



Sundance Resources Ltd
ABN 19 055719394
and Controlled Entities

Annual Financial Report 2006



SUNDANCE RESOURCES LTD
Corporate Directory

DIRECTORS:	John Corr (Chairman) Stephen Dobson Alec Pismiris
COMPANY SECRETARY:	Jack Hugh Toby FCA, AACCS
ABN:	19 055 719 394
REGISTERED OFFICE:	Level 34 Exchange Plaza 2 The Esplanade Perth WA 6000
HEAD OFFICE:	45 Ventnor Ave West Perth Western Australia 6005 Tel: +61 (8) 9321 8866 Fax: +61 (8) 9321 0361 Internet: http://www.sundanceresources.com.au/
AUDITORS:	Bentleys MRI Perth Partnership Level 1 10 Kings Park Rd West Perth WA 6005 GPO Box 570 West Perth WA 6872 Tel: +61 (8) 9480 2000 Fax: +61 (8) 9322 7787
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033

This annual report covers both Sundance Resources Ltd as an individual entity and the consolidated entity comprising Sundance Resources Ltd and its subsidiaries. The Group's presentation currency is Australian Dollars (\$). The functional currency of Sundance Resources Ltd is Australian Dollars (\$) and the functional currency of all subsidiaries of Sundance Resources Ltd is United States Dollars (US\$). A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is not part of the financial report.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

The directors of Sundance Resources Ltd A.C.N. 055 719 394 ("Company" or "Parent Entity") present their financial report including the consolidated financial report of the Parent Entity and its controlled entities ("Consolidated Entity") for the year ended 30th June 2006. The Parent Entity is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Parent Entity in office at any time during or since the financial year and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

John Francis Corr
Stephen John Dobson
Alec Christopher Pismiris (app: 05-Jul-06)
Michael Julian Frayne (res: 05-Jul-06)
Eduardo Javier Valenzuela (res 18-Aug-05)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were Iron, copper, gold, nickel and other base metal exploration.

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

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$1,704,664.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Parent Entity.

The directors have recommended that no dividend be paid by the Parent Entity in respect of the year ended 30th June 2006.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

On 26 August 2005, the Company allotted and issued 5,000,000 fully paid ordinary shares in the Company for 1.4 cents per share, pursuant to the exercise of 5,000,000 options expiring on 25 August 2005.

On 30 September 2005, the Company allotted and issued 15,916,667 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 2,500,000 options expiring on 31 May 2010 and 13,416,667 options expiring on 29 November 2006.

On 7 October 2005, the Company announced that it had successfully concluded negotiations to purchase 100% of the Mantos Grandes copper/gold project in Chile for US\$1.2m in cash.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

On 3 November 2005, the Company allotted and issued 9,750,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 9,750,000 options expiring on 29 November 2006.

On 4 November 2005, the Company announced that it had decided not to exercise an option to increase its ownership in the Anaconda copper project in Bolivia. Sundance has granted an option to its partners in the project for them to purchase Sundance's 37.5% interest for a consideration of \$US\$60,000. This option expires on 31 January 2006.

On 1 December 2005, the Company allotted and issued 110,000,000 fully paid ordinary shares in the Company for 2 cents each and issued 20,000,000 free options expiring on 31 May 2010 exercisable at 2 cents each. Included in the securities issued was a block of 100,000,000 ordinary shares which was issued to a single London institution. The issue of 100,000,000 of these shares was approved at the Annual General Meeting of shareholders of the Company held on 21 November 2005. The issue of the remainder of these shares and options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006.

On 13 December 2005, the Company allotted and issued 4,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 4,000,000 options expiring on 29 November 2006.

On 13 January 2006, the Company allotted and issued 1,000,000 fully paid ordinary shares in the Company and issued 2,000,000 free options expiring on 29 November 2006 exercisable at 2 cents each. These securities were issued in consideration for the purchase of the royalty over the Chacarilla Copper Project in Bolivia. The issue of these shares and options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006.

On 27 January 2006, the Company allotted and issued 1,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 1,000,000 options expiring on 29 November 2006.

On 8 February 2006, the Company announced that it had sold the remaining 20,163,433 shares that it held in Focus Minerals Ltd for 5.3 cents per share.

On 3 March 2006, the Company allotted and issued 500,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 500,000 options expiring on 29 November 2006.

On 3 March 2006, the Company announced:

- a) that it had entered into an agreement to acquire a 100% interest in Cam Iron SA ("Cam"), a company incorporated in the Republic of Cameroon in central west Africa. Cam is the beneficial owner of Exploration Permit No 92 which covers an area of 875 square kilometres over the Mbalam Iron Ore Province ("Mbalam") in Cameroon.
- b) Sundance would acquire its interest in Cam for a consideration comprising of a cash payment of A\$250,000 and the issue of 140 million fully paid shares at an issue price of 2.5 cents per share. It will also grant to local shareholders in Cam a 5% free carried interest in Exploration Permit No 92 to the completion of a bankable feasibility study.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

- c) Other transaction costs include the payment of A\$150,000 and the issue of 80 million fully paid shares at an issue price of 2.5 cents per share, upon Sundance achieving a market capitalisation of A\$25 million within two years of settlement.
- d) Further, an engagement mandate had been entered into between Sundance and Mainglade Holdings Pty Ltd ("Mainglade") (a non-related entity) by which Mainglade is to be issued with 155 million Sundance shares for its corporate services, including engagement fee, facilitation and transaction fee in respect of organising and managing the Cam acquisition together with a total of 100 million options. 20 million of the options will be granted to Capital Investment Partners Pty Ltd ("CIP"), a company associated with Messrs John Corr and Steve Dobson, subject to required approvals. The 100 million options are exercisable at 3 cents on or before 30 June 2008. Messrs Corr and Dobson, or their nominees, will also be granted 10 million options each, exercisable at 3 cents each on or before 30 June 2008.
- e) Sundance intends to raise an additional \$3.6 million by an excluded placement of shares. The proposed capital raising will be subject to Sundance receiving shareholder approval. The shares will be offered at an issue price of 3.0 cents per share to sophisticated investors.

On 24 March 2006, the Company allotted and issued 3,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 3,000,000 options expiring on 29 November 2006.

On 7 April 2006, the Company allotted and issued 7,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 7,000,000 options expiring on 29 November 2006.

On 20 April 2006, the Company announced that it had acquired the remaining 50% of the Chacarilla Copper Project in Bolivia that it did not already own for US\$1,025,460 in cash.

On 1 June 2006, the Company announced that settlement for the acquisition of Cam Iron (SA) had been finalised and therefore had paid A\$400,000 in cash, allotted and issued 295,000,000 ordinary shares and issued 80,000,000 options exercisable at 3 cents each expiring on 30 June 2008 pursuant to the acquisition agreement. The issue of these shares and options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

On 1 June 2006, the Company issued 10,000,000 free options expiring on 1 June 2007 exercisable at 10 cents each. These options were issued in consideration for the provision of corporate services.

On 2 June 2006, the Company allotted and issued 120,000,000 fully paid ordinary shares for 3 cents each. The issue of these shares and options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

On 22 June 2006, the Company announced an ASX waiver to permit Sundance to issue 20,000,000 options to Capital Investment Partners Pty Ltd (or its nominees) and 10,000,000 options each to Mr John Corr and Mr Stephen Dobson on the terms and conditions approved by shareholders on 19 May 2006, by no later than 10 July 2006.

On 30 June 2006, the Company allotted and issued 80,000,000 fully paid ordinary shares pursuant to a performance and incentive agreement with Ajana Holdings Pty Ltd. The issue of these shares was approved at the General Meeting of shareholders of the Company held on 19 May 2006.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 3 July 2006, the Company issued 40,000,000 free options expiring on 30 June 2008 exercisable at 3 cents each. The issue of these options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

On 12 July 2006, the Company announced a scoping study into the Mbalam Iron Ore Project in Cameroon. The Company has also announced that the main deposit at Mbarga, is partly covered hematite mineralisation extending over 2,000 metres along strike at width of up to 600 metres. Exploration conducted by the UNDF and the Canadian International Development Agency between 1976 to 1984, and evaluated by reputable organisations including the Bureau de Recherche Geologique et Minieres BRGM (France) and Paterson Grant Watson Ltd, Consulting Geophysicists (Canada), estimated the project to contain an initial Inferred Resource of +800 million tonnes of iron mineralisation which includes 587 million tonnes at 29.5% Fe plus 218 million tonnes above 60% Fe. Within the project area there is 36.5 km of prospective banded iron formation that warrants extensive exploration. A second hematite occurrence at Metzimevin was poorly explored with just six diamond drill holes with intersections of 63.9 metres at 65.7% Fe in S1 and 36.9 metres at 64.6% Fe in S2 at an hematite outcrop that is some 600metres long.

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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS

The directors intend to actively pursue:

- Exploration and development of the Mbalam Iron Ore project in Cameroon.
- Exploration and development of the Mantos Grandes Copper Project in Chile.
- Exploration and development of the Chacarilla Copper Project in Bolivia.

ENVIRONMENTAL ISSUES

The Consolidated Entity's operations are subject to environmental regulation in Cameroon, Chile, Bolivia and in Western Australia. The Consolidated Entity continues to comply with these regulations.

INFORMATION ON DIRECTORS

JOHN FRANCIS CORR
CHAIRMAN (EXECUTIVE)

Qualifications and Experience

Mr Corr has an honours degree in Law and degrees in Commerce and Arts. Mr Corr has worked with a number of major Australian listed companies and has been extensively involved in the stockbroking and investment banking sectors.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Biron Capital Ltd (appointed 20 December 2004).



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

*Interest in shares
and options:*

2,750,000 ordinary shares in Sundance Resources Ltd, 750,000 options expiring 29 November 2006 in the Parent Entity and 10,000,000 options expiring 31 May 2010 in the Parent Entity.

*Directors meetings
attended: 18.*

STEPHEN JOHN DOBSON
EXECUTIVE DIRECTOR

Qualifications and Experience:

Mr Dobson has more than 20 years experience in investment banking and international capital management. From 1987 to 2001 he held a range of positions as Managing Director of leading global investment bank Merrill Lynch & Co. His responsibilities had him based in Sydney, New York, London, Singapore and finally Perth Australia. During this tenure his duties covered a full range of debt and equity transactions for Governments and corporations located across many jurisdictions. Prior to joining Sundance Resources Ltd he advised and was a director of several Australian and US based financial management firms with special focus on the global resources sector. He is a foundation director of Perth based advisory firm Capital Investment Partners and he holds a Bachelor of Commerce degree from the University of Western Australia.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Nil.

*Interest in shares
and options:*

1,000,000 ordinary shares in Sundance Resources Ltd and 60 convertible notes of \$1,000 each in Sundance Resources Ltd.

*Directors meetings
attended: 18.*

ALEC CHRISTOPHER PISMIRIS
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Mr Pismiris has over 20 years' experience in the securities, finance and mining industries. Mr Pismiris is familiar with the evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities. Mr Pismiris has a Bachelor of Commerce degree from the University of Western Australia and is an associate of the Institute of Chartered Secretaries in Australia.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

Prairie Downs Metals Limited (appointed 11 October 2002).

*Interest in shares
and options:*

3,333,333 fully paid ordinary shares, 5 Convertible Notes of \$1,000 each and 4,000,000 options expiring on 30 June 2008 in Sundance Resources Ltd.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

*Directors meetings
attended:*

No meetings were held during the financial year while he was a director.

DIRECTORS MEETINGS

During the year ended 30th June 2005, 18 meetings of directors were held.

In addition to these meetings, the directors frequently discuss company matters informally.

Mr Michael Frayne, who resigned as a director subsequent to the end of the financial year attended 3 of the 18 meetings held during the financial year while he was a director.

Mr Eduardo Valenzuela, who resigned as a director during the year attended the one meeting held during the financial year while he was a director.

REMUNERATION REPORT

Remuneration is based on fees approved by the Board of directors.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives. There are no contracts with directors.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS

John Corr	Executive Chairman
Stephen Dobson	Executive Director
Michael Frayne	Non-Executive Director
Eduardo Valenzuela	Executive Director (resigned 18 August 2005)

EXECUTIVES

Jack Toby	Company Secretary
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**SUNDANCE RESOURCES LTD
DIRECTORS' REPORT**

	Compensation 2006		
	Short Term Benefits \$	Retirement Benefits \$	Total Compensation \$
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
John Corr	132,632	3,368	136,000
Stephen Dobson	123,000	5,400	128,400
Eduardo Valenzuela	52,919	3,071	55,990
Michael Frayne	30,000	—	30,000
TOTAL COMPENSATION FOR SPECIFIED DIRECTORS	338,551	11,839	350,390
COMPENSATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Jack Toby	52,875	—	52,875
TOTAL COMPENSATION FOR SPECIFIED EXECUTIVES	52,875	—	52,875

The Company did not provide any equity compensation to directors or executives during the year ended 30 June 2006.

	Primary Compensation 2005		
	Short Term Benefits \$	Post Term Benefits \$	Total \$
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
John Corr	39,310	2,312	41,622
Stephen Dobson	21,788	746	22,534
Eduardo Valenzuela	197,929	13,008	210,937
Michael Frayne	17,500	—	17,500
Kim Gardner	15,000	—	15,000
Ian Sandover	107,000	—	107,000
Patrick Elliott	10,000	900	10,900
TOTAL PRIMARY COMPENSATION FOR SPECIFIED DIRECTORS	408,527	16,966	425,493
COMPENSATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Jack Toby	50,519	—	50,519
TOTAL PRIMARY COMPENSATION FOR SPECIFIED EXECUTIVES	50,519	—	50,519



**SUNDANCE RESOURCES LTD
DIRECTORS' REPORT**

	Equity Compensation 2005 Options 2005 \$	Total 2005 \$
COMPENSATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.		
John Corr	129,554	129,554
TOTAL EQUITY COMPENSATION FOR SPECIFIED DIRECTORS	129,554	129,554

On 12 May 2005 the Parent Entity issued 10,000,000 options to acquire a fully paid ordinary share in the capital of the Parent Entity at a price of 2 cents each on or before 31 May 2010 to Mr John Corr, a director of the Parent Entity. The issue of these shares and options was approved by the general meeting of shareholders of the Parent Entity held on 12 May 2005. The and Options were issued for free as consideration for performance of work, both previously and in the future, by Mr Corr in relation to his position as a director of the Company; and to secure his ongoing commitment and dedication to the continued growth of the Company. These options were valued at 1.296 cents each using the Cox, Ross, & Rubinstein Binomial method and based on a spot price of \$0.017, a risk free interest rate of 5.25% and an average of calculations using volatility factors of 102.1%, 102.1%, 100% and 104.5% (each derived from different methodologies for calculating the volatility factor based on share price history).

	Primary Compensation 2005 \$	Total Compensation 2005 Equity Compensation 2005 \$	Total 2005 \$
COMPENSATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
John Corr	41,622	129,554	171,176
Stephen Dobson	22,534	—	22,534
Eduardo Valenzuela	210,937	—	210,937
Michael Frayne	17,500	—	17,500
Kim Gardner	15,000	—	15,000
Ian Sandover	107,000	—	107,000
Patrick Elliott	10,900	—	10,900
TOTAL COMPENSATION FOR SPECIFIED DIRECTORS	425,493	129,554	555,047
COMPENSATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Jack Toby	50,519	—	50,519
TOTAL COMPENSATION FOR SPECIFIED EXECUTIVES	50,519	—	50,519



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

CORPORATE GOVERNANCE

Any director may nominate a person to be considered for appointment as a director of the Parent Entity, either as an additional director or as a replacement for a retiring director. Criteria for Board membership rests on the Board's assessment of the capacity of a nominee to contribute to the Parent Entity. Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board.

The terms and conditions relating to the appointment and retirement of non-executive directors are determined by the Board on an individual basis at the time of appointment of the director and are reviewed by the Chairman on an on-going basis.

Each director of the Parent Entity or a controlled entity has the right to seek independent professional advice at the expense of the Parent Entity or the controlled entity, however prior approval of the relevant Chairman is required which is not unreasonably withheld.

The remuneration of executive directors and non-executive directors is reviewed by the Board of directors with the exclusion of the director concerned. The remuneration of other senior executives of the Parent Entity is approved by the relevant board of directors. Directors are not remunerated in accordance with the performance of the Parent Entity or the Consolidated Entity.

The nomination of external auditors and the review of the adequacy of external audit arrangements is the responsibility of the Board of Directors as a whole.

The Parent Entity does not have a nomination committee, a remuneration committee or an audit committee as the Parent Entity is not of a size or complexity to justify such separate committees of directors. All matters which might properly be dealt with by such committees are subject to scrutiny at full board meetings.

The identification of areas of significant business risk and arrangements to manage such risks is the responsibility of the Chairman, executive directors and senior executives. The Chairman reports to the Board on such matters on an on-going basis.

All directors, executives and staff of the Parent Entity and of all controlled entities, if any, are required to abide by the legal requirements and the highest standards of ethical conduct as recognised in each relevant jurisdiction in which the Consolidated Entity operates.

All directors, executives and staff of the Parent Entity and of all controlled entities, if any, are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct with regard to their personal trading in the securities of the Parent Entity or any of its controlled Entities, including the use of trading windows.

SHARE OPTIONS ISSUED

On 1 December 2005, the Company issued 20,000,000 free options expiring on 31 May 2010 exercisable at 2 cents each. The issue of these options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006.

On 13 January 2006, the Company issued 2,000,000 free options expiring on 29 November 2006 exercisable at 2 cents each. These securities were issued as part consideration for the purchase of the royalty over the Chacarilla Copper Project in Bolivia. The issue of these options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

On 1 June 2006, the Company issued 80,000,000 options exercisable at 3 cents each expiring on 30 June 2008 as part consideration for the acquisition of Cam Iron (SA). The issue of these options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

On 1 June 2006, the Company issued 10,000,000 free options expiring on 1 June 2007 exercisable at 10 cents each. These options were issued in consideration for the provision of corporate services.

On 3 July 2006, the Company issued 40,000,000 free options expiring on 30 June 2008 exercisable at 3 cents each. The issue of these options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

SHARE OPTIONS OUTSTANDING

During the year ended 30th June 2005, 41,166,667 shares were issued by virtue of the exercise of options.

There were 11,833,333 options to acquire shares in the Parent Entity expiring on 29 November 2006 outstanding at the date of this report. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents

There were 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum outstanding at the date of this report. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.

There were 27,500,000 options to acquire shares in the Parent Entity expiring on 31 May 2010 outstanding at the date of this report. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents.

There were 120,000,000 options to acquire shares in the Parent Entity expiring on 30 June 2008 outstanding at the date of this report. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 3 cents.

There were 10,000,000 options to acquire shares in the Parent Entity expiring on 1 June 2007 outstanding at the date of this report. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 10 cents.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

The Parent Entity has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Parent Entity or a related body corporate:

- a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.



SUNDANCE RESOURCES LTD DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Bentleys MRI Perth Partnership have provided a signed auditor's independence declaration to the directors in relation to the year ended 30 June 2006. This declaration has been attached to the independent audit report to the members of the Company.

The following non-audit services were provided to the Company by the auditors, Bentleys MRI Perth Partnership. The directors are satisfied that the provision of 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. Bentleys MRI Perth Partnership received or is due to receive \$676 for the provision of tax compliance services.

Signed in accordance with a resolution of the directors.

John Corr
Director

26 September 2006
Perth, Western Australia



**SUNDANCE RESOURCES LTD
DIRECTORS' DECLARATION**

The directors of Sundance Resources Ltd A.C.N. 055 719 394 ("Company") declare that:

- 1) the financial statements and notes of the Company and of the Consolidated Entity as set out on pages 13 to 44 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company and the Consolidated Entity;
- 2) in the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

This declaration is made in accordance with a resolution of the Board of Directors.

John Corr
Director

26 September 2006
Perth, Western Australia



SUNDANCE RESOURCES LTD
INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006

	Note	Consolidated Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenues	2	1,181,980	206,174	1,181,980	206,174
Finance costs	2	(40,320)	(117,623)	(40,320)	(117,623)
Write down of loans and investments	3	(384,531)	(439,729)	(575,549)	(439,729)
Carrying value of investments sold		(927,518)	(155,581)	(927,518)	(155,581)
Cost of share based payment		(124,770)	(168,304)	(124,770)	(168,304)
Other expenses		(1,409,505)	(1,043,542)	(1,361,236)	(1,043,542)
LOSS BEFORE INCOME TAX EXPENSE	2	(1,704,664)	(1,718,605)	(1,847,413)	(1,718,605)
Income tax expense	4	—	—	—	—
LOSS AFTER RELATED INCOME TAX EXPENSE	5	(1,704,664)	(1,718,605)	(1,847,413)	(1,718,605)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	6	(0.27)	(0.49)		
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	6	(0.27)	(0.49)		

The accompanying notes form part of these financial statements



SUNDANCE RESOURCES LTD
BALANCE SHEET AS AT 30TH JUNE 2006

	Note	Consolidated Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents		4,165,380	1,966,366	4,105,928	1,966,366
Trade and other receivables	7	49,670	3,000	49,670	3,000
Other financial assets	8	—	1,028,335	—	1,028,335
TOTAL CURRENT ASSETS		4,215,050	2,997,701	4,155,598	2,997,701
NON-CURRENT ASSETS					
Property, Plant and Equipment	9	24,654	8,063	5,534	8,063
Other financial assets	10	34,856,758	1,836,985	34,690,398	1,836,985
TOTAL NON-CURRENT ASSETS		34,881,412	1,845,048	34,695,932	1,845,048
TOTAL ASSETS		39,096,462	4,842,749	38,851,530	4,842,749
CURRENT LIABILITIES					
Trade and other payables	11	3,627,936	167,138	3,525,753	167,138
TOTAL CURRENT LIABILITIES		3,627,936	167,138	3,525,753	167,138
NON-CURRENT LIABILITIES					
Financial liabilities	12	—	448,000	—	448,000
TOTAL NON-CURRENT LIABILITIES		—	448,000	—	448,000
TOTAL LIABILITIES		3,627,936	615,138	3,525,753	615,138
NET ASSETS		35,468,526	4,227,611	35,325,777	4,227,611
ISSUED CAPITAL					
Contributed equity	13	93,515,150	64,245,887	93,515,150	64,245,887
Reserves		3,844,620	168,304	3,844,620	168,304
Accumulated losses	5	(61,891,244)	(60,186,580)	(62,033,993)	(60,186,580)
TOTAL EQUITY		35,468,526	4,227,611	35,325,777	4,227,611

The accompanying notes form part of these financial statements



SUNDANCE RESOURCES LTD
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2006

	Note	Consolidated Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers & employees		(1,187,777)	(818,364)	(1,189,023)	(818,364)
Interest received		112,221	26,524	112,221	26,524
Interest & finance costs paid		(40,320)	(112,100)	(40,320)	(112,100)
Other		11,239	12,441	11,239	12,441
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	15	(1,104,637)	(891,499)	(1,105,883)	(891,499)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(19,120)	(8,046)	—	(8,046)
Sale of property, plant & equipment		—	1,000	—	1,000
Purchase of mining tenements		(3,444,081)	(523,626)	(3,044,081)	(523,626)
Purchase of investments		—	—	(400,000)	—
Proceeds on disposal of investments		1,058,520	166,209	1,058,520	166,209
Loans to other entities		—	—	(191,018)	—
Loans repaid by other entities		—	—	—	—
Exploration expenditure		(625,001)	(273,325)	(511,309)	(273,325)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(3,029,682)	(637,788)	(3,087,888)	(637,788)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from equity issues		6,693,333	2,934,000	6,693,333	2,934,000
Borrowings		—	978,000	—	978,000
Repayment of borrowings		—	(530,000)	—	(530,000)
Share issue expenses		(360,000)	(127,262)	(360,000)	(127,262)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		6,333,333	3,254,738	6,333,333	3,254,738
NET DECREASE IN CASH HELD		2,199,014	1,725,451	2,139,562	1,725,451
Cash and cash equivalents at beginning of year		1,966,366	240,915	1,966,366	240,915
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	4,165,380	1,966,366	4,105,928	1,966,366

The accompanying notes form part of these financial statements



SUNDANCE RESOURCES LTD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2006

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	CONSOLIDATED ENTITY			
	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2004</i>	61,439,149	—	(58,467,975)	2,971,174
Loss for period	—	—	(1,718,605)	(1,718,605)
TOTAL LOSS FOR THE PERIOD	—	—	(1,718,605)	(1,718,605)
Securities issued	2,934,000	—	—	2,934,000
Equity raising costs	(127,262)	—	—	(127,262)
Cost of share based payment	—	168,304	—	168,304
At 30 JUNE 2005	64,245,887	168,304	(60,186,580)	4,227,611
Loss for period	—	—	(1,704,664)	(1,704,664)
TOTAL LOSS FOR THE PERIOD	—	—	(1,704,664)	(1,704,664)
Securities issued	29,990,333	—	—	29,990,333
Equity raising costs	(721,070)	—	—	(721,070)
Cost of share based payments	—	3,676,316	—	3,676,316
At 30 JUNE 2006	93,515,150	3,844,620	(61,891,244)	35,468,526

The accompanying notes form part of these financial statements



SUNDANCE RESOURCES LTD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2006

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	PARENT ENTITY			
	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2004</i>	61,439,149	—	(58,467,975)	2,971,174
Loss for period	—	—	(1,718,605)	(1,718,605)
TOTAL LOSS FOR THE PERIOD	—	—	(1,718,605)	(1,718,605)
Securities issued	2,934,000	—	—	2,934,000
Equity raising costs	(127,262)	—	—	(127,262)
Cost of share based payment	—	168,304	—	168,304
At 30 JUNE 2005	64,245,887	168,304	(60,186,580)	4,227,611
Loss for period	—	—	(1,847,413)	(1,847,413)
TOTAL LOSS FOR THE PERIOD	—	—	(1,847,413)	(1,847,413)
Securities issued	29,990,333	—	—	29,990,333
Equity raising costs	(721,070)	—	—	(721,070)
Cost of share based payments	—	3,676,316	—	3,676,316
At 30 JUNE 2006	93,515,150	3,844,620	(62,033,993)	35,325,777

The accompanying notes form part of these financial statements



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The following is a summary of the significant accounting policies adopted by Sundance Resources Ltd A.C.N. 055 719 394 ("Parent Entity" or "Company") and by the Parent Entity and its controlled entities ("Consolidated Entity") in the preparation of these accounts. The Parent Entity is a listed public company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation of Accounts

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards, Urgent Issues Group Consensus Views and mandatory professional reporting requirements (Urgent issues Group Consensus Views).

The financial report has been prepared on an accruals basis and is based on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is Australian Dollars.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Company has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed below. Except for the revised AASB 119 Employee Benefits (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Sundance Resources Ltd ("Company") and its subsidiaries ("Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Parent Entity and the Consolidated Entity in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

a) Taxes



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

b) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non monetary benefits; annual leave; long service leave; sick leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred. The Company has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

c) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

d) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

e) Revenue recognition

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised when control of the right to receive interest has been obtained.

f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

g) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

i) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

j) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater 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.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

k) Trade and other receivables

Policy for the year to 30 June 2006

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Policy for the year to 30 June 2005

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

l) Trade and other payables

Policy for the year to 30 June 2006

Trade payables and other payables are carried at amortised cost which represents future liabilities for goods and services received, whether or not billed to the Company.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Policy for the year to 30 June 2005

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

m) Investments

Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005.

Impairment of available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Derecognition of financial assets and financial liabilities

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

n) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out below. The application of this policy necessarily 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. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

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, using the assumptions detailed below. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

o) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

p) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

r) Foreign currency translation

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currency of overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

s) AASB 1 Transitional exemptions

The Company has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information. The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Designation of previously recognized financial instruments

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at date of transition to AIFRS.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

t) Impact of adoption of AIFRS

The impacts of adopting AIFRS on total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below:

RECONCILIATION OF TOTAL EQUITY AS PRESENTED UNDER AGAAP TO THAT UNDER AIFRS

	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
<i>Under AGAAP at 30 June 2005</i>	64,245,887	—	(60,018,276)	4,227,611
Cost of share based payment	—	168,304	(168,304)	—
UNDER AIFRS AT 30 JUNE 2005	64,245,887	168,304	(60,186,580)	4,227,611

There were no impacts to the income statement from adopting AIFRS for the year ended 30 June 2005.

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP

Consolidated Entity		Parent Entity	
2006	2005	2006	2005
\$	\$	\$	\$

NOTE 2. OPERATING LOSS

The loss before income tax has been determined after:

CHARGING AS EXPENSES

Depreciation of:

freehold building	—	3,183	—	3,183
plant & equipment	2,529	14,450	2,529	14,450

TOTAL DEPRECIATION

	2,529	17,633	2,529	17,633
--	-------	--------	-------	--------

Interest expense - other persons	40,320	117,623	40,320	117,623
Bad debts written off		—		—
Rental expense on operating lease	15,139	26,981	15,139	26,981
Write down of listed securities	100,817	—	100,817	—
Loans to controlled entities written off	—	—	191,018	—
Loss on disposal of plant & equipment	—	112,049	—	112,049

CREDITING AS INCOME

Interest received	112,221	26,524	112,221	26,524
Diesel rebates	11,239	12,441	11,239	12,441
Profit on sale of investments	131,002	—	131,002	—



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
REVENUE				
<i>Operating activities</i>				
Diesel rebates	11,239	12,441	11,239	12,441
Interest - other persons	112,221	26,524	112,221	26,524
TOTAL REVENUE FROM OPERATING ACTIVITIES	123,460	38,965	123,460	38,965
<i>Non-operating activities</i>				
Proceeds on disposal of investments	1,058,520	166,209	1,058,520	166,209
Proceeds on disposal of non-current assets	—	1,000	—	1,000
TOTAL REVENUE FROM NON-OPERATING ACTIVITIES	1,058,520	167,209	1,058,520	167,209
TOTAL REVENUE	1,181,980	206,174	1,181,980	206,174

NOTE 3. WRITE DOWN OF LOANS AND INVESTMENTS

Write down of Anaconda Copper Project	283,714	—	283,714	—
Write down of current investments	100,817	439,729	100,817	439,729
Loans to controlled entities written off	—	—	191,018	—
	384,531	439,729	575,549	439,729

NOTE 4. INCOME TAX

The prima facie income tax, using rates applicable in the country of operation, on loss from ordinary activities differs from the income tax provided in the financial report as follows:

LOSS FROM ORDINARY ACTIVITIES	(1,704,664)	(1,718,605)	(1,847,413)	(1,718,605)
Prima facie income tax benefit on operating loss calculated at 30%	511,399	515,581	554,224	515,581
Sundry non-deductible expenses	(28,613)	(171,033)	(28,613)	(171,033)
Deferred tax asset on temporary differences and tax losses not brought to account at balance date as realisation is not regarded as probable	(482,786)	(344,548)	(525,611)	(344,548)
INCOME TAX EXPENSE	—	—	—	—



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
INCOME TAX BENEFIT REPORTED INCOME STATEMENT				
Current income tax charge	—	—	—	—
Deferred income tax	(9,929,702)	1,047	(9,886,877)	1,047
Relating to origination and reversal of temporary differences	10,455,753	393,992	10,455,753	393,992
Current year tax losses not recognised in the current period	(482,786)	(395,039)	(525,611)	(395,039)
Income tax benefit recognised in equity	(43,265)	—	(43,265)	—
Income tax benefit reported in income statement	—	—	—	—
<hr/>				
INCOME TAX BENEFIT REPORTED IN INCOME STATEMENT	—	—	—	—
<hr/>				
UNRECOGNISED DEFERRED TAX BALANCES				
Unrecognised deferred tax asset - losses	18,227,040	7,566,867	18,227,040	7,566,867
Unrecognised deferred tax assets - other	62,534	214,765	62,534	214,765
Unrecognised deferred tax liabilities	(17,323,025)	(7,374,851)	(17,274,140)	(7,374,851)
<hr/>				
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	966,549	406,781	1,015,434	406,781
<hr/>				
<p>The deferred tax asset not brought to account will only be of benefit to the Consolidated Entity 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 Consolidated Entity are able to meet the continuity of ownership and/or continuity of business tests.</p>				
NOTE 5. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	60,186,580	58,467,975	60,186,580	58,467,975
Net loss for the financial year	1,704,664	1,718,605	1,847,413	1,718,605
<hr/>				
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	61,891,244	60,186,580	62,033,993	60,186,580
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SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 6. EARNINGS PER SHARE				
Basic earnings/(loss) per share (cents per share)	(0.27)	(0.49)		
Diluted earnings/(loss) per share (cents per share)	(0.27)	(0.49)		
Earnings used in the calculation of basic EPS	(1,704,664)	(1,718,605)		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	629,752,228	348,606,566		

During the year ended 30 June 2006, 112,000,000 options to subscribe for ordinary shares were issued, 46,166,667 options were exercised and no options expired unexercised, leaving 129,333,333 options and 448 convertible notes of \$1,000 each outstanding at 30 June 2006 (note 13).

During the year ended 30 June 2005, 63,500,000 options to subscribe for ordinary shares and 448 convertible notes of \$1,000 each were issued, no options were exercised and no options expired unexercised, leaving 63,500,000 options and 448 convertible notes of \$1,000 each outstanding at 30 June 2005 (note 13).

These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

NOTE 7. TRADE AND OTHER RECEIVABLES

Other debtors and prepayments	49,670	3,000	49,670	3,000
	49,670	3,000	49,670	3,000

Other debtors are non-interest bearing and generally on 30 day terms.

NOTE 8. OTHER FINANCIAL ASSETS (CURRENT)

Shares in corporations listed on a prescribed stock exchange at the lower of cost or recoverable amount (at market value)	—	1,028,335	—	1,028,335
	—	1,028,335	—	1,028,335

Listed shares in other corporations are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were disposed of at the reporting date.

NOTE 9. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
At cost	31,984	12,864	12,864	12,864
Accumulated depreciation	(7,330)	(4,801)	(7,330)	(4,801)
TOTAL PROPERTY, PLANT AND EQUIPMENT	24,654	8,063	5,534	8,063



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
MOVEMENTS IN THE CARRYING AMOUNT OF EACH CLASS OF PLANT AND EQUIPMENT				
PLANT AND EQUIPMENT				
At the beginning of the financial year	8,063	35,567	8,063	35,567
Additions	19,120	8,046	—	8,046
Disposals	—	(21,100)	—	(21,100)
Depreciation expense	(2,529)	(14,450)	(2,529)	(14,450)
TOTAL PLANT AND EQUIPMENT	24,654	8,063	5,534	8,063

NOTE 10. OTHER FINANCIAL ASSETS (NON-CURRENT)

Shares in controlled entity at cost	—	—	31,432,496	—
Shares in other entity at recoverable amount	—	1,132,636	—	1,132,636
Interest in the Chacarilla Copper Project at recoverable amount	2,567,275	—	2,567,275	—
Interest in the Ananconda Project at cost	—	278,160	—	278,160
Interest in the Mantos Grandes Project at cost	2,160,562	426,189	498,689	426,189
Interest in the Mbalam Iron Ore Project at cost	30,128,921	—	191,938	—
	34,856,758	1,836,985	34,690,398	1,836,985

At 30 June 2006, the Parent Entity held a 100% interest in the Chacarilla Copper Project in Bolivia. This interest was held by Mr John Corr, a director of the the Parent Entity, in trust for the Parent Entity. The Chacarilla Copper Project has not yet reached the stage of assessing the existence of economically recoverable reserves, the outcome of which will ultimately affect the carrying value of this investment.

During the year ended 30 June 2006, the Parent Entity acquired a 100% of Asesorias e Inversiones Futuro Limitada ("Futuro"), a company incorporated in Chile. Futuro owns 100% of the Mantos Grandes Copper Project in Chile, which the Parent Entity previously held an option to acquire.

The Chacarilla Copper Project was previously held through shares in an associated company, Bolivian Copper Holdings Ltd ("BCH") which is entitled to 100% of the Chacarilla Copper Project in Bolivia through its wholly owned subsidiaries. These entities are now wholly owned controlled entities of the Parent Entity. The principal activities of BCH was copper and other base metal exploration. There are no retained earnings or reserves, or movements in retained earnings or reserves attributable to BCH. The net profit of BCH from ordinary activities before tax and also after tax was nil.

The ultimate recoupment of costs for areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas. The commercial exploitation of some areas of interest may require the satisfactory settlement of native title claims.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Consolidated Entity		Parent Entity	
2006	2005	2006	2005
\$	\$	\$	\$

At 30 June 2005, the Parent Entity held a 50% interest in the Chacarilla Copper Project in Bolivia. This interest was held through shares in an associated company, Bolivian Copper Holdings Ltd ("BCH") which is entitled to 100% of the Chacarilla Copper Project in Bolivia through its wholly owned subsidiaries. The Chacarilla Copper Project has not yet reached the stage of assessing the existence of economically recoverable reserves, the outcome of which will ultimately affect the carrying value of this investment.

The principal activities of BCH was copper and other base metal exploration. There are no retained earnings or reserves, or movements in retained earnings or reserves attributable to BCH. The net profit of BCH from ordinary activities before tax and also after tax was nil.

At 30 June 2005, the Parent Entity held a 37.5% interest in the Anaconda Copper / Silver Project in Bolivia. The tenements for this project are held by Bolivian Gold S.R.L., a company incorporated in Bolivia. The Parent Entity has the right to acquire up to 100% of the Anaconda Copper / Silver Project for a further 5 payments of US\$50,000. Each payment of US\$50,000 payment will earn the Parent Entity an interest of 12.5% in the project.

At 30 June 2005, the Parent Entity held a 3 year option agreement for the acquisition of 100% of the Mantos Grandes project for a total price of US\$4.0 million. The agreement consists of a 12 month option for an initial payment of US\$250,000. Should the Parent Entity decide to withdraw at the end of 12 months, it will retain a 6.25% interest in the company holding the project at no additional cost. the Parent Entity may extend the option for a further 24 months by paying US\$1.25 million. If thereafter the Parent Entity decides not to exercise the purchase option, then the project will be offered for sale and the Parent Entity will receive 25% of the proceeds. the Parent Entity may exercise the option on or before the end of the 3 year period by paying the remaining US\$2.5 million of the total sale price in two installments over a period of 12 months, with the second payment being deferrable for up to 12 months subject to interest.

The ultimate recoupment of costs for areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas. The commercial exploitation of some areas of interest may require the satisfactory settlement of native title claims.

At 30 June 2006, the Parent Entity held a 100% interest in Cam Iron (SA) in Cameroon. This company holds a 95% interest in the Mbalam Iron Ore Project in Cameroon. The Mbalam Iron Ore Project has not yet reached the stage of assessing the existence of economically recoverable reserves, the outcome of which will ultimately affect the carrying value of this investment.

The ultimate recoupment of costs for areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas. The commercial exploitation of some areas of interest may require the satisfactory settlement of native title claims.

NOTE 11. TRADE AND OTHER PAYABLES

Sundry creditors and accrued expenses	3,179,936	167,138	3,077,753	167,138
Convertible notes (unsecured)	448,000	—	448,000	—
	3,627,936	167,138	3,525,753	167,138

Sundry creditors are non-interest bearing and generally on 30 day terms.

The Parent Entity has on issue 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 12. FINANCIAL LIABILITIES (NON-CURRENT)				
Convertible notes (unsecured)	—	448,000	—	448,000
	—	448,000	—	448,000

On 12 May 2005, the Parent Entity issued 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion. The issue of these notes was approved at the general meeting of shareholders held on 12 May 2005.

NOTE 13. ISSUED CAPITAL

1,155,748,575 (2005: 503,581,908) fully paid ordinary shares	93,515,150	64,245,887	93,515,150	64,245,887
	93,515,150	64,245,887	93,515,150	64,245,887

MOVEMENTS IN ISSUED CAPITAL

At the beginning of the financial year	64,245,887	61,439,149	64,245,887	61,439,149
5,000,000 shares issued 26 August 2005	70,000	—	70,000	—
15,916,667 shares issued 30 September 2005	318,333	—	318,333	—
9,750,000 shares issued 3 November 2005	195,000	—	195,000	—
110,000,000 shares issued 1 December 2005	2,200,000	—	2,200,000	—
4,000,000 shares issued 13 December 2005	80,000	—	80,000	—
1,000,000 shares issued 13 January 2006	27,000	—	27,000	—
1,000,000 shares issued 27 January 2006	20,000	—	20,000	—
500,000 shares issued 3 March 2006	10,000	—	10,000	—
3,000,000 shares issued 24 March 2006	60,000	—	60,000	—
7,000,000 shares issued 7 April 2006	140,000	—	140,000	—
295,000,000 shares issued 1 June 2006	17,110,000	—	17,110,000	—
120,000,000 shares issued 2 June 2006	3,600,000	—	3,600,000	—
80,000,000 shares issued 30 June 2006	6,160,000	—	6,160,000	—
43,500,000 shares issued 25 October 2004	—	478,500	—	478,500
43,500,000 options issued 2 December 2004	—	130,500	—	130,500
50,000,000 shares issued 15 March 2005	—	600,000	—	600,000
50,000,000 shares issued 19 May 2005	—	750,000	—	750,000
65,000,000 shares issued 20 May 2005	—	975,000	—	975,000
Capital raising costs	(721,070)	(127,262)	(721,070)	(127,262)
AT THE END OF THE FINANCIAL YEAR	93,515,150	64,245,887	93,515,150	64,245,887

On 26 August 2005, the Company allotted and issued 5,000,000 fully paid ordinary shares in the Company for 1.4 cents per share, pursuant to the exercise of 5,000,000 options expiring on 25 August 2005.

On 30 September 2005, the Company allotted and issued 15,916,667 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 2,500,000 options expiring on 31 May 2010 and 13,416,667 options expiring on 29 November 2006.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

Consolidated Entity		Parent Entity	
2006	2005	2006	2005
\$	\$	\$	\$

On 3 November 2005, the Company allotted and issued 9,750,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 9,750,000 options expiring on 29 November 2006.

On 1 December 2005, the Company allotted and issued 110,000,000 fully paid ordinary shares in the Company for 2 cents each. The issue of 100,000,000 of these shares was approved at the Annual General Meeting of shareholders of the Company held on 21 November 2005. The issue of the remainder of these shares and options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006.

On 13 December 2005, the Company allotted and issued 4,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 4,000,000 options expiring on 29 November 2006.

On 13 January 2006, the Company allotted and issued 1,000,000 fully paid ordinary shares in the Company. These securities were issued as part consideration for the purchase of the royalty over the Chacarilla Copper Project in Bolivia. The issue of these shares was ratified at the General Meeting of shareholders of the Company held on 19 May 2006.

On 27 January 2006, the Company allotted and issued 1,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 1,000,000 options expiring on 29 November 2006.

On 3 March 2006, the Company allotted and issued 500,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 500,000 options expiring on 29 November 2006.

On 24 March 2006, the Company allotted and issued 3,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 3,000,000 options expiring on 29 November 2006.

On 7 April 2006, the Company allotted and issued 7,000,000 fully paid ordinary shares in the Company for 2 cents per share, pursuant to the exercise of 7,000,000 options expiring on 29 November 2006.

On 1 June 2006, the Company allotted and issued 295,000,000 ordinary shares as part consideration for the acquisition of Cam Iron (SA). The issue of these shares was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

On 2 June 2006, the Company allotted and issued 120,000,000 fully paid ordinary shares for 3 cents each. The issue of these shares and options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

On 30 June 2006, the Company allotted and issued 80,000,000 fully paid ordinary shares pursuant to a performance and incentive agreement with Ajana Holdings Pty Ltd. The issue of these shares was approved at the General Meeting of shareholders of the Company held on 19 May 2006.

At 30 June 2006 there were 129,333,333 unissued ordinary shares for which options were outstanding. These comprise 11,833,333 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 2 cents per share and expire on 29 November 2006, 27,500,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 2 cents per share and expire on 31 May 2010, 80,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 3 cents per share and expire on 30 June 2008, 10,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 10 cents per share and expire on 1 June 2007.

At 30 June 2006 there were 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
TERMS AND CONDITIONS OF CONTRIBUTED EQUITY				
<p>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.</p>				
NOTE 14. RESERVES				
OPTION PREMIUM RESERVE	3,844,620	168,304	3,844,620	168,304
MOVEMENTS IN OPTION PREMIUM RESERVE				
At the beginning of the financial year	168,304	—	168,304	—
20,000,000 options issued 1 December 2005	361,070	—	361,070	—
2,000,000 options issued 13 January 2006	25,431	—	25,431	—
80,000,000 options issued 1 June 2006	3,165,045	—	3,165,045	—
10,000,000 options issued 1 June 2006	124,770	—	124,770	—
5,000,000 free options issued on 12 May 2005	—	38,750	—	38,750
10,000,000 free options issued on 12 May 2005	—	129,554	—	129,554
AT THE END OF THE FINANCIAL YEAR	3,844,620	168,304	3,844,620	168,304

The option premium reserve is used to accumulate the fair value of options issued.

On 1 December 2005, the Company issued 20,000,000 free options expiring on 31 May 2010 exercisable at 2 cents each. The issue of these options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006. These options were valued at 1.805 cents each using the Cox, Ross, & Rubinstein Binomial method and based on a spot price of \$0.024, a risk free interest rate of 5.25% and an average of calculations using volatility factors of 95.8%, 96.8%, 94.1% and 96.5% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 13 January 2006, the Company issued 2,000,000 free options expiring on 29 November 2006 exercisable at 2 cents each. These securities were issued as part consideration for the purchase of the royalty over the Chacarilla Copper Project in Bolivia. The issue of these options was ratified at the General Meeting of shareholders of the Company held on 19 May 2006. These options were valued at 1.272 cents each using the Cox, Ross, & Rubinstein Binomial method and based on a spot price of \$0.027, a risk free interest rate of 5.25% and an average of calculations using volatility factors of 95.4%, 117.5%, 94.9% and 89.5% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 1 June 2006, the Company issued 80,000,000 options exercisable at 3 cents each expiring on 30 June 2008 as part consideration for the acquisition of Cam Iron (SA). The issue of these options was approved at the General Meeting of shareholders of the Company held on 19 May 2006. These options were valued at 3.956 cents each using the Cox, Ross, & Rubinstein Binomial method and based on a spot price of \$0.058, a risk free interest rate of 5.25% and an average of calculations using volatility factors of 97.2%, 97.2%, 100% and 81.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 1 June 2006, the Company issued 10,000,000 free options expiring on 1 June 2007 exercisable at 10 cents each. These options were issued in consideration for the provision of corporate services. These options were valued at 1.248 cents each using the Cox, Ross, & Rubinstein Binomial method and based on a spot price of \$0.058, a risk free interest rate of 5.25% and an average of calculations using volatility factors of 97.2%, 97.2%, 100% and 81.2% (each derived from different methodologies for calculating the volatility factor based on share price history).



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 15. CASH FLOW INFORMATION				
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX				
Profit/(loss) after tax	(1,704,664)	(1,718,605)	(1,847,413)	(1,718,605)
<i>Cash flows in loss attributable to non-operating activities</i>				
Exploration expenditure	290,832	36,397	241,317	36,397
<i>Non-cash flows in loss</i>				
Cost of share based payment	124,770	168,304	124,770	168,304
Loss/(Profit) on disposal of investment	(131,002)	(10,628)	(131,002)	(10,628)
Depreciation of plant and equipment	2,529	17,633	2,529	17,633
Loss/(profit) on sale of plant and equipment	—	112,049	—	112,049
Current investments written down	100,817	439,729	100,817	439,729
Exploration expenditure written off	283,714	—	283,714	—
Inter-Company loans written off	—	—	191,018	—
<i>Changes in assets and liabilities</i>				
Decrease/(increase) in other debtors and prepayments	(46,670)	526	(46,670)	526
Increase/(decrease) in other creditors and accruals	(24,963)	63,096	(24,963)	63,096
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(1,104,637)	(891,499)	(1,105,883)	(891,499)
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
<i>Cash and cash equivalents at the end of the year is shown in the accounts as:</i>				
Cash	4,165,380	1,966,366	4,105,928	1,966,366
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4,165,380	1,966,366	4,105,928	1,966,366



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$

ACQUISITION OF CONTROLLED ENTITIES

During the year ended 30 June 2006, the Parent Entity acquired 100% of Cam Iron (SA) and 100% of Asesorias e Inversiones Futuro Limitada. The fair value of assets and liabilities held by this entity and by its wholly owned controlled entities at acquisition are:

Capitalised exploration expenditure	31,534,679	—	—	—
Payables	(102,183)	—	—	—
FAIR VALUE OF NET ASSETS ACQUIRED	31,432,496	—	—	—
Cash consideration	2,624,373	—	—	—
Equity consideration	28,808,123	—	—	—
TOTAL CONSIDERATION	31,432,496	—	—	—

During the year ended 30 June 2005, the following non-cash transactions occurred in the Consolidated Entity and the Parent Entity:

- a) Shares and options valued at \$52,431 were issued as consideration for the acquisition of the Chacarilla royalty.
- b) Options valued at \$361,070 were issued in consideration for services provided in capital raisings..
- c) Shares and options valued at \$26,435,045 were issued as part consideration for the acquisition of Cam Iron (SA).

At 30 June 2006 and also at 30 June 2005, the Parent Entity has lodged cash deposits of \$182,500 to secure a performance bond of \$164,000 issued by a bank to the Department of Industry and Resources in Western Australia on behalf of the Parent Entity in respect of an Australian mining tenement. The Parent Entity has indemnified the bank against any loss arising from the performance bond and the indemnity is secured against these cash deposits. The tenement has been sold and the performance bond of \$164,000 will be released to the Parent Entity when site works have been completed and registration of the transfer of ownership is formally processed.

NOTE 16. AUDITORS' REMUNERATION

Remuneration of the auditor of the Parent Entity for:

Auditing or reviewing the financial report	10,380	8,450	10,380	8,450
other services	1,500	676	1,500	676
	11,880	9,126	11,880	9,126

NOTE 17. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration is based on fees approved by the Board of directors.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS

John Corr	Executive Chairman
Stephen Dobson	Executive Director
Michael Frayne	Non-Executive Director
Eduardo Valenzuela	Executive Director (resigned 18 August 2005)

EXECUTIVES

Jack Toby	Company Secretary
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	Compensation 2006		
	Short term Benefits \$	Post Term Benefits \$	Total Compensation \$
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
John Corr	132,632	3,368	136,000
Stephen Dobson	123,000	5,400	128,400
Eduardo Valenzuela	52,919	3,071	55,990
Michael Frayne	30,000	—	30,000
TOTAL COMPENSATION FOR SPECIFIED DIRECTORS	338,551	11,839	350,390
COMPENSATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Jack Toby	52,875	—	52,875
TOTAL COMPENSATION FOR SPECIFIED EXECUTIVES	52,875	—	52,875

The Company did not provide any equity compensation to directors or executives during the year ended 30 June 2006.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Primary Compensation 2005		
	Short Term Benefits \$	Post Term Benefits \$	Total \$
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
John Corr	39,310	2,312	41,622
Stephen Dobson	21,788	746	22,534
Eduardo Valenzuela	197,929	13,008	210,937
Michael Frayne	17,500	—	17,500
Kim Gardner	15,000	—	15,000
Ian Sandover	107,000	—	107,000
Patrick Elliott	10,000	900	10,900
TOTAL PRIMARY COMPENSATION FOR SPECIFIED DIRECTORS	408,527	16,966	425,493
COMPENSATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Jack Toby	50,519	—	50,519
TOTAL PRIMARY COMPENSATION FOR SPECIFIED EXECUTIVES	50,519	—	50,519

	Equity Compensation 2005	
	Options 2005 \$	Total 2005 \$
COMPENSATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.		
John Corr	129,554	129,554
TOTAL EQUITY COMPENSATION FOR SPECIFIED DIRECTORS	129,554	129,554

On 12 May 2005 the Parent Entity issued 10,000,000 options to acquire a fully paid ordinary share in the capital of the Parent Entity at a price of 2 cents each on or before 31 May 2010 to Mr John Corr, a director of the Parent Entity. The issue of these shares and options was approved by the general meeting of shareholders of the Parent Entity held on 12 May 2005. The and Options were issued for free as consideration for performance of work, both previously and in the future, by Mr Corr in relation to his position as a director of the Company; and to secure his ongoing commitment and dedication to the continued growth of the Company. These options were valued at 1.296 cents each using the Cox, Ross, & Rubinstein Binomial method and based on a spot price of \$0.017, a risk free interest rate of 5.25% and an average of calculations using volatility factors of 102.1%, 102.1%, 100% and 104.5% (each derived from different methodologies for calculating the volatility factor based on share price history).



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	Total Compensation 2005		
	Primary Compensation 2005 \$	Equity Compensation 2005 \$	Total 2005 \$
COMPENSATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
John Corr	41,622	129,554	171,176
Stephen Dobson	22,534	—	22,534
Eduardo Valenzuela	210,937	—	210,937
Michael Frayne	17,500	—	17,500
Kim Gardner	15,000	—	15,000
Ian Sandover	107,000	—	107,000
Patrick Elliott	10,900	—	10,900
TOTAL COMPENSATION FOR SPECIFIED DIRECTORS	425,493	129,554	555,047
COMPENSATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Jack Toby	50,519	—	50,519
TOTAL COMPENSATION FOR SPECIFIED EXECUTIVES	50,519	—	50,519

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2005 or Appointment	Number of Shares		30 June 2006 or Resignation
		Issued as Compensation	Net Change Other	
John Corr	2,750,000	—	5,750,000	8,500,000
Stephen Dobson	1,000,000	—	—	1,000,000
Eduardo Valenzuela	4,048,200	—	—	4,048,200
Michael Frayne	—	—	2,500,000	2,500,000
Jack Toby	175,000	—	437,000	612,000
	7,973,200	—	8,687,000	16,660,200

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2004 or Appointment	Number of Options		30 June 2006 or Resignation
		Granted as Compensation	Net Change Other	
John Corr	10,750,000	—	(3,250,000)	7,500,000
Stephen Dobson	—	—	—	—
Eduardo Valenzuela	—	—	—	—
Michael Frayne	—	—	—	—
Jack Toby	—	—	—	—
	10,750,000	—	(3,250,000)	7,500,000



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

	1 July 2004 or Appointment	Number of Convertible Notes Granted as Compensation	Net Change Other	30 June 2006 or Resignation
John Corr	—	—	—	—
Stephen Dobson	60	—	—	60
Eduardo Valenzuela	—	—	—	—
Michael Frayne	—	—	—	—
Jack Toby	—	—	—	—
	60	—	—	60

All options and convertible notes are vested and exercisable.

NOTE 18. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the year ended 30 June 2006 and also during the year ended 30 June 2005, the Consolidated Entity operated entirely in the mining and exploration industry.

SECONDARY REPORTING GEOGRAPHICAL SEGMENTS

SECONDARY REPORTING GEOGRAPHICAL SEGMENTS	External Revenue \$	Inter-Segment Revenue \$	Total Revenue \$	Segment Loss \$	Segment Assets \$
YEAR TO 30 JUNE 2006					
Australasia	1,181,980	—	1,181,980	1,161,364	4,239,704
Africa	—	—	—	48,269	30,128,921
South America	—	—	—	495,031	4,727,837
TOTAL	1,181,980	—	1,181,980	1,704,664	39,096,462

Segment revenues, expenses and results may include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

During the year ended 30 June 2005 the Consolidated Entity operated entirely in the mining and exploration industry in South America.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

NOTE 19. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2006	2005	2006	2005	2006	2005
			\$	\$	\$	\$
<i>Parent Entity</i>						
Sundance Resources Ltd						
<i>Entities controlled by Sundance Resources Ltd</i>						
Cam Iron (SA)	100%	Nil	29,770,623	—	(48,269)	—
Asesorias e Inversiones Futuro Limitada	100%	Nil	1,661,873	—	—	—
Copper International Pty Ltd	100%	100%	—	—	—	—
<i>Entities controlled by Copper International Pty Ltd</i>						
Mine Holdings Corporation	100%	100%	—	—	—	—
			31,432,496	—	(48,269)	—

Mine Holdings Corporation (Registered Number: E22507) is incorporated in the Turks & Caicos Islands.

Asesorias e Inversiones Futuro Limitada is incorporated in Chile.

Cam Iron (SA) is incorporated in Cameroon.

NOTE 20. SUPERANNUATION COMMITMENTS

The Consolidated Entity makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Parent Entity to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

NOTE 21. FINANCIAL INSTRUMENTS

The Consolidated Entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at 30 June 2006 are as follows:

FINANCIAL INSTRUMENTS	TERMS AND CONDITIONS AND INTEREST RATE RISK
Bank Deposits	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk. The weighted average effective interest rate earned was 3.84% (2005: 3.63%).
Receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Listed Shares and Unlisted Shares	These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

FINANCIAL INSTRUMENTS **TERMS AND CONDITIONS AND INTEREST RATE RISK**

Convertible Notes The convertible notes are redeemable on 11 May 2007 and earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.

Equity Details of equity securities issued and outstanding are disclosed separately in these financial statements. These are non interest bearing and there is no exposure to interest rate risk.

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 and trade payables, which arise directly from its operations. The Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, and foreign currency risk. The Board reviews each of these risks on an on-going basis.

FOREIGN CURRENCY RISK

As a result of significant investment operations in the United States, the Group's balance sheet can be affected significantly by movements in the US\$/A\$ exchange rates. The Group does not seek to hedge this exposure.

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes in the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

FAIR VALUES

The aggregate net fair values of the Consolidated Entity's financial assets and financial liabilities, both recognised and unrecognised are as follows:

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2006 \$	AGGREGATE NET FAIR VALUE 2006 \$	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2005 \$	AGGREGATE NET FAIR VALUE 2005 \$
Cash assets	4,215,150	4,215,150	1,966,366	1,966,366
Receivables	49,670	49,670	1,031,335	1,031,335
Payables	3,627,936	3,627,936	167,138	167,138

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

Cash assets and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

The net fair values of listed investments have been valued at the quoted market bid price at balance date. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment. The net 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 net fair value approximates their carrying value.

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

NOTE 22. RELATED PARTY TRANSACTIONS

The Company is a single entity and is not controlled by any other entity.

Capital Investment Partners Pty Ltd received benefits from the Company for services performed by Mr John Corr, a director of the Company. Full details of the remuneration received are disclosed in note 17. In addition, Capital Investment Partners Pty Ltd received \$50,000 for corporate advisory services.

Florentino Pty Ltd received benefits from the Company for services performed by Mr John Corr, a director of the Company. Full details of the remuneration received are disclosed in note 17.

Adelise Services Ltd received benefits from the Company for services performed by Mr Michael Frayne, a director of the Company. Full details of the remuneration received are disclosed in note 17.

Fortview Capital Management Pty Ltd received benefits from the Company for services performed by Mr Stephen Dobson, a director of the Company. Full details of the remuneration received are disclosed in note 17.

Andes Consulting Pty Ltd received benefits from the Company for services performed by Mr Eduardo Valenzuela, a director of the Company. Full details of the remuneration received are disclosed in note 17.

At 30 June 2006, directors and their related entities held directly, indirectly or beneficially 12,000,000 ordinary shares in the Company, 7,500,000 options over ordinary shares in the Company and 60 convertible notes.

At 30 June 2005, directors and their related entities held directly, indirectly or beneficially 7,798,200 ordinary shares in the Company, 10,750,000 options over ordinary shares in the Company and 60 convertible notes.

NOTE 23. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 24. EXPENDITURE COMMITMENTS

The Cameroon Ministry of Mines has required minimum exploration expenditure of 30,905,986 on the Mbalam Iron Ore Project in Cameroon.

NOTE 25. EVENTS SUBSEQUENT TO BALANCE DATE

On 3 July 2006, the Company issued 40,000,000 free options expiring on 30 June 2008 exercisable at 3 cents each. The issue of these options was approved at the General Meeting of shareholders of the Company held on 19 May 2006.



SUNDANCE RESOURCES LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2006

On 12 July 2006, the Company announced a scoping study into the Mbalam Iron Ore Project in Cameroon. The Company has also announced that the main deposit at Mbarga, is partly covered hematite mineralisation extending over 2,000 metres along strike at width of up to 600 metres. Exploration conducted by the UNDF and the Canadian International Development Agency between 1976 to 1984, and evaluated by reputable organisations including the Bureau de Recherche Geologique et Minieres BRGM (France) and Paterson Grant Watson Ltd, Consulting Geophysicists (Canada), estimated the project to contain an initial Inferred Resource of +800 million tonnes of iron mineralisation which includes 587 million tonnes at 29.5% Fe plus 218 million tonnes above 60% Fe. Within the project area there is 36.5 km of prospective banded iron formation that warrants extensive exploration. A second hematite occurrence at Metzimevin was poorly explored with just six diamond drill holes with intersections of 63.9 metres at 65.7% Fe in S1 and 36.9 metres at 64.6% Fe in S2 at an hematite outcrop that is some 600metres long.

There have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares.

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 company, the results of those operations, or the state of affairs of the company in future financial years.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SUNDANCE RESOURCES LTD AND CONTROLLED ENTITIES

SCOPE

The financial report and directors' responsibility.

The financial report comprises of the balance sheet, income statement, statement of change in equity, cashflow statement, accompanying notes to the financial statements and the directors declaration for Sundance Resources Ltd (the Company) and the Consolidated Entity, for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Chartered Accountants

Effective from 1 July 2005 Hall Chadwick and Bentleys MRI Perth have merged and will continue to practice as Bentleys MRI Perth. A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
SUNDANCE RESOURCES LTD AND CONTROLLED ENTITIES**



INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Sundance Resources Ltd is in accordance with:

- a) 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 2006 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

BENTLEYS MRI PERTH PARTNERSHIP
Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Hillgrove', is written over a light blue horizontal line.

Michael Hillgrove
Partner

Dated opinion formed:

26 September 2006
Perth, WA.

Chartered Accountants

Effective from 1 July 2005 Hall Chadwick and Bentleys MRI Perth have merged and will continue to practice as Bentleys MRI Perth. A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL



Bentleys MRI Perth Partnership
ABN 17 735 344 518

Level 1, 10 Kings Park Road
West Perth WA 6005
Australia

PO Box 570 West Perth WA 6872

T 61 8 9480 2000
F 61 8 9322 7787

admin@bmrip.com.au
www.bentleys.com

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SUNDANCE RESOURCES LTD

In relation to our audit of the financial report of Sundance Resources Ltd for the year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001, or any applicable code of professional conduct.

BENTLEYS MRI PERTH PARTNERSHIP
Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Hillgrove', is written over a light blue horizontal line.

Michael Hillgrove
Partner
26 September 2006
Perth, Western Australia.

Chartered Accountants

Effective from 1 July 2005 Hall Chadwick and Bentleys MRI Perth have merged and will continue to practice as Bentleys MRI Perth. A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.



SUNDANCE RESOURCES LTD
ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2006

ANALYSIS OF HOLDINGS OF SHARES AND QUOTED OPTIONS IN THE COMPANY

	Ordinary Shares	Unquoted Options expiring 29 Nov 2006	Unquoted Convertible Notes	Unquoted Options expiring 31 May 2010
1 — 1,000	212	0	8	0
1,001 — 5,000	1,079	0	0	0
5,001 — 10,000	641	0	0	0
10,001 — 100,000	1,327	0	0	0
100,001 —and over	531	5	0	3
TOTAL NUMBER OF HOLDERS	3,790	5	8	3

**HOLDINGS OF LESS THAN A
MARKETABLE PARCEL**

1,322

	Unquoted Options expiring 30 Jun 2008	Unquoted Options expiring 1 Jun 2007
1 — 1,000	0	0
1,001 — 5,000	0	0
5,001 — 10,000	0	0
10,001 — 100,000	0	0
100,001 —and over	14	1
TOTAL NUMBER OF HOLDERS	14	1

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.



SUNDANCE RESOURCES LTD
ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2006

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Citicorp Nominees Pty Limited	194,714,089	16.83%
ANZ Nominees Limited	131,167,420	11.33%
M/S Donna Joy Loxton	81,666,667	7.06%
Merrill Lynch (Australia) Nominees Pty Ltd	42,795,910	3.70%
National Nominees Limited	34,108,996	2.95%
HSBC Custody Nominees (Australia) Limited	34,050,000	2.94%
Blackmort Nominees Pty Ltd	25,100,000	2.17%
Mr David James Porter	21,583,333	1.87%
Bayonet Investments Pty Ltd	21,087,425	1.82%
M/S Diane Margaret Porter	20,666,667	1.79%
Loxton Nominees Pty Ltd	19,000,000	1.64%
Dr Salim Cassim	16,534,221	1.43%
Londsdale Investments Pty Ltd	14,345,000	1.24%
Bayonet Investments Pty Ltd	14,105,275	1.22%
Nefco Nominees Pty Ltd	13,475,000	1.16%
Istana Securities Limited	12,000,000	1.04%
Mr Roger Bogne	11,500,000	0.99%
Mr Abdul Aziz Bin Mohamed Hussain	11,271,772	0.97%
Westpac Custodian Nominees Limited	10,735,211	0.93%
Flue Holdings Pty Ltd	10,250,000	0.89%
	740,156,986	63.97%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 29 NOVEMBER 2006

	Number of Options	Percentage of Total
Marsden Resources Limited	4,000,000	38.71%
Bayonet Investments Pty Ltd	3,833,333	37.09%
Apnea Holdings Pty Ltd	1,000,000	9.68%
Talex Investments Pty Ltd	1,000,000	9.68%
Foundation Superannuation Fund Pty Ltd	500,000	4.84%
	10,333,333	100.00%

TWENTY LARGEST HOLDERS OF CONVERTIBLE NOTES

	Number of Notes	Percentage of Total
Bayonet Investments Pty Ltd	160	35.71%
First Distribution Services Ltd	72	16.07%
ACP Investments Pty Ltd	60	13.39%
Fortview Capital Management Pty Ltd	60	13.39%
Mr David Eric Bartley	24	5.36%
Bentley Solutions Limited	24	5.36%
Marsden Resources Limited	24	5.36%
Terasse (WA) Pty Ltd	24	5.36%
	448	100.00%



SUNDANCE RESOURCES LTD
ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2006

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 1 JUNE 2007

	Number of Options	Percentage of Total
Advices AG	10,000,000	100.00%
	10,000,000	100.00%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 30 JUNE 2008

	Number of Options	Percentage of Total
Kapiri Holdings Pty Ltd	20,000,000	16.67%
Mr Stephen J Dobson	15,000,000	12.50%
Perizia Investments Pty Ltd	15,000,000	12.50%
Caperange Investments Pty Ltd	13,333,333	11.11%
Loxton Nominees Pty Ltd	13,333,333	11.11%
Mr John Corr	10,000,000	8.33%
Bayonet Investments Pty Ltd	7,000,000	5.83%
Ms Josephine Patoir	6,666,666	5.56%
Bluefind Pty Ltd	5,000,001	4.17%
ACP Investments Pty Ltd	4,000,000	3.33%
Mr Gavin John Argyle	4,000,000	3.33%
Mr Gary Charles Castledine	3,300,000	2.75%
Interim Advance Corporation Pty Ltd	3,000,000	2.50%
Mr Brian Percy Castledine	366,667	0.31%
	120,000,000	100.00%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 MAY 2010

	Number of Options	Percentage of Total
Cunningham Securities Pty Ltd	18,500,000	67.28%
John Corr	7,500,000	27.27%
Zero Nominees Pty Ltd	1,500,000	5.45%
	27,500,000	100.00%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
07-Aug-06	Loxton Investment Trust	81,666,667
04-Aug-06	Lehman Brothers Prime Broking Nominees	183,306,352
20-Jul-06	Ludger Kohmaescher & Associates	60,000,000



SUNDANCE RESOURCES LTD
ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2006

REGISTERED OFFICE OF THE COMPANY

Level 34
Exchange Plaza
2 The Esplanade
Perth WA 6000

Tel: +61 (8) 9321 8866
Fax: +61 (8) 9321 0361

STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Sundance Resources Ltd.

The ordinary shares of Sundance Resources Ltd are also traded on the over-the-counter market in Berlin, Frankfurt and Hamburg.

There are no current on-market buy-back arrangements for the Company.

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

INTRODUCTION

The directors are focussed on fulfilling their responsibilities individually, and as a board, for the benefit of all the company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the company does not strictly comply.

The following section addresses the company's practices in complying with the principles.

PRINCIPLE 1: LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The board exists to lead and oversee the management and direction of the company.

After appropriate consultation with executive management the board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;



SUNDANCE RESOURCES LTD ADDITIONAL INFORMATION AS AT 18 SEPTEMBER 2006

- it oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management of the company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

The names of the directors of the company and their qualifications are: set out in the section headed Directors' Report.

The composition of the board is determined so as to provide the company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the company.

The recommendations of best practice are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the company;
- has not within the last 3 years been employed in an executive capacity by the company or another group member or been a director after ceasing to hold such employment;
- is not a principal of a professional adviser to the company or another group member;
- is not a significant supplier or customer of the company or another group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the company or any other group member other than as a director of the company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company.

None of the current board members meet these criteria. Mr Michael Frayne met the criteria until his resignation as a director on 5 July 2006. Mr John Corr is the chairman of the board.

Nomination of Other Board Members

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the board in light of the nature of the company's businesses and its objectives. The board does not believe that at this point in the company's development it is necessary to appoint additional directors.

Independent Advice

Each of the directors is entitled to seek independent advice at the company's expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.



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PRINCIPLE 3: PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Directors, officers, employees and consultants to the company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the company and they are required to maintain a reputation of integrity on the part of both the company and themselves. The company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the company. That is information which a reasonable person would expect to have a material effect on the price or value of the company's shares. It is recommended that an officer discuss the proposal to acquire or sell shares with the directors or the company secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

PRINCIPLE 4: SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

No audit committee has been established. The two executive directors play an active role in monitoring the daily affairs of the company. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each board member has access to the external auditors and the auditor has access to each board member.

A director does make a statement to the shareholders that the company's financial reports present a true and fair view in all material respects of the company's financial condition and operational results and are in accordance with relevant accounting standards.

PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The company secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

PRINCIPLE 6: RESPECTING THE RIGHTS OF SHAREHOLDERS

The board's fundamental responsibility to shareholders is to work towards meeting the company's objectives so as to add value for them.

The board seeks to inform shareholders of all major developments affecting the company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- hosting all of the above on the company's website;



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- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the company who is invited to the Annual General Meeting.

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

The board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the company.

As an ordinary part of the company's business involves holding assets in a country where sovereign risk is considered higher than in Australia, the directors are sensitive to the need for risk management. The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The company identifies and manages those risks on a case by case and overall corporate basis.

PRINCIPLE 8: ENCOURAGING ENHANCED PERFORMANCE

The board regularly discusses and reviews its performance. The board also discusses with each director their requirements, performances and aspects of involvement in the company.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee. There is commentary on directors remuneration in the section headed Directors' Report.

One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

Each member of the board has committed to spending sufficient time to enable them to carry out their duties as a director of the company.

A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

PRINCIPLE 10: RECOGNISING THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The company recognises its responsibilities extend beyond its shareholders to clients, customers, consumers and regulators. The company is committed to providing an adequate level of detail for the benefit of all stakeholders, the accuracy in that detail, and to meeting principles of equity and fairness in all of its dealings.



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**TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX
CORPORATE GOVERNANCE COUNCIL)**

“RECOMMENDATION” REF (“PRINCIPLE NO” REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
1.1	There was no formalisation and disclosure of separate functions between the board and management during the reporting period.	Throughout the reporting period the board consisted of between one and two non-executive and between two and three executive directors. The executive directors were involved in the overall management of the company. The practices followed were compatible with the Principle.
2.1 and 2.2	None of the current board members meet the criteria.	Given the nature and size of the company, its business interests and the stage of development, the board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.
2.4	A separate Nomination Committee has not been formed.	The board comprises four members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.
3.1	No formal code of conduct has been established as to practices necessary to maintain confidence in the company’s integrity or as to reporting and investigating unethical practices.	The board and management consists of appropriately qualified and experienced members. It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed.
3.2	No formal policy concerning trading in the company securities by directors, officers or employees has been disclosed.	Although there was no written policy there is a clear understanding as to when trading is inappropriate.
4.1	The chief executive officer and the chief financial officer did not make any written representations to the Board on the company’s financial reports.	Given the size and nature of the company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that such procedures be formalised.



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“RECOMMENDATION” REF (“PRINCIPLE No” REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
4.2, 4.3 and 4.4	No formal audit committee has been established or formal charter drawn	Given the size and nature of the company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
5.1	No written policy and procedure exists to ensure compliance with ASX Listing Rules disclosure requirements are met at senior management level.	The board and management consists of appropriately qualified and experienced members and the board does not consider that a written policy is at this time required. However, The Board's practice is to comply strictly with ASX Listing Rules and disclosure requirements and whenever in doubt, contact has been made promptly with the ASX seeking advice.
6.1	The company has no formal communication strategy in place for the benefit of its shareholders.	The board is very conscious of the need to continually keep shareholders and markets advised. The development and regular update of the company's web-page provides a continuous communication channel which ensures shareholders and the markets are adequately informed about its activities results.
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the board concerning those matters.	Given the nature and size of the company, its business interests and the involvement of all directors it is not considered necessary to establish this practice at this time, however the principles are adopted in circumstances where an event or issue is deemed to require it.
8.1	There has been no formal disclosure of the process for performance evaluation of the board, committees, individual directors and key executives. No formal review has been undertaken.	Given the size of the company and the involvement of all directors a policy has not been required to date. The directors continually monitor, review and discuss performance and implement changes as necessary.



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"RECOMMENDATION" REF ("PRINCIPLE NO" REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
9.1	The company has not disclosed remuneration policies.	Given the size and nature of the company, its business interests, remuneration and other benefits paid to its directors, the board does not consider it yet to be necessary to formulate the policies. At the appropriate time the board will take independent advice.
9.2	No formal remuneration committee has been established.	Given the explanation above it is not considered necessary to establish a remuneration committee.
10.1	There has been no disclosure of a code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	The business practices adopted by the board recognise this principle but no formal code has been drawn-up or approved.