



8 February 2013

ANSWERS TO FREQUENT QUESTIONS ABOUT HANLONG'S PROPOSED ACQUISITION OF SUNDANCE

1. ***What is the status of Hanlong's Acquisition Agreement?***

Hanlong's offer to acquire 100% of the issued securities of Sundance for A\$0.45 cash per share remains on the table.

Under the revised timetable confirmed to the ASX today, shareholders are due to be paid the Scheme consideration on 27 May 2013.

There is a long stop End Date to the Scheme Implementation Agreement ("Agreement") of 7 June 2013.

Hanlong has provided documentation from China's National Development Reform Commission ("NDRC") confirming an extension of Hanlong's provisional approval to acquire all of the issued securities of Sundance for a six month period ending in July 2013 ("NDRC Extension"). This documentation has been reviewed and verified by Sundance's Chinese advisor. This extension by NDRC included a new provision requiring Hanlong to engage with a large Chinese partner to support financing and delivery of the Mbalam-Nabeba Project.

Hanlong has confirmed in writing that it is confident of meeting this requirement within the revised timetable.

2. ***What hurdles remain to completing the Agreement?***

- 1) Hanlong must:
 - provide Credit Approved Term Sheets from its financiers, CDB and Everbright, by 26 March 2013; and
 - provide final Chinese regulatory approvals, including final NDRC approval, by 9 May 2013.
- 2) Under the Australian Corporations Act:
 - Shareholders must approve the Hanlong acquisition at a Scheme Meeting scheduled for 2 May 2013;
 - The Federal Court must approve the Scheme completion at a hearing scheduled for 10 May 2013. (The Federal Court will only approve the Scheme if, inter alia, it is satisfied that adequate arrangements to ensure payment to shareholders are in place.)

3. ***The NDRC Extension of its Provisional Approval for Hanlong's Buyout of Sundance required Hanlong to engage with a large Chinese Partner. What does this mean?***

The overall implementation of the Mbalam-Nabeba Project requires capital of the order of \$5 billion for mine development, port and rail facilities.

The Project clearly calls for large balance sheet backing. In extending its provisional approval as described above, the NDRC stated that Hanlong must obtain the support of a large Chinese partner if it is to secure final NDRC approval.

In the initial provisional approval granted by NDRC in July 2012, although there were several conditions stated and published, there was no such requirement.

Based on Sundance's enquiries in China, it appears that Hanlong is well advanced in satisfying this NDRC requirement and is expected to do so within the revised timetable. However, Sundance is not a party to and is not privy to these negotiations.

Although this requirement emanates from the NDRC, Sundance understands that the CDB will provide a Credit Approved Term Sheet only when it is satisfied that this NDRC requirement is achieved.

4. *Why has the Sundance Board persisted so long with this Agreement?*

The processes of obtaining sign offs of the Cameroon Convention and the Congo Mining Permit, which were Sundance obligations, took a great deal longer than anticipated and were not completed until late December 2012. This has adversely impacted on the time available to Hanlong to secure its approvals in China.

As long as Hanlong holds the NDRC Provisional Approval (now extended) to acquire Sundance it is highly unlikely that any other China based entity would seek to pre-empt Hanlong's position. The NDRC has made it clear it does not support Chinese entities bidding against each other for overseas assets.

Before confirming the revised timetable, Sundance Chairman Mr George Jones and Managing Director Mr Giulio Casello met with a senior NDRC official in China.

Their enquiries confirmed that Hanlong remains the NDRC approved party for this acquisition and that the Project itself very much fits in to the NDRC's strategic aims in the iron ore industry.

Subsequently, the NDRC provided written confirmation of its continued provisional approval of Hanlong.

In August 2012, when the timetable was renegotiated, Sundance negotiated the removal from the Agreement of Hanlong's exclusivity, "no shop" and "no talk" provisions and break fees payable by Sundance to Hanlong if the Board were to recommend a superior offer.

The simple fact is that no superior offer has emerged and the market share price has not approached the Hanlong bid.

In those circumstances the Hanlong bid remains, in the absence of a superior offer, the Board's recommendation.

The NDRC Extension further gives a clear signal that China wishes this transaction to complete and, in the Board's view, supports its present recommendation to shareholders.

5. *What if the Credit Approved Term Sheets are not received by 26 March 2013?*

Failure by Hanlong to procure the Credit Approved Term Sheets gives rise to termination rights available to each party and there is a termination process set out in the Agreement. If a termination situation arises, the Board will consider its available options at that time.

6. *Is Hanlong supporting Sundance by purchasing further Sundance shares on market?*

Sundance understands that Hanlong has received advice that acquiring shares on the open market may expose Hanlong to the risk of insider trading. As such, Hanlong has decided against purchasing further shares in the open market.

7. *Why not cut ties with Hanlong and do the Project yourself?*

Large infrastructure projects such as the Mbalam-Nabeba Project require significant capital expenditure. Traditional project financing is not readily available for such large capital projects at this time and especially for two-country developments. China is, we believe, the most likely debt market for this level of financing.

In addition, there are a number of factors which favour Chinese involvement:

Firstly the end buyer for Project production will almost inevitably be China and the idea that China would prefer to fund a foreign entity for these massive development costs seems optimistic.

Secondly, the key African stakeholders, whose national interests and welfare are bound up in these projects place considerable weight on the support that China offers to them. The African stakeholders are extremely keen to see the Project get underway and come to fruition.

If the Project were to go on in other hands, they would need to be those of a highly credible participant in the iron ore business.

That possibility is open but no such party has emerged to date.

8. *What do you say to those shareholders who oppose the continuance of this agreement?*

The Sundance Board believes that in the current circumstances, the Hanlong offer represents the best outcome for shareholders and therefore it is continuing to advance this transaction. At the same time, as stated above, Sundance is free to discuss and advance any other offers that are put to it.

But ultimately, Sundance shareholders will be given the opportunity to approve or reject the transaction at the Scheme Meeting, which is scheduled for 2 May 2013.

9. *What has the Board done to ensure Sundance's financial health during this process?*

Alongside the revised timetable, Sundance has negotiated a Convertible Note Facility under which Sundance can draw down A\$5 million in each of March, April and May 2013 up to a total of A\$15 million.

This comfortably ensures adequate operating funds up to the completion of the Scheme.

In support of this obligation, Hanlong must deposit the first \$5 million drawdown in an Australian trust account by the end of February 2013.

Failure to deposit that amount or to pay a monthly drawdown when due gives Sundance a right to terminate the Agreement (and therefore terminate Hanlong's right to acquire Sundance). Again, if such a situation arose, the Board would consider its available options at that time.

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