



27 May 2013

Dear Shareholder,

We are writing to update you on the recent progress made at Sundance's Mbalam-Nabeba Iron Ore Project, including the discussions underway with strategic investors who have expressed interest in playing a key role in the development, and our plans to realise the full value of our world-class Project.

Following the decision to end the takeover discussions with Hanlong Mining, Sundance has been approached by numerous groups with a view to discussing how they may become involved in the Mbalam-Nabeba Iron Ore Project.

These groups come from a range of countries and have widely diversified interests in areas such as resource projects, infrastructure provision and steel making. They have also expressed a range of views about how it would be possible to structure transactions which bring them into this Project. These include the potential for some groups to provide port and rail solutions through to direct investment in the Project.

While some of these talks are more advanced than others, all current discussions remain incomplete and confidential. We are highly encouraged by the positive feedback received from these groups, who consider our Mbalam-Nabeba Iron Ore Project to be an outstanding deposit in the heart of what is poised to be the world's next great iron ore region.

In parallel with these discussions, Sundance is continuing to advance the Project, ensuring that its progress towards development, and therefore its value to Sundance shareholders and future strategic investors, is maximised.

This has included preparing the Cameroon Convention for its conversion to law in Cameroon and negotiation of the Congo Convention now that the Mining Permit has been issued. These agreements have reduced the risks associated with Mbalam-Nabeba Iron Ore Project significantly and pave the way for a commitment to commence project construction.

It is well worthy of note that strategic investors continue to place significant value on West African iron ore projects. The Mbalam-Nabeba Iron Ore Project will enjoy some of the lowest costs in the global iron ore industry with a long-life resource which will provide a significant strategic advantage to those parties involved as development of the wider iron ore region unfolds. We have no doubt that Mbalam-Nabeba is poised to become one of the most attractive, large-scale iron ore projects in the world.

Amid the corporate activity which has surrounded Sundance, I believe the outstanding size, quality and economic merits of our project have often been too easily forgotten. Mbalam-Nabeba boasts high-grade Hematite Resources of 775.4 million tonnes at 57.2 per cent Fe, including Hematite Reserves of 436.3 million tonnes at 62.6 per cent Fe. In addition, Mbalam-Nabeba has Itabirite Hematite Resources of 4 billion tonnes grading 36.3 per cent Fe.

As described and evaluated as part of our Definitive Feasibility Study, these Mineral Reserves, along with other factors, substantiate the commercial terms required for construction of dedicated Infrastructure (Railway and Port) for the Mbalam-Nabeba Project.

This world-class iron ore inventory underpins planned production of 35 million tonnes a year of Direct Shipping Ore-quality hematite for at least 10 years in Stage One at an operating cost of approximately \$21/t on board a ship in Cameroon. Stage Two production is designed to be 35 million tonnes a year of concentrate product from Itabirite for at least a further 15 years at approximately \$40/t.

Mbalam-Nabeba's immense potential was also highlighted by the significant amount of work carried out on the Project by China Development Bank in its role as a potential provider of debt funding to the Hanlong offer. The Chinese Government also committed substantial resources to assessing the Mbalam-Nabeba Iron Ore Project and its potential during the Hanlong process.

We would like to take this opportunity to assure you that Sundance's Board and Management fully appreciates the strong desire among shareholders to advance the Mbalam-Nabeba Iron Ore Project as rapidly as possible. We share this view, which explains our strategy to conduct numerous discussions with different parties at the same time.

We are highly confident that the quality of our Project and the commitment being shown by your Company to the process will ensure that we achieve the best possible outcome for all shareholders. Sundance is in a healthy cash position and we will continue to ensure that costs are managed prudently as we pursue our key objectives.

As an investor, you would need no reminding that conditions are tough in the resources sector. But despite these testing circumstances, Sundance's Board and Management has received strong shareholder support. We would like to thank you for this support and we assure you that we remain totally committed to delivering to shareholders the significant value inherent in our world class iron ore project.

Yours faithfully,

GEORGE JONES
Chairman
Sundance Resources Limited

GIULIO CASELLO
Managing Director and CEO
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COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Robin Longley, a Member of the Australian Institute of Geoscientists, and Mr Lynn Widenbar, a member of the Australasian Institute of Mining and Metallurgy. Mr Longley and Mr Widenbar are consultants to Sundance and have sufficient experience which is relevant to the style of mineralisation and type of Deposit and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

The information in this report that relates to Mineral Ore Reserves is based on information compiled by Mr Bruce Gregory, a member of the Australasian Institute of Mining and Metallurgy. Mr Gregory is employed by AMC Consultants Pty Ltd and is a consultant to the Company. Mr Gregory has sufficient experience which is relevant to the style of mineralisation and type of Deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

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

For more information including modeling parameters and details, the ASX announcements pertaining to Exploration Results, Mineral Resources and Ore Reserves are available from the Company’s website: www.sundanceresources.com.au.

Forward-Looking Statement

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the iron ore mining industry, expectations regarding iron ore prices, production, cash costs and other operating results, growth prospects and the outlook of SDL’s operations including the likely commencement of commercial operations of the Mbalam Project and its liquidity and capital resources and expenditure, contain or comprise certain forward-looking statements regarding SDL’s exploration operations, economic performance and financial condition. Although SDL believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in iron ore prices and exchange rates and business and operational risk management. For a discussion of such factors, refer to SDL’s most recent annual report and half year report. SDL undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today’s date or to reflect the occurrence of unanticipated events.