shareholder approval, on 1 December 2015, the Company issued the following to an investor consortium made up of investment vehicles managed by Blackstone Alternative Solutions, L.L.C., the D. E. Shaw Group and Senrigan Capital ('**Investor Consortium'**):

- convertible notes with a face value of $24 million (240,000 AUD denominated convertible notes at an issue price of $100 per note) and a conversion price of $0.03 per share subject to adjustment (**'Investor Consortium Notes'**); and
- 260 million free attaching options (**'Investor Consortium Options'**).

The Investor Consortium Notes and Investor Consortium Options are secured.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

If the Investor Consortium Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $28.8 million. No interest will accrue in respect of the Investor Consortium Notes.

The Investor Consortium Options have an exercise price of $0.0695 and will lapse on the earlier of:

- 5pm (WST) on 23 September 2019;
- 40 business days after the Company achieves Financial Close; and
- if a Change of Control Event is announced prior to the expiry of the Options, the date on which the Change of Control Event is completed which:
    - in the case of limb (a) of the definition of Change of Control Event, shall be the day the takeover offer closes;
    - in the case of limb (b) of the definition of Change of Control Event, shall be the implementation date of the scheme;
    - in the case of limb (c) of the definition of Change of Control Event, shall be the date of completion of the sale; and
    - in the case of limb (d) of the definition of Change of Control Event, shall be the date of change in control.

The total outstanding at 30 June 2016 is $24 million.

For full details of the convertible notes and options issued to the Investor Consortium refer to the 2015 Notice of Annual General Meeting.

Wafin Notes

On 23 September 2014 Sundance issued 400,000 convertible notes to Wafin Limited (**'Wafin'**) with an issue price of $100 per convertible note for a total investment of $40 million, maturing 36 months from the date of issue (23 September 2017) (**'Wafin Note'**). Wafin also received options over 260 million ordinary shares with an exercise price of 12 cents (**'Wafin Options'**).

Following shareholder approval, on 1 December 2015, the Company amended the Wafin Note and Wafin Options as follows:

- convertible notes with a face value of $40 million (400,000 AUD denominated convertible notes at an issue price of $100 per note) and a conversion price of $0.03 per share subject to adjustment (**'Wafin Replacement Notes'**); and
- 260 million free attaching options (**'Wafin Replacement Options'**).

The Wafin Replacement Notes and Wafin Replacement Options are secured.

If the Wafin Replacement Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $52 million.

The Wafin Replacement Options have an exercise price of $0.0695 and will lapse on the earlier of:

- 5pm (WST) on 23 September 2019;
- 40 business days after the Company achieves Financial Close; and
- if a Change of Control Event is announced prior to the expiry of the Options, the date on which the Change of Control Event is completed which:
- in the case of limb (a) of the definition of Change of Control Event, shall be the day the takeover offer closes;
    - in the case of limb (b) of the definition of Change of Control Event, shall be the implementation date of the scheme;
    - in the case of limb (c) of the definition of Change of Control Event, shall be the date of completion of the sale; and
    - in the case of limb (d) of the definition of Change of Control Event, shall be the date of change in control.

The total outstanding at 30 June 2016 is $40 million.

For full details of the convertible notes and options issued to Wafin refer to the 2015 Notice of Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

2015 Investor Consortium Notes

On 9 November 2015, the Company issued the following to an investor consortium made up of investment vehicles managed by Noble, Wafin, the D. E. Shaw Group and Senrigan Capital (**'2015 Investor Consortium'**):

- convertible notes with a face value of $7 million (70,000 AUD denominated convertible notes at an issue price of $100 per note) and a conversion price of $0.01 per share subject to adjustment (**'2015 Investor Consortium Notes'**)

The 2015 Investor Consortium Notes are secured.

Conversion may occur at any time between 27 October 2015 and 22 September 2017. If the 2015 Investor Consortium Notes are not converted prior to the maturity date, 23 September 2017, they must be redeemed by the Company at its redemption amount of $8.4 million. No interest will accrue in respect of the 2015 Investor Consortium Notes.

The funds raised from the issue of these convertible notes will be used for working capital and project development.

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and a derivative component, representing the residual attributable to the option to convert the financial liability into equity of the Company, as follows.

	$
Proceeds of issue	7,000,000
Liability component at date of issue	(3,937,500)
Equity component	**3,062,500**

The equity component of $3,062,500 has been credited to equity (reserves).

The liability component is measured at amortised cost. The interest expense for the year of $1,219,105 is calculated by applying an effective interest rate of 43.3% to the liability component for the period since the loan notes were issued. Interest paid in the period is nil. The difference between the carrying amount of the liability component at the date of issue ($3,937,500) and the amount reported in the statement of financial position at 30 June 2016 ($5,156,605) represents the effective interest rate less interest paid to that date.

The total outstanding at 30 June 2016 is $7 million.

For full details of the convertible notes issued to the 2015 Investor Consortium refer to the 2015 Notice of Annual General Meeting.

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

<u>Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 Jun 16	30 Jun 15				
Hanlong Note: – Derivative Component	833,333	$20,000	Level 2	Black Scholes Option Pricing Model at 30 June 2016 Key inputs include: - Underlying share price $0.003 - Risk free rate 1.59% - Volatility 120% - Expected term 0.50 years - Vesting date 31 December 2016	N/A	N/A
Noble Note: – Derivative Component	-	nil	Level 2	Binomial Model at 30 June 2016 Key inputs include: - Underlying share price $0.003 - Risk free rate of 1.59% - Volatility 120% - Expected term ranging from 1.23 years - Vesting date 23 September 2017	N/A	N/A
Investor Consortium Note: – Derivative Component	-	nil	Level 2	Binomial Model at 30 June 2016 Key inputs include: - Underlying share price of $0.003 - Risk free rate 1.59% - Volatility of 120% - Expected term 1.59 years - Vesting date 23 September 2017	N/A	N/A
Wafin Note: – Derivative Component	-	$800	Level 2	Binomial Model at 30 June 2016 Key inputs include: - Underlying share price of $0.003 - Risk free rate 1.59% - Volatility of 120% - Expected term 1.23 years - Vesting date 23 September 2017	N/A	N/A
2015 Investor Consortium Note: – Derivative Component	-	-	Level 2	Binomial Model at 30 June 2016 Key inputs include: - Underlying share price of $0.003 - Risk free rate 1.59% - Volatility of 120% - Expected term 1.23 years - Vesting date 23 September 2017	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following table provides a reconciliation of the movement within the Level 3 fair value hierarchy during the period.

Reconciliation of Level 3 fair value measurements

30 June 2016	Borrowings $
Opening balance	19,153,681
Capitalised interest	1,156,200
Value of conversion and other features	(666,667)
Value of attaching options	(800,000)
Amortised interest	2,635,079
Transfer out of level 3	(21,478,293)
Closing balance	-

30 June 2015	Borrowings $
Opening balance	16,721,346
Amortised interest	2,432,335
Closing balance	**19,153,681**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Financial Liabilities	30 June 16		30 June 2015	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Convertible note debt liability- Hanlong	2,750,000	2,750,000	4,964,553	4,964,553
Convertible note debt liability - Noble	21,478,293	21,478,293	18,998,402	19,153,681
Convertible note debt liability - Investor Consortium	24,320,311	24,320,311	21,075,078	21,230,356
Convertible note debt liability - Wafin	44,447,693	45,629,150	39,193,556	40,447,525
Convertible note debt liability – 2015 Investor Consortium	4,398,583	5,156,605	-	-

The fair value amounts have been derived from independent valuation at balance sheet date, while the carrying amount reflects the fair value less the capitalised borrowing costs incurred in the arrangement of the Noble and Investor Consortium convertible notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Note 5(d) Trade and Other Payables

	2016 $	2015 $
CURRENT		
Trade payables	712,169	1,475,802
Sundry payables and accrued expenses	1,069,359	1,788,172
	1,781,528	**3,263,974**

Trade payables and sundry creditors are non-interest bearing and generally on 30 day terms.

NOTE 6. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the group's non-financial assets and liabilities, including:

- Specific information about each type of non-financial asset and liability
  - Other Assets (note 6(a))
  - Inventories (note 6(b))
  - Property, plant and equipment (note 6(c))
  - Mine development assets (note 6(d))
  - Employee benefits provisions (note 6(e))
  - Accounting policies
- Information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

Note 6(a) Other Assets

	2016 $	2015 $
Prepayments	202,182	511,525
Tax receivables	47,783	104,928
	249,965	**616,453**

Note 6(b) Inventories

	2016 $	2015 $
Consumables and equipment (current inventory)	954,605	992,946
Provision for impairment (current inventory)	(897,445)	(576,961)
Drilling equipment and spares (non-current inventory)	2,405,862	2,287,023
Provision for impairment (non-current inventory)	(2,405,862)	(2,158,931)
	57,160	**544,077**

Inventories are carried at the lower of cost and net realisable value. The cost of inventories recognised as an expense during the period in respect of continuing operations was $471,984 (2015: nil). All inventories consumed are capitalised to mine development or exploration and evaluation expenditure as appropriate.

All current inventories are expected to be consumed within 12 months, whereas the non-current inventories will be held as drilling equipment and spares for such time as required for further project development. As these items are not held for the purpose of resale but will be capitalised into a non-current asset when used they have been classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. NON FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Note 6(c) Property, Plant and Equipment

	2016 $	2015 $
Cost	-	14,294,900
Accumulated depreciation	-	(11,941,091)
	-	**2,353,809**
Buildings	-	1,270,583
Plant and equipment	-	273,478
IT and communications	-	483,913
Furniture and fittings	-	325,835
	-	**2,353,809**

Cost	Buildings $	Plant & Equipment $	IT & Communication $	Furniture & Fittings $	Total $
Balance at 30 June 2014	**2,311,315**	**9,598,174**	**1,823,526**	**1,311,578**	**15,044,593**
Effect of movement in exchange rates	858	10,875	2,060	577	14,370
Additions	99,287	46,017	320,415	93,175	558,894
Disposals	-	-	(219)	(3,624)	(3,843)
Write-offs	(364,222)	(411,743)	(233,924)	(309,225)	(1,319,114)
Balance at 30 June 2015	**2,047,238**	**9,243,323**	**1,911,858**	**1,092,481**	**14,294,900**
Effect of movement in exchange rates	70,546	318,534	48,630	35,892	473,602
Additions	1,441	3,221	8,614	1,707	14,983
Disposals	(1,441)	(4,229)	(3,999)	(10,698)	(20,367)
Balance at 30 June 2016	**2,117,784**	**9,560,849**	**1,965,103**	**1,119,382**	**14,763,118**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. NON FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Note 6(c) Property, Plant and Equipment (continued)

Accumulated depreciation and write-off	Buildings $	Plant & Equipment $	IT & Communication $	Furniture & Fittings $	Total $
Balance at 30 June 2014	**(739,409)**	**(9,161,973)**	**(1,400,417)**	**(826,905)**	**(12,128,704)**
Effect of movement in exchange rates	(954)	(11,545)	(1,206)	(739)	(14,444)
Disposals	-	-	80	1,432	1,512
Eliminated on asset write-off	120,657	446,809	237,655	216,614	1,021,735
Depreciation expense	(156,949)	(243,136)	(264,057)	(157,048)	(821,190)
Balance at 30 June 2015	**(776,655)**	**(8,969,845)**	**(1,427,945)**	**(766,646)**	**(11,941,091)**
Effect of movement in exchange rates	(25,377)	(307,649)	(31,821)	(23,710)	(388,557)
Disposals	-	1,215	3,999	1,451	6,665
Depreciation expense	(71,084)	(75,361)	(105,592)	(56,556)	(308,593)
Balance at 30 June 2016	**(873,116)**	**(9,351,640)**	**(1,561,359)**	**(845,461)**	**(12,631,576)**

Impairment Expense

	2016 $	2015 $
Property, plant and equipment impairment	1,548,207	-
	1,548,207	**-**

Buildings, plant & equipment, IT & communications and furniture & fittings are stated at cost less accumulated depreciation and impairment. Construction in progress is stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Sundance reviews the carrying amounts of Property plant and equipment at each balance. The matters noted in Note 6(d) resulted in an impairment expense of $1,548,207 being recognised in the financial report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. NON FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Buildings	–	15 years
Plant & equipment	–	3 to 15 years
IT& communications	–	2 to 10 years
Furniture & fittings	–	3 to 15 years

Note 6(d) Mine Development Assets

	2016 $	2015 $
Mbalam-Nabeba Iron Ore Project		
Carrying amount at beginning of year	231,957,060	253,765,112
Effect of movement in exchange rates	7,308,740	443,106
Additions	1,726,142	25,342,129
Rail and port costs written off	-	(47,593,287)
Project impairment	(71,757,952)	-
	169,233,990	**231,957,060**

At 30 June 2016, the Company held a 90% interest in Cam Iron S.A. which holds a 100% interest in the Project in Cameroon and an 85% interest in Congo Iron S.A. which holds a 100% interest in the Project in Congo. The mining codes in both Cameroon and Congo entitle the state to take up an equity interest in the Project.

Sundance reviews the carrying value of its assets at each balance date. During the year ended 30 June 2016, the following material events occurred which were considered indicators of impairment:

- the benchmark spot price of iron ore, being the Consolidated Entity's sole product, decreased significantly from US$59.50 per dry metric tonne ('**dmt**') as at 30 June 2016 to US$54.50/dmt as at 30 June 2016, a reduction of 8.4%; and
- as at 30 June 2016, the market capitalisation of the Consolidated Entity was below the net assets.

Consequently, an impairment assessment has been undertaken on the combined Cam Iron and Congo Iron Cash Generating Unit ('**CGU**'). The Consolidated Entity assessed the recoverable amount of the CGU as at 30 June 2016 using the Fair Value less cost to sell method. The Fair Value less cost to sell is assessed as the present value of future cash flows expected to be derived less costs to sell the CGU and this falls under Level 3 of the fair value hierarchy. The Consolidated Entity used the income approach in determining the fair value. There have been no changes to the valuation technique used in previous financial years.

The following assumptions were used in determining the Fair Value less cost to sell for the CGU:

- Cashflow forecasts for the life of the CGU were derived from a life of mine model based on the following assumptions:
  - The Consolidated Entity achieving funding for the development of the Project;
  - The definitive feasibility study completed in March 2011 for Stage 1 of the Project. The results of which were announced to ASX on 6 April 2011. Operating costs have been adjusted to incorporate an oil price of U$50 per barrel. Infrastructure EPC price and all other capex costs have been inflated to take account of cost increases through to the end of construction; The mines to be funded, owned and operated by Sundance whilst the rail and port infrastructure is funded, owned and operated by the Government of Cameroon;
  - Construction and development for Stage 1 to commence in the March quarter of 2019/20;
  - Production from Stage 1 commencing in late 2021, ramping up to annual production of 40Mtpa;

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. NON FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

  - The latest JORC code compliant reserves and resource estimates;
  - The receipt of all necessary approvals for the development and operation of the Project;
  - Financial commitments outlined in the Conventions with both Government of Cameroon and Government of Congo;
  - A range of forecast long term iron ore prices for the 62% Fe/dmt fines CFR price (northern China) provided by leading external economic forecasters was considered. The range considered by management (expressed in 2021 real terms) was between U$68/dmt and U$75/dmt compared to consensus forecast pricing range of U$41 – U$75/dmt. The Consolidated Entity used U$69/dmt (2022 real) for the 62% Fe fines CFR price (northern China) as its long term iron ore price; and
  - Revenue and cost inflation estimates of 2.5% per year.
- Discount rate of 16.5% (nominal, after tax). The discount rate (nominal after tax) used at 30 June 2015 was 14.5%, however it was decided that an increased rate of 16.5% was more appropriate to take into account the current iron ore price market, investment and financing market and development risks.

Based on these assumptions, an impairment of $71.8 million has been recognised in this financial report.

The Consolidated Entity considered a number of sensitivities in assessing the recoverable amount as at 30 June 2016. The Consolidated Entity does consider certain assumptions to have a more significant impact on the assessment of the recoverable value and accordingly sensitivities on these assumptions are set out below. The cashflow estimates are most sensitive to changes in iron ore prices and the discount rate. It is estimated that changes in key assumptions, if all other assumptions remain unchanged, would impact recoverable amounts as 30 June 2016 as follows:

- A decrease in the real long term benchmark 62% Fe fines CFR iron ore price from $69/dmt to US$66/dmt whilst maintaining all other assumptions would, in itself, result in a full impairment of $169.2 million.
- An increase in the discount rate from 16.5% to 18.25% whilst maintaining all other assumptions would, in itself, result in a full impairment of $169.2 million.
- A delay in the commencement of construction by 12 months from the March quarter 2018 to the March quarter 2019, whilst maintaining all other assumptions would, in itself, result in an impairment of $7.8 million.

The ultimate recoupment of costs capitalised for both Mine Development Assets and Exploration and Evaluation Assets for specific areas of interest is dependent on the successful financing, development and commercial exploitation, or alternatively, sale of the respective areas. As detailed in Note 1, the Consolidated Entity requires significant additional funding in order to develop the Project.

As announced to ASX on 30 June 2015, the Government of the Republic of Cameroon ('**Cameroon Government'**) has agreed to seek to fund 100% of the capital requirement for the rail and port infrastructure in Cameroon via a loan from China and possibly other friendly countries. As a consequence, the Cameroon Government will own 98% of the rail and port infrastructure entities and in recognition of the capital invested to date by Sundance's subsidiary Cam Iron and the ongoing support that Sundance will provide towards the development of the rail and port infrastructure, Cam Iron will obtain a 2% free carried interest in these entities until the date of first commercial production. Cam Iron will not be required to provide any equity or debt funding for the construction of the rail and port infrastructure. Sundance subsidiaries, Cam Iron and Congo Iron S.A., will enter into take or pay agreements incorporating a commercial tariff for each tonne transported and loaded using the infrastructure.

Sundance has commenced the process to achieve funding of the Mine Infrastructure by concentrating its efforts into China for the Mine Infrastructure equity and debt funding, Sundance is seeking an equity partner to acquire a significant equity interest in the Mines. As a result of the postponement of the EPC contract signing, this process has been placed on hold. The success and the pricing of any such sale of equity in the Mines and/or debt financing will be dependent upon the prevailing market conditions at that time. Failure to secure appropriate funding for the development of the Project will result in a delay or inability to develop the Project, the potential loss of the Project and the impairment of the carrying value of the capitalised mine development expenditure related to the Project.

To date Sundance had capitalised approximately $47.6 million of expenditure relating to the feasibility study on the rail and port infrastructure in the Mine Development asset. Sundance wrote off this expenditure at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. NON FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Note 6(e) Employee Benefits Provisions

	2016 $	2015 $
CURRENT		
Employee benefits provision	159,636	388,955
	159,636	388,955
NON CURRENT		
Employee benefits provision	57,639	305,075
	57,639	305,075
	217,275	**694,030**

NOTE 7. EQUITY

Note 7(a) Contributed Equity

	2016 $	2015 $
6,240,762,949 fully paid ordinary shares (2015: 3,110,250,938)	420,175,072	409,026,056
	420,175,072	**409,026,056**

	Number of shares	Share capital $
Balance as at 30 June 2014	**3,082,028,456**	**409,071,476**
7,623,280 shares issued 19 December 2014[(i)]	7,623,280	-
20,599,202 shares issued 27 January 2015[(i)]	20,599,202	-
Capital raising costs	-	(45,420)
Balance as at 30 June 2015	**3,110,250,938**	**409,026,056**
192,307,692 shares issued 30 December 2015[(ii)]	192,307,692	2,500,000
2,936,750,000 shares issued 8 March 2016[(iii)]	2,936,750,000	10,164,950
800,576 shares issued 13 April 2016[(iv)]	800,576	4,803
653,743 shares issued 12 May 2016[(iv)]	653,743	3,922
Capital raising costs[(v)]	-	(1,524,659)
Balance as at 30 June 2016	**6,240,762,949**	**420,175,072**

Notes:

(i) Issue of shares under the Short Term Incentive Plan
(ii) Hanlong converted 2.5 million convertible notes into shares
(iii) Issue of shares under Entitlement Offer
(iv) Exercise of options expiring 31 August 2017
(v) Capital raising costs paid partly in cash and partly in shares to Patersons Securities for rights issued

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. EQUITY (CONTINUED)

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

OPTIONS OVER ORDINARY SHARES

Unlisted Options

At 30 June 2016 there were 3,544,250,000 (2015:720,000,000) unissued ordinary shares for which options were outstanding which were subject to vesting conditions. These comprise the following:

- 50,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 6.95 cents per share expiring on 23 September 2019 or 40 days after Financial Close*.
- 210,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 6.95 cents per share expiring on 28 November 2019 or 40 days after Financial Close*.
- 200,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 6.95 cents per share expiring on 23 September 2019 or 40 days after Financial Close*.
- 260,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 6.95 cents per share expiring on 23 September 2019 or 40 days after Financial Close*.

**Financial Close means the time when the project financing documentation for the full debt funding of the Mbalam-Nabeba Iron Ore Project has been executed and conditions precedent have been satisfied or waived and, as a consequence, drawdowns under the project financing documentation are now permissible and a minimum of $40,000,000 has now been received by the Company.*

Listed Options

As at 30 June 2016 there were 2,824,250,000 options which entitled the holder to subscribe for one ordinary share in the parent entity for 0.6 cents per share expiring on 31 August 2017.

PERFORMANCE RIGHTS OVER ORDINARY SHARES

At 30 June 2016 there were 6,762,180 (2015:21,136,834) performance rights on issue over ordinary shares.

- 400,834 (2015: 1,514,535) performance rights issued pursuant to the 2013 LTI plan. These performance rights vest over the period to 31 December 2016
- 1,525,070 (2015: 6,890,652) performance rights issued pursuant to the retention plan. These performance rights vest over the period to 1 November 2016
- 4,836,276 (2015: 9,715,686) performance rights issued pursuant to the 2014 LTI plan. These performance rights vest over the period to 31 December 2017

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.

RESERVES

The share based payment reserve and option premium reserve relate to share options granted by the Company to its employees under its employee share option plan. Further information about share based payments to employees is set out in note 17.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. CASH FLOW INFORMATION

	2016 $	2015 $
Reconciliation of cash flow from operations with loss after income tax		
Loss after tax	(117,316,322)	(78,308,836)
Non-cash items in loss after tax		
Cost of share based payments	(1,231,398)	624,686
Litigation settlement paid in shares	10,946,597	-
Depreciation of plant and equipment	308,593	821,190
Loss on disposal of fixed asset	13,683	1,345
Impairment of fixed assets	1,548,207	297,379
Impairment of inventory	471,984	-
Rail and port costs written off	-	47,593,287
Project impairment	71,757,952	-
Finance charge – convertible note	17,730,333	16,380,591
Gain on revaluation of derivative – Convertible Notes	(142,558)	(4,209,590)
Total foreign exchange impact on operating cash flows	207,750	(24,761)
Changes in assets and liabilities		
(Decrease)/Increase in accruals and provisions	(1,303,023)	917,023
(Decrease)/Increase in creditors	22,112	729,556
(Increase)/decrease in inventories	13,791	2,740,149
(Increase)/decrease in other debtors and prepayments	109,213	576,919
Net cash used in operating activities	**(16,863,086)**	**(11,851,062)**
Cash and cash equivalents at the end of the year is shown in the accounts as:		
Cash and cash equivalents	2,962,118	13,725,029
Cash and cash equivalents at the end of the financial year	**2,962,118**	**13,725,029**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. INCOME TAX

	2016 $	2015 $
The components of tax expense comprise:		
Current Income Tax		
- Current income charge	(9,922,507)	(20,276,724)
Deferred Income Tax		
- Relating to origination and reversal of temporary differences	3,438,929	3,747,222
- Tax losses not brought to account	9,922,507	20,276,724
- Timing differences not brought to account	(3,438,929)	(3,747,222)
Income tax expense reported in the statement of comprehensive income	-	-
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before tax from ordinary activities	(117,316,322)	(78,308,836)
Prima facie tax receivable on loss from ordinary activities before income tax at 30% (2015: 30%)		
– consolidated group	(35,194,897)	(23,492,651)
Add:		
Tax effect of:		
– Impairment of project & utility expense	22,386,348	-
– Tax rate difference for foreign operations	(4,477,442)	(1,788,474)
– Share based payment expense	(369,419)	187,406
– Other non-allowable items	4,293,974	1,069,885
– Losses not brought to account	9,922,507	20,276,724
– Timing differences not brought to account	3,438,929	3,747,110
Income tax attributable to entity	**-**	**-**
Unrecognised deferred tax balances		
Unrecognised deferred tax asset – losses	70,688,210	60,805,335
Unrecognised deferred tax assets – other	9,981,238	6,507,002
Unrecognised deferred tax liabilities – other	-	(6,313)
Deferred tax asset not brought to account	**80,669,448**	**67,306,024**

The deferred tax asset not brought to account will only be of benefit to the Group if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the entities in the Group are able to meet the continuity of ownership and/or continuity of business tests.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. FINANCIAL AND CAPITAL RISK MANAGMENT

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short-term deposits. The Group has various other financial assets and liabilities such as trade receivables, trade payables and convertible notes, which arise directly from its operating and financing activities. The Group's policy is that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, capital risk, liquidity risk and foreign currency risk. The Board reviews each of these risks on a regular basis.

Interest rate risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group and the Company are exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest. Neither the Group nor the Company have any interest bearing liabilities subject to interest rate fluctuations. The Group and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit exposure is controlled by counterparty limits that are reviewed and approved by the Audit & Risk Management Committee annually. The counterparty limits approved during the year are that an individual counterparty does not exceed: 40% where gross monetary assets are in excess of $50 million; 50% where gross monetary assets are between $10 million $50 million; and 100% where gross monetary assets are below $10 million. Concentration of credit risk related to any counterparty did not exceed these limits during the year; the maximum counterparty risk recorded during the year amounted to 70%.The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on.

Capital risk

The Group and Company endeavour to manage their capital to ensure the Group and the Company will be able to continue as going concerns while maximising the development outcomes from its exploration expenditure.

The capital structure of the Group and the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves, carried forward losses and non-controlling interests. At 30 June 2016 the Group and the Company have convertible note facilities with Wafin, Hanlong, Noble, the Investor Consortium and the 2015 Investor Consortium.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves through the monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest rate risk tables

The tables below have been drawn up based on the undiscounted cash flows (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group and the Company can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated the cash flow will occur in a different period. In addition to the below cash flows, please refer to Note 14 Expenditure Commitments.

2016	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 to 12 months	Greater than 12 months	Total
Financial assets		$	$	$		$
Variable interest rate	0.90%	2,962,118	-	-	-	2,962,118
Fixed interest rate	0%	-	-	-	-	-
		2,962,118	**-**	**-**	**-**	**2,962,118**
Financial liabilities						
Trade Payables	0%	1,781,528	-	-	-	1,781,528
Derivative Liability	0%	-	-	833,333	-	833,333
Debt Liability	26.75%	-	-	1,666,667	114,356,200	116,022,867
		1,781,528	**-**	**2,500,000**	**114,356,200**	**118,637,728**
2015						
Financial assets						
Variable interest rate	1.76%	9,676,019	-	-	-	9,676,019
Fixed interest rate	2.79%	-	4,049,010	-	-	4,049,010
		9,676,019	**4,049,010**	**-**	**-**	**13,725,029**
Financial liabilities						
Trade Payables	0%	3,263,974	-	-	-	3,263,974
Derivative Liability		-	-	35,000	1,240	36,240
Debt Liability	18.61%	-	-	49,975,959	51,998,760	101,974,719
		3,263,974	**-**	**50,010,959**	**52,000,000**	**105,274,933**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

As a result of significant investment operations in Africa, the Group's balance sheet can be affected significantly by movements in the XAF/A$ exchange rates. The Group does not currently hedge this exposure.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2016 $	2015 $	2016 $	2015 $
Euro (EUR)	-	81,329	3,230	27,480
US Dollars (USD)	-	90,550	8,772	5,364
Central African Franc (XAF)	227,178	512,000	106,262	879,470
South African Rand (ZAR)	-	-	-	51
GB Pound (GBP)	-	-	1,381	895

The Group has assessed that any movements in the Australian Dollar against the relevant foreign current and the interest rate will not have a material impact on the entity and accordingly, no additional disclosure on the possible change in rates have been made.

Fair values

The aggregate fair values of the Group's financial assets and financial liabilities both recognised and unrecognised are as follows:

	2016		2015	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Consolidated				
Financial Assets				
Cash and cash equivalents	2,962,118	2,962,118	13,725,029	13,725,029
Receivables	40,556	40,556	157,462	157,462
Financial Liabilities				
Payables	1,781,528	1,781,528	3,263,974	3,263,974
Convertible notes	97,394,880	99,334,359	84,692,456	85,796,115

The following methods and assumptions are used to determine the fair value of financial assets and liabilities:

- Cash assets and financial assets are carried at amounts approximating fair value because of their short term to maturity. Receivables and payables are carried at amounts approximating fair value.
- The fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. For other assets and other liabilities the fair value approximates their carrying value. Please refer to Note 5(c) for further details on the fair value of convertible notes.

No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Group intends to hold these assets.

SUNDANCE RESOURCES LTD

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. CONTROLLED ENTITIES

	Principal Activity	Country of Incorporation	Proportion of ownership interest and voting power held by the Group (%)	
			2016	2015
Parent Entity:				
- Sundance Resources Limited	Corporate	Australia	—	—
Subsidiaries of Sundance Resources Limited:				
- Cam Iron S.A.	Iron ore exploration	Cameroon	90	90
- Sundance Minerals Pty Ltd	Holding	Australia	100	100
- Sundance Exploration Pty Ltd	Holding	Australia	100	100
- Sundance Mining Pty Ltd	Holding	Australia	100	100
- Congo Iron S.A.	Iron ore exploration	Congo	85	85
- Sangha Resources S.A.	Dormant	Congo	80	80
Subsidiaries of Cam Iron S.A.:				
- Mbarga Mine Co S.A.	Holding	Cameroon	90	90
- CI RailCo S.A.	Holding	Cameroon	90	90
- CI PortCo S.A.	Holding	Cameroon	90	90
Subsidiary of CI Rail Co S.A. and CI PortCo S.A.:				
Mineral Terminal and Rail Operations Company S.A	Dormant	Cameroon	90	90

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. CONTINGENT LIABILITIES

The Group is aware of the following contingencies as at 30 June 2016:

Hold Co Production Based Compensation

- Sundance is required to pay ongoing production based compensation to Hold Co SARL, Cam Iron's minority shareholder, pursuant to a compensation deed. The obligation to pay this compensation is based on iron ore sold by Congo Iron and is calculated at the rate of US$0.10 per tonne for iron ore sold at the price of US$80 per tonne and is subject to a rise and fall of US$0.005 per tonne for every US$10 movement in the price (i.e. at US$90 per tonne the rate is US$0.105).

Use of the Quantm System on the Mbalam Rail Corridor

- In July 2007, Sundance entered into an agreement with Quantm Pty Ltd for the application of the Quantm System on the Mbalam Rail Corridor. This agreement provided for a success fee of US$1,850,000 which is only payable upon the completion of Financial Close as interpreted under the agreement. The timetable and certainty to achieve Financial Close is not known. As a result, no amount has been recognised as a liability in the financial statements.

Fiscal Compliance

- The Group, including its subsidiaries in Cameroon and Congo are engaged in ongoing discussions with the financial administrations on customs, indirect taxes and other fiscal administrative matters. The ongoing discussions may or may not lead to further costs being incurred by the Group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. CAPITAL AND LEASING COMMITMENTS

	2016 $	2015 $
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements.		
Payable minimum lease payments:		
• Not later than 12 months	321,965	1,016,065
• Between 12 months and 5 years	-	290,113
• Greater than 5 years	-	-
	321,965	**1,306,178**

The Company's premises at Level 3, 24 Outram Street West Perth are leased for a period of three years which expires on 15 November 2016.

Cam Iron leases residential premises for non-resident employees. This property also serves as office premises and is leased for a period of 6 months through to 30 November 2016.

Congo Iron provides one premises for a residential employee that also serves as office premises. This property is leased for 12 months expiring on the 1 April 2017.

NOTE 14. EXPENDITURE COMMITMENTS

Exploration Permit – Republic of Cameroon

- The Cameroon Ministry of Mines ('Ministry') granted an extension of Exploration Permit No. 92 requiring a total minimum expenditure of XAF1,000,000,000 (approximately AUD$2,200,000) over the period 29 September 2014 to 24 July 2015. Exploration Permit No. 92 has been further extended for 24 months to 24 July 2017, with minimum expenditure of XAF 1,638,000,000 required over the two year period. Cam Iron has met the minimum expenditure requirements for Exploration Permit No. 92. The expenditure requirements of Exploration Permit No.92 are denoted in Central African CFA franc (XAF).

Exploration Permits and Mining Permit – Republic of Congo

- On 6 February 2013, by Presidential Decree 2013-45, Congo Iron obtained a Mining Permit over the Nabeba – Bamegod exploration permit area for a period of 25 years.
- On 9 August 2013 by Presidential Decree 2013-405, the Ministry granted a second 2 year extension of the Ibanga Exploration Permit, which requires a total minimum expenditure requirement of XAF 3,550,000,000 (approximately AUD$8,000,000) over the two year period to 8 August 2015. This permit expired in August 2015. Congo Iron made application for a new permit, the Bethel Exploration Permit covering only part of the previous Ibanga permit area containing the most prospective area in August 2015.
- The expenditure requirements of Decree No 2013-45 for the Nabeba – Bamegod permit and Decree No 2013-405 for the Ibanga permit are denoted in Central African CFA franc (XAF).

Mbalam Convention, Cameroon

- On 29 November 2012, Cam Iron agreed the terms of the Convention with the Republic of Cameroon. The Convention underpins the agreement between Cam Iron and the government outlining the fiscal and legal terms and conditions and commitments to be satisfied for the development and operation of the Project in Cameroon.

Nabeba Convention, Republic of Congo

- On 24 July 2014, Congo Iron agreed the terms of the Convention with the Republic of Congo. The Convention underpins the agreement between Congo Iron and the government outlining the fiscal and legal terms and conditions and commitments to be satisfied for the development and operation of the Project in the Republic of Congo.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. EVENTS OCCURING AFTER THE REPORTING PERIOD

Other than as set out elsewhere in this Annual Financial Report since the end of the financial year:

- On 25 August 2016, the Company commissioned an independent party to assist a review of allegations regarding events that occurred between 2006 and 2008. The Australian Federal Police ('**AFP**') contacted Sundance regarding these allegations and has commenced an investigation. Sundance is cooperating fully with the AFP and at this stage, the Company is not aware of any financial implications of this matter.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

NOTE 16. RELATED PARTY TRANSACTIONS

The Company is the parent and ultimate controlling party of the Group. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Sundance has adopted a policy to specify the circumstances in which it is deemed appropriate for Management to contract the services of a Director-Related Entity. This Policy provides that Sundance is only to enter into a transaction with a Director-Related entity in the following circumstances:

- Where any proposed transaction is at arm's length and on normal commercial terms; and
- Where it is believed that the Director-Related entity is the best equipped to undertake the work after taking into account:
  - Experience;
  - Expertise;
  - Knowledge of the group; and
  - Value for money.

Legal Services

Gilbert + Tobin received nil (2015: $263,728) from the Group for legal services in the current financial year. Michael Blakiston was a Director of the Company until 27 November 2014 and during the period was partner of Gilbert + Tobin. All services provided were carried out on an arms-length basis, under commercial terms.

Equity Holdings

At 30 June 2016, Directors and their related entities held directly, indirectly or beneficially in the Company 19,332,484 ordinary shares (2015:9,750,000), no options over ordinary shares (2015: nil) and no performance rights over ordinary shares (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. SHARE BASED PAYMENTS

Ordinary share based payments

During the financial year the Group issued 7,950,000 ordinary shares in Sundance Resources Ltd to the MD/CEO under a short term incentive Plan. The Fair value of the shares at grant date was $0.003.

During the financial year, the Group also made an entitlement offer to extinguish a liability and settle a transaction in shares.

1) 2,189,319,488 shares were issued to Mr Porter at $0.005 per share as part payment of an agreed settlement reached between the Group and Mr Porter. The value of the shares at issue date was $10,946,597. This share-based payment transaction was measured directly using the fair value of the liability being settled.
2) 286,750,000 shares were issued at $0.005 each to Patersons Securities Limited as payment for underwriting and corporate advisory fees. The value of the shares at issue date was $1,433,750 and this share-based payment transaction was measured directly using the fair value of the value of services received from Patersons Securities Limited.
3) The Group also offered one attaching option for every share subscribed to and as a result 2,824,250,000 attaching options were issued with an exercise price of $0.006 and expiry date of 31 August 2017. The Group determined the fair value of each option to be $0.0016.

Employee share based payment plan

The Group has an ownership-based remuneration plan for executives and senior employees. Historically an option based plan was used and in 2011 this was changed to a performance rights based plan.

Each employee share option or performance right converts into one ordinary share of Sundance upon exercise. No amounts are paid or payable by the recipient upon receipt of the performance right or option, and only upon exercise for option holders. The performance rights and options carry neither rights to dividends nor voting rights. Performance rights or options may be exercised at any time from the date of vesting to the date of their expiry. The number of performance rights and options vested is calculated in accordance with the performance criteria approved by the Nomination and Remuneration Committee. The performance criteria reward executives and senior management to the extent of the Group's and the individuals' achievement judged against achievement of corporate and operational objectives. The performance conditions are derived from the following performance areas: achieving funding (equity and debt) commitment for Stage 1 of the Project; delivery of Total Shareholder Returns ('**TSR**') over a three or four year period; and increasing the Net Present Value ('**NPV**') of the Project. Options issued in previous periods under the Employee Share Option Plan have varying performance conditions derived from key organisational objectives and are conditional on the holder remaining an employee at vesting date.

The weighted average fair value of the performance rights granted during the financial year is nil (2015: $0.1246). Performance rights and options were priced using a binomial pricing model. Expected volatility is based on the historical share price volatility of other entities listed on the Australian Stock Exchange with similar profiles to Sundance.

Share Based Payments – Performance Rights

	2016		2015	
	Number of Rights	**Weighted Average Fair Value of Rights**	**Number of Rights**	**Weighted Average Fair Value of Rights**
Outstanding at the beginning of the year	21,136,834	$0.1246	33,220,955	$0.1459
Issued during the year(i)	-	-	9,262,711	$0.0819
Forfeited or expired during the year(ii)	(14,374,654)	$0.5282	(21,346,832)	$0.1393
Outstanding at year-end	**6,762,180**	**$0.1118**	**21,136,834**	**$0.1246**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. SHARE BASED PAYMENTS (CONTINUED)

Notes:

(i) The performance rights issued during the prior year relate to the 2013 LTI, the 2013 Retention Plan and the 2014 LTI.
(ii) The performance rights forfeited during the current year relate to personnel who departed the Group.

The performance rights outstanding at 30 June 2016 had a weighted average fair value of $0.11 (2015: $0.12) and a weighted average remaining contractual life of 1.18 years (2015: 1.85 years).

Share Based Payments – Options

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	720,000,000	$0.1123	460,502,000	$0.1115
Issued during the year(i)	460,000,000	$0.0700	260,000,000	$0.1200
Forfeited or expired during the year(ii)	(460,000,000)	$0.1113	(502,000)	$0.2500
Outstanding at year-end	**720,000,000**	**$0.0859**	**720,000,000**	**$0.1144**
Vested and Exercisable at year-end	**720,000,000**	**$0.0859**	**720,000,000**	**$0.1123**

(i) Options were issued during the year to Noble and Investor Consortium under a Replacement Convertible Note deed.

(ii) Options expiring during the year relate Noble and Investor Consortium were cancelled under a Replacement Convertible Note deed.

The options outstanding at 30 June 2016 had a weighted average remaining contractual life of 3.29 years (2015: 0.23 years).

Grant Date	Grant Date Fair Value	Vesting Date	Expiry Date	Exercise Price	As at 30 June 2016 Number of Options	As at 30 June 2015 Number of Options
Issued 4 November 2013 (i)	$ 0.03	6-Jun-14	4-Nov-15	$ 0.10	-	60,000,000
Issued 29 November 2013 (i)	$ 0.04	6-Jun-14	4-Nov-15	$ 0.10	-	140,000,000
Issued 29 November 2013 (i)	$ 0.03	6-Jun-14	4-Nov-15	$ 0.12	-	60,000,000
Issued 29 November 2013 (ii)	$ 0.04	19-Oct-15	18-Nov-15	$ 0.12	-	200,000,000
Issued 23 September 2014 (iii)	$ 0.03	23-Sept-19	23-Sept-19	$ 0.0695	50,000,000	50,000,000
Issued 28 November 2014 (iii)	$ 0.01	28-Nov-19	28-Nov-19	$ 0.0695	210,000,000	210,000,000
Issued 1 December 2015 (iv)	$ 0.00	23-Sept-19	23-Sept-19	$ 0.0695	200,000,000	-
Issued 1 December 2015 (v)	$ 0.00	23-Sept-19	23-Sept-19	$ 0.0695	260,000,000	-
Total					**720,000,000**	**720,000,000**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. SHARE BASED PAYMENTS (CONTINUED)

Notes:

(i) These options were issued to the Investor Consortium under the convertible note funding agreement and vested on occurrence of a relevant event.

(ii) These options were issued to Noble under the convertible note funding agreement.

(iii) These options were issued to Wafin under the convertible note funding agreement.

(iv) These options were issued to Noble under the replacement convertible note deed.

(v) These options were issued to Investor Consortium under the replacement convertible note deed.

The options issued to Noble have been valued using the binomial model and key assumptions. These assumptions on the 200,000,000 options included an underlying share price of $0.016, a volatility of 80%, a risk free rate of 1.80% and expected term 1.91 years.

The options issued to Investor Consortium have been valued using the binomial model and key assumptions. These assumptions on the 260,000,000 options included an underlying share price of $0.016, a volatility of 80%, a risk free rate of 1.80% and expected term 1.91 years.

NOTE 18. KEY MANAGEMENT PERSONNEL REMUNERATION

The aggregate remuneration paid to directors and other members of key management personnel of the company and the Group is set out below:

	2016 $	2015 $
Short-term employee benefits	1,834,728	2,678,730
Post-employment benefits	61,371	113,825
Share-based benefits	(443,986)	179,997
	1,452,113	2,972,552

NOTE 19. AUDITORS REMUNERATION

	2016 $	2015 $
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	92,054	98,021
- corporate taxation services	-	7,087
- taxation services related to the Project	2,321	-
- financial advisory related to the Project	-	85,602
	94,375	190,710
Remuneration of auditor network firms of the company for:		
- auditing or reviewing the financial report of foreign subsidiaries	49,019	216,709
	143,394	**407,419**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. AUDITORS REMUNERATION (CONTINUED)

Deloitte Touche Tohmatsu (**'Deloitte'**) performs the audit of the Company and its subsidiaries.

The Company has a policy to specify the circumstances in which it is deemed appropriate for Management to contract the services of Deloitte for non-audit work.

This policy provides that the Company is only to enter into a non-audit contract or transaction with the external audit firm in the following circumstances:

- Where any proposed transaction will not compromise the independence of the external auditors; and
- Where it is believed that the external auditor is best equipped to undertake the work after taking into account:
    - Experience;
    - Expertise, particularly in Cameroon and Republic of Congo where Deloitte have permanent representation;
    - Knowledge of the group;
    - Synergies of having the auditor perform the work; and
    - Value for money.

NOTE 20. LOSS PER SHARE

	2016 $	2015 $
a) Reconciliation of earnings to profit or loss from continuing operations		
Loss from continuing operations	(117,316,322)	(78,308,836)
Less: loss attributable to non-controlling interest	14,454,133	5,895,640
Earnings used to calculate basic loss per share	(102,862,189)	(72,413,196)
	No.	**No.**
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share.	5,001,072,758	3,094,827,888

As the Consolidated entity is in a loss positon, the presentation of diluted earnings per share is not relevant.

NOTE 21. DIVIDENDS

No dividends have been paid or proposed during the year (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. PARENT ENTITY FINANCIAL INFORMATION

Financial Position (as at 30 June)	2016 $	2015 $
Current assets	3,030,724	13,179,992
Non-current assets	168,769,480	234,709,743
Total assets	171,800,204	247,889,735
Current liabilities	4,685,234	47,789,828
Non-current liabilities	93,964,864	39,404,833
Total liabilities	98,650,098	87,194,661
Net assets	73,150,106	160,695,074
Shareholders' equity		
Issued Capital	420,220,491	409,071,475
Share based payments premium reserve	27,633,285	24,345,883
Transactions with non-controlling interests reserve	13,512,500	5,550,000
Accumulated losses	(388,216,170)	(278,272,284)
Total equity	73,150,106	160,695,074
Financial Performance (for the year ended 30 June)		
Loss for the year	(109,943,884)	(158,235,836)
Total comprehensive income	(109,943,884)	(158,235,836)

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Accounts

The financial report has been prepared on an accruals basis and is based on historical cost, except for the revaluation of certain financial instruments that are measured at fair values as explained in the accounting policies. Costs are based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

Critical accounting judgements and the key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods. Refer to Note 23(k) for further details.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Policies

a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the fair value of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

b) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environments in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Sundance Resources Limited and is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing in the month of the transactions. At each balance sheet date, monetary items are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Foreign currency (continued)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the profit or loss on disposal of the net investment.

On consolidation, assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing at the balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed. Any exchange differences that have previously been attributed to non-controlling interests are derecognised but they are not classified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of the transition to Australian Accounting Standards are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified within operating cash flows.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

f) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions have been determined can be found in Note 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with the corresponding adjustment to the equity-settled employee benefits reserve.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Share-based payments (continued)

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service.

f) Income Tax

Current Tax

Current income tax is calculated by reference to the amount of income taxes payable or recoverable in respect to the taxable profit or tax loss for the period. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity) in which case, the tax is also recognised outside of profit or loss.

g) Financial assets

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

h) Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and that they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

j) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

k) Critical accounting estimates and judgements

Significant accounting judgements

The directors evaluate the estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Capitalised mine development assets

Capitalised mine development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs, together with any forecast future capital expenditure necessary to develop proved and probable reserves, are amortised over the estimated economic life of the mine on a units-of-production basis. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis.

The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available (please refer to the Directors Report – Material Business Risks). If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or Black Scholes, using the assumptions detailed in Note 17 Share Based Payments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to the 'issue of convertible notes' reserve account. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, beginning 1 July 2015.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the company/consolidated entity included:

AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The adoption of these standards and interpretations did not have a material impact on the consolidated entity.

n) Standards and Interpretations issued but not yet effective

At the date of the authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The impact of initial application of the following Standards on the financial report is yet to be assessed by the Group.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2018	30 June 2019
AASB 16 ‘Leases’	1 January 2019	30 June 2020
AASB 2014-4 ‘Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation’	1 January 2016	30 June 2017
AASB 2015-1 ‘Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle’	1 January 2016	30 June 2017
AASB 2015-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101’	1 January 2016	30 June 2017
AASB 2016-1 ‘Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses’	1 January 2017	30 June 2018
AASB 2016-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107’	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Sundance Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Sundance Resources Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 30 to 76.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion:

(a) the financial report of Sundance Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss after tax of $117,316,332 for the year ended 30 June 2016 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $2,095,585. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and therefore, the consolidated entity and company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 26 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Sundance Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 29 September 2016

ADDITIONAL INFORMATION
AS AT 21 OCTOBER 2016

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

6,240,762,949 ordinary fully paid shares on issue are held by 19,682 individual shareholders. No ordinary shares have been partly paid. All issued ordinary shares carry one vote per share.

Options

720,000,000 unlisted options on issue with 2,822,795,681 listed options on issue. Options do not carry a right to vote.

Performance Rights

6,762,180 performance rights are on issue. Performance rights do not carry a right to vote.

Convertible Rights

3,410,000 unlisted convertible notes on issue. Convertible notes do not carry a right to vote.

Distribution of Fully Paid Ordinary Shares	No of Holders	No. Of Units	% of Issued Capital
1 - 1,000	1,133	395,828	0.01
1,001 – 5,000	3,781	11,404,369	0.18
5,001 – 10,000	2,953	24,358,710	0.39
10,001 – 100,000	8,031	315,194,387	5.05
100,001 – 9,999,999,999	3,784	5,889,409,655	94.37
Total	19,682	6,240,762,949	100.00%

16,843 Shareholders held less than a marketable parcel (<$500) of ordinary fully paid shares based on the current market price ($0.003 – 30/9/2016).

SUBSTANTIAL SHAREHOLDERS

	Number of Shares	% of Total Ordinary Shares Issued
MR DAVID JAMES PORTER	1,871,819,488	29.99
HANLONG (AFRICA) MINING INVESTMENT LIMITED	626,099,044	10.03

ADDITIONAL INFORMATION
AS AT 21 OCTOBER 2016

The Top 20 shareholders held 56.61% of the total issued capital.

	Ordinary Shareholders	Number of Shares	% of Total Ordinary Shares Issued
1.	MR DAVID JAMES PORTER	1,871,819,488	29.99
2.	HANLONG (AFRICA) MINING INVESTMENT LIMITED	626,099,044	10.03
3.	MS SVETLANA IVANOVA	277,000,000	4.44
4.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	141,600,247	2.27
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	129,297,608	2.07
6.	J P MORGAN NOMINEES AUSTRALIA LIMITED	126,238,758	2.02
7.	CITICORP NOMINEES PTY LIMITED	108,997,551	1.75
8.	NATIONAL NOMINEES LIMITED	33,941,426	0.54
9.	MR FRANK FAVORITO + MS HONGBING WU	25,779,008	0.41
10.	MRS WANCI LI	21,100,000	0.34
11.	MR BRIAN LAURENCE EIBISCH	20,800,000	0.33
12.	MR JUSTIN ANTHONY VIRGIN <J VIRGIN T/A STOCKFEED A/C>	20,000,000	0.32
13.	YOLO (QLD) PTY LTD <DANIELLE KENDALL FAMILY A/C>	20,000,000	0.32
14.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	19,586,712	0.31
15.	BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	18,845,520	0.30
16.	MR LAWRENCE WING MING HO + MRS YING HO <L&Y FAMILY SUPER FUND A/C>	16,680,000	0.27
17.	MR GIULIO CASELLO	14,950,000	0.24
18.	MR ATHOL NEALE PARRY + MRS VICKI LEIGH PARRY <PARRY FAMILY SUPERFUND A/C>	14,000,000	0.22
19.	MR PAUL SCIANCALEPORE + MRS PAULINE SCIANCALEPORE	13,021,317	0.21
20.	MR SIMON CHARLES MCCREED	13,000,000	0.21
	Total Remaining Holders Balance	**2,708,006,270**	**43.39**