Sundance Resources

A$0.49 - OUTPERFORM

Part of our Australian iron-ore report package

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Australia
Materials

Reuters	SDL.AX
Bloomberg	SDL AU

Priced on 18 July 2011
ASX200 @ 4,472

12M hi/lo A$0.67/0.11

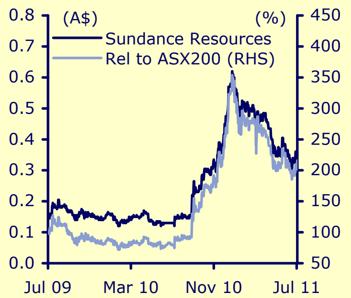
12M price target	A$0.58
±% potential	+18%
Target set on	19 Jul 11
Shares in issue	2,870.7m
Free float (est.)	82.5%
Market cap	US$1,503m

3M average daily volume
A$10.8m (US$11.5m)

Major shareholders
Sichuan Hanlong Group 18.6%
Deutsche Bank AG 4.9%

Stock performance (%)

	1M	3M	12M
Absolute	14.3	(12.1)	207.7
Relative	14.6	(4.6)	204.2
Abs (US$)	15.9	(10.8)	275.5



Source: Bloomberg

www.clsa.com

When quality counts

We initiate on Sundance Resources with an Outperform and a A$0.58 NPV-derived target price. While the Mbalam project in Cameroon remains some years off production, we believe its low operating costs and high-quality iron ore will result in industry-leading margins and provide investors with relative earnings protection in a declining price environment. We view Hanlong's conditional bid as a catalyst to draw out corporate action and see further upside in the short term.

Attracting partners is critical
We view the superior quality of Sundance's Mbalam development as sufficient to attract plenty of bidders in a probable selldown of the project to a joint-venture partner or outright bid for the company. A bidder with a more bullish outlook for iron ore and lower cost of capital could pay a premium to our base-case valuation. Given Hanlong's proposed offer is below our base-case valuation, we believe it is opportunistic and will be a catalyst to draw out further interest in the company.

Low-cost producer
The Mbalam iron-ore project consists of a proposed port, railway, mine and processing plant in Cameroon, plus a second mine, processing plant and 60km spur rail line in Congo. The project's high-quality direct-shipping ore (DSO), a low strip ratio as well as cheap labour costs put it firmly at the bottom of the global iron-ore cost curve at US$21.20/tonne FOB Cameroon before royalties.

Premium iron ore
The project's maiden reserves announced in April 2011 demonstrate the quality of the ore, with an Fe grade greater than those of existing Pilbara mines. This should lead to a premium price and compensate for the extra shipping distance from Cameroon to the dominant market of China.

Industry-leading margins
Low costs and a premium product lead us to believe that Sundance Resources' Mbalam project should achieve margins superior to those of its Pilbara-based competitors. The wider margins give us increased confidence that the project will be funded and also offer investors some protection against our forecast ore-price declines over the medium term. Worth noting, our NPV and target price is based on US$60/tonne CFR China long-term iron-ore prices. However, at US$70/tonne our valuation and target price increases to A$0.97.

Financials

Year to 30 Jun	09A	10A	11CL	12CL	13CL
Revenue (A$m)	-	-	-	-	-
Ebitda (A$m)	(13)	(11)	(16)	(12)	(13)
Net profit (A$m)	(14)	(10)	(14)	10	27
CL/consensus (3) (NP%)	-	-	525	(20)	(20)
EPS (A¢)	(0.7)	(0.4)	(0.5)	0.3	0.9
EPS growth (% YoY)	-	nm	nm	nm	170.4
PE (x)	nm	nm	nm	nm	nm
DPS (A¢)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/equity (%)	(16.6)	(42.7)	(43.0)	(87.3)	(75.1)
EV/Ebitda (x)	nm	nm	nm	nm	nm

Source: CLSA Asia-Pacific Markets

Sundance Resources - A$0.49 - OUTPERFORM

The business

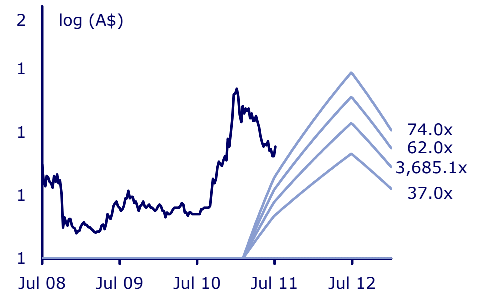
Sundance Resources plans to develop an integrated iron-ore mine, 510km railway line and port in Cameroon and the Congo, West Africa. Stage 1 and 2 of its operation envisage mining 35mtpa direct shipping iron ore and 35mtpa of processed itabirite concentrate respectively. The current combined mine life of Stage 1 and 2 should extend beyond 25 years. The company has completed a Definitive Feasibility Study for Stage 1 and a Pre-feasibility Study for Stage 2. Sundance is currently in negotiations with joint-venture partners to fund the US$4,686m Stage 1 capital cost with a view to finalising a partner in the near term.

Competition & market franchise

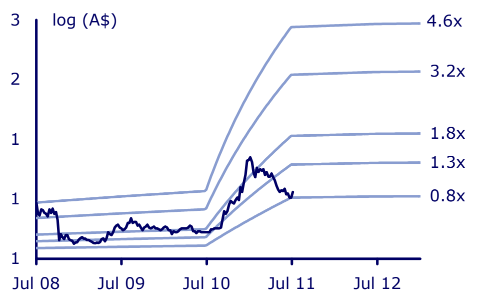
Sundance Resource's key business is the production and sale of iron ore solely for the steelmaking market. Iron ore is largely homogenous and it competes against all other global seaborne exporters including the world's three largest - BHP Billiton, Rio Tinto and Vale. China has accounted for the largest proportion of export growth over the last five years and we expect this trend to continue. Thus we believe the longer-term iron-ore price will be largely dictated by China's continued steel growth rate and its ability to meet its own requirements from domestic production.

Valuation history

PE bands



PB bands

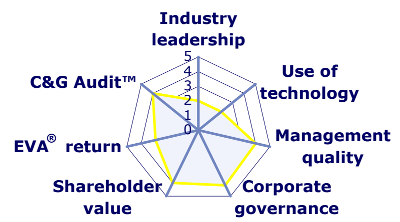


Comment

Near term PE and PB bands are not relevant as the company does not expect to be producing until 2014-15.

Bands (from the top): max, +1sd, avg, -1std, min.

Jet Stream® radar



Corporate governance at Sundance Resources

Criteria	Score	Country avg (%)	Country rank	Asia-xJ avg (%)	Sector rank
Discipline	38	62	32	52	71
Transparency	100	87	1	78	1
Independence	100	80	1	38	1
Accountability	100	79	1	59	1
Responsibility	100	77	1	61	1
Fairness	61	68	23	63	58
CSR/C&G	88	70	6	57	14
Wtd CG score	**84**	**75**	**13/43**	**59**	**11/112**

CSR/C&G

Criteria	Score
CSR	100.00
Clean & Green	80.00

For details on methodology and scoring ranges across Asia, see our annual Clean & Green Audit report, which debuted in September 2006.

Outlook	1 year	Comment
***Jet Stream*® criteria**		
Industry leadership	×	The company has a superior iron-ore project in Cameroon and the Congo.
EVA® return	✓	High-quality iron ore and low operating costs should ensure superior operating margins.
Shareholder value	✓	Shareholder value should be realised in the short term by a sell-down in the project.
Corporate governance	✓	Sundance has a majority of independent directors.
Management quality	✓	Management has substantial iron ore and global mining experience.
Use of technology	×	The company plans to use the most up-to-date mining technology.
CLSA Clean & Green Audit™	✓	The company is in early stages of development and does not monitor emissions yet.
Valuations		
Earnings momentum	✓	Earnings momentum should be substantial once the company gets into production.
Price/earnings	✓	FY16 and FY17 PEs are 5.7x and 4.9x.
Price/book value	×	The stock appears expensive on a PB basis.
Macro factors		
Country risk	✓	Low country risk.
Strategy	×	We are Underweight Australian equities.
Liquidity	✓	Liquidity is excellent.
Technical analysis		The stock has been on a downtrend since its January peak of A$0.67.
Conclusion	**O-PF**	

Attracting partners critical

The Mbalam project's DFS cash operating margins are industry leading

Given the low operating costs estimated in the definitive feasibility study (DFS) and premium quality iron ore, we expect Sundance Resources' Mbalam project to achieve margins superior to those of its Pilbara-based competitors, even after taking into account the increased shipping distance to Asian steel mills. This will provide the project relative protection in a falling iron-ore price environment and should assist in securing funding for the estimated US$4,686m capital cost which includes an integrated mine, railway and port. The company is seeking a joint-venture partner for the project, which should act as a catalyst for the share price.

Valuation

As expected, our valuation is largely dependent on our iron-ore price assumptions which are shown below. Our long-term price assumption is US$60/tonne CFR China, in 2011 real terms. For a more detailed analysis of the iron ore market, see Ian Roper's *Under-ored* report.

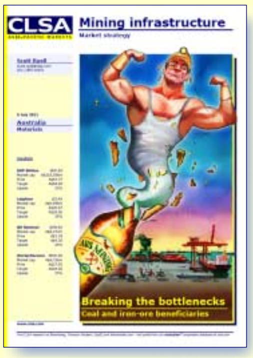
Figure 1

Iron ore price forecasts - real 2011 dollars, CFR China, 62% Fe

Year to June	2012	2013	2014	2015	2016	LT
US$/t	149	130	110	83	64	60
A$/US$	1.050	0.944	0.888	0.850	0.850	0.850
A$/t	142	135	121	95	75	71

Source: CLSA Asia-Pacific Markets

Our project valuation is A$0.58 on a 100% basis



We have used a sum-of-the-parts methodology to value Sundance Resources. We have applied a discount rate of 10% real or 12.5% nominal. While we would normally use a higher discount rate for assets in Cameroon and the Congo relative to Australian assets, we believe potential partners will use a lower interest rate than those used by ASX equity investors. On a 100% basis, our base-case valuation is A$1,678m including A$319m for resources not in our 25-year mine plan and A$50m for other exploration.

Our valuation assumes a 50% selldown of its share in the project for A$950m

However, our valuation is extremely sensitive to the discount rate and we believe a joint-venture partner with downstream steel interests will use a lower discount rate than we have used. Our base-case valuation of Sundance Resources assumes the company sells 50% of its share in the project for A$950m (c.US$1,000m) later in 2011.

Figure 2

Project and Sundance Resources one-year forward valuation at 10% discount rate

Project	(100%)		Equity share (42.75%)	
	(A$m)	(A$/share)	(A$m)	(A$/share)
Stage 1 - 35mtpa DSO	816	0.28	349	0.12
Stage 2 - 35mtpa from 2024	492	0.17	210	0.07
Other resources	319	0.11	137	0.05
Exploration	50	0.02	21	0.01
Corporate	0	0.00	(54)	(0.02)
Unpaid capital	0	0.00	9	0.00
Cash	0	0.00	1,036	0.35
Debt	0	0.00	0	0.00
Total NPV	**1,678**	**0.57**	**1,708**	**0.58**
Premium				0.00
Target price (A$/share)				**0.58**

Source: CLSA Asia-Pacific Markets

Potential suitors may decide to bid for the whole company

Alternatively, at the current share price, potential suitors may decide to bid for the whole company, delist it from the Australian Stock Exchange and reduce corporate complexity. In any case, given the quality of the asset, we believe existing shareholders will demand a premium of more than 20% above the current share price.

Our valuation is broadly based on the recently released DFS

Broad assumptions behind the valuation in Figure 2 are based on capital costs, operating costs and production rates guided by the company. However, we have lagged production start up by about one year and reduced operating costs from US$21.20/tonne to US$18/tonne as we expect a strengthening US dollar over the next five years to reduce costs in US dollar denominated terms. Our project valuation using US$21.20/tonne operating costs, US$5bn capital and a 10% discount rate returns a NPV valuation for the project of negative A$0.28.

We assume Sundance retains 85.5% prior to any selldown

We assume that after the government's 10% free-carried equity stake and other minority interests, Sundance retains 85.5% of the project prior to any sell down. If Sundance sells a 50% stake in its share of the project, both the company and its new partner will each effectively own a 42.75% stake.

Our Sundance equity share valuation assumes the company sells a 50% stake in its share of the project, or 42.75%, for A$950m. While this is at a premium to our project valuation in Figure 2 (42.75% of A$1,678m = A$717m) we believe a potential Chinese partner will pay a premium above our DCF calculation given the strategic benefits of securing long-term iron-ore supply. Our valuation sensitivity around various sell-down scenarios is shown in Figure 3.

A selldown of the project could act as a near-term catalyst

Figure 3

Sensitivity of Sundance selling a 50% stake in its share of the Mbalam project

Sell down value (A$m)	750	**950**	1,150	1,350
Sundance valuation (A$/share)	0.51	**0.58**	0.65	0.72

Source: CLSA Asia-Pacific Markets

Valuation discussion

At US$72/t CFR China, long term, our valuation for the project increases to A$1.05

We estimate our long-term iron-ore price assumption of US$60/tonne CFR China is around 20-25% below consensus and given the Mbalam project is not expected to be in production until our long-term price assumption commences, it is extremely sensitive to this assumption. At US$72/tonne or 20% above our long-term price forecast, our valuation increases to A$1.05/share, around a 200% premium to Sundance's current share price.

The differential between this consensus price forecast valuation and the current share price is partially explained by the risk associated with funding, construction and commissioning of the project as well as our lower operating cost assumption. We use US$18/tonne FOB instead of the company's estimated US$21.20/tonne FOB as discussed earlier.

Assuming operating cost of US$21.20/t and iron ore prices of US$72/t our valuation is A$0.71

If we assume an FOB operating cost of US$21.20/tonne FOB and iron-ore prices of US$72/tonne CFR China, our project valuation and company valuation is A$0.91 and A$0.71 respectively. The company valuation is lower than the project valuation under this scenario, because in the former, Sundance sells 50% of its share of the project for less than the projects NPV-derived value. In our view, the market is still discounting the valuation substantially at consensus long-term iron-ore prices.

Our valuation is highly sensitive to discount rates

Our valuation is also highly sensitive to our long-term iron-ore prices

Other risks include the successful development and commissioning of projects

Our target price is broadly in line with Hanlong Mining's recent investment in Sundance Resources and around a 10% premium to the recent raising of A$60m at A$0.405/share.

Sensitivities and risks

Given that we don't expect production and positive cashflows until FY16, our valuation is markedly sensitive to discount rates. While our discount rate is 10% real based on expected required returns to ASX investors, we suspect a Chinese JV partner with longer-term strategic imperatives might use a lower discount rate when considering making an investment in the company. Figure 4 summarises our valuation sensitivities to our discount rate assumption.

Figure 4

Valuation sensitivities to discount rate assuming Sundance sell-down for A$950m

Discount rate	7%	8%	9%	10%	11%
100% of project (A$m)	3,186	2,603	2,105	**1,678**	1,310
Sundance equity share (A$m)	2,358	2,111	1,889	**1,708**	1,552
Sundance resources (A$/share)	0.80	0.72	0.64	**0.58**	0.53
100% of project	1.08	0.88	0.71	**0.57**	0.44

Source: CLSA Asia-Pacific Markets

Our valuation is also highly sensitive to our long-term ore price assumption. A 10% increase in ore prices increases our NPV valuation by 41% to A$0.79 while 10% lower prices reduces it by 41% to A$0.33. A 10% increase in our A$/US$ forecast assumptions decreases our NPV valuation only marginally to A$0.54 while 10% weaker A$/US$ forecast assumptions increases our NPV marginally to A$0.58.

Figure 5

Target price sensitivity to iron-ore prices and A$/US$ exchange rate assumptions

		(10%)	Base case	10%	20%
Iron ore prices		54	60	66	72
A$/US$ exchange rates					
(10%)	**0.765**	0.35	0.60	0.86	1.11
Base case	**0.850**	0.35	**0.58**	0.81	1.04
10%	**0.935**	0.35	0.56	0.77	0.98

Source: CLSA Asia-Pacific Markets

Other risks include the successful development and commissioning of projects. To account for this risk we have delayed the ramp up of operations by around nine months. However, the project may slip further given the substantial size of the project.

Cameroon and mining

Mining investment is increasing in Cameroon in light of the current global resources boom and a rewriting of the Mining Code in 2001-02. There are over 100 research or exploration permits in Cameroon across a broad spectrum of commodities.

Sinosteel is currently evaluating the Lobe iron-ore resource near the major port of Kribi while African Aura Mining has announced a 1bt (34% Fe) magnetite resource at its Nkout iron-ore project. Rio Tinto has been operating an aluminium joint venture with the government of Cameroon for 52 years near the capital Yaounde. Cameroon unemployment is around 30% while literacy rates are close to 70%.

FY16 and FY17 PE's of 4.0x and 3.4x respectively

Earnings

Given we do not expect Sundance Resource Mbalam project to be in production until late 2015, the company does not report significant earnings until FY16, increasing in FY17 as we expect production to rise to 35mtpa for the year. Based on iron-ore price forecasts of US$72/tonne and US$69/tonne, we estimate FY16 and FY17 PEs of 5.7x and 4.9x respectively.

The spike in the contours in 2012 and 2013 is irrelevant. It is due to the cash injection giving a negative EV and a negative Ebitda at the time resulting in positive contours.

We forecast first production in 3Q15

Figure 6

Sundance Resources income statement

Year to 30 Jun (A$m)	12CL	13CL	14CL	15CL	16CL	17CL
Operating revenue	0.0	0.0	0.0	0.0	905.1	1,016.9
Cost of sales	0.0	0.0	0.0	0.0	(334.2)	(397.3)
Gross profit	0.0	0.0	0.0	0.0	570.9	619.5
Exploration expense	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)	(2.8)
Corporate expense	(10.2)	(10.5)	(10.7)	(22.0)	(22.6)	(23.2)
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Ebitda	**(12.7)**	**(13.0)**	**(13.3)**	**(24.7)**	**545.6**	**593.6**
Depreciation and amortisation	0.0	0.0	0.0	0.0	(75.4)	(88.0)
Ebit	(12.7)	(13.0)	(13.3)	(24.7)	470.1	505.6
Net finance expense	28.2	50.7	25.9	(81.9)	(124.7)	(104.1)
Tax expense	5.8	11.3	5.6	0.0	103.6	120.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (normalised)	**9.7**	**26.4**	**7.0**	**(106.6)**	**241.8**	**281.0**
Exceptional items	0.00	0.00	0.00	0.00	0.00	0.00
Net attributable profit (reported)	9.7	26.4	7.0	(106.6)	241.8	281.0

Source: CLSA Asia-Pacific Markets

Cashflow

Operating cashflow does not turn positive until first production in FY16CL while negative free cashflow is dominated by the substantial capital spend in FY14CL and FY15CL.

Operating cashflow turns positive in FY16CL

Figure 7

Sundance Resources cashflow statement

Year to 30 Jun (A$m)	12CL	13CL	14CL	15CL	16CL	17CL
Net profit	9.7	26.4	7.0	(106.6)	241.8	281.0
Plus depreciation and amortisation	0.0	0.0	0.0	0.0	75.4	88.0
Less capitalised tax, int. and expl.	(3.7)	(3.8)	(3.9)	(4.0)	(4.1)	(4.2)
Less change in other working capital	0.0	0.0	0.0	0.0	(87.6)	(2.2)
Operating cashflow	**6.0**	**22.6**	**3.1**	**(110.6)**	**225.5**	**362.7**
Capex payments	(18.0)	(150.7)	(937.4)	(1,396.8)	(121.1)	(11.6)
(Acquisitions)/disposals	950.0	0.0	0.0	0.0	0.0	0.0
Other	0.00	0.00	0.00	0.00	0.00	0.00
Investing cashflow	**932.0**	**(150.7)**	**(937.4)**	**(1,396.8)**	**(121.1)**	**(11.6)**
Free cashflow	**937.9**	**(128.1)**	**(934.3)**	**(1,507.3)**	**104.5**	**351.0**
Net borrowings	0.0	0.0	360.6	1,396.8	(109.8)	(219.7)
Dividends paid to shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from equity issuance	0.0	0.0	0.0	0.0	0.0	0.0
Financing cashflow	**0.0**	**0.0**	**360.6**	**1,396.8**	**(109.8)**	**(219.7)**
Forex changes	0.0	0.0	0.0	0.0	0.0	0.0
Net increase (decrease) in cash	**937.9**	**(128.1)**	**(573.8)**	**(110.6)**	**(5.4)**	**131.4**

Source: CLSA Asia-Pacific Markets

We assume a debt-equity ratio of 70-30

Balance sheet

We assume a debt-equity ratio of 70-30 in our modelling and the joint venture company raises US$3.5bn in project finance in FY14 based on a total capital cost of about US$5bn.

While its ultimate share of the project will be about 42.75% depending on whether minority parties contribute or not, we believe Sundance along with its joint-venture partner will be responsible for funding 100% of the project.

We assume Stage 1 capital costs of US$5bn

Figure 8

Mbalam project funding assumptions

US$m - real 2011 dollars	100%	50%	Sundance share 42.75%
Capital cost	5,000	2,500	2,137.50
Equity - 30%	1,500	750	641.25
Debt - 70%	3,500	1,750	1,496.25
Total funding	5,000	2,500	2,137.50

Source: CLSA Asia-Pacific Markets

Sundance's share of debt funding would be US$1.75bn and equity would be US$750m

Therefore, Sundance's share of debt funding would be US$1.75bn and equity would be US$750m. In our modelling, we assume that Sundance's 50% sell down for A$950m can fund its share of project equity if sold down in a tax-effective manner. We draw down A$2bn in FY14CL to fund Sundance's share of debt.

We assume the A$950m sell-down is probably done via new equity in a corporate vehicle that sits beneath Sundance Resources and will be treated as new equity and therefore not subject to tax.

In our balance sheet modelling, we have consolidated the cash into Sundance's cash balance, but in practice it may become due in staged payments for the equity component of the project.

We assume project expenditure ramps up in FY13

Figure 9

Sundance Resources balance sheet

Year to 30 Jun (A$m)	12CL	13CL	14CL	15CL	16CL	17CL
Cash	1,035.2	907.1	333.3	222.8	217.4	348.8
Receivables	2.3	2.3	2.3	2.3	46.1	47.2
Inventories	2.6	2.6	2.6	2.6	46.4	47.5
Other	0.4	0.4	0.4	0.4	0.4	0.4
Total current assets	**1,040.5**	**912.4**	**338.6**	**228.1**	**310.3**	**443.9**
Property, plant and equipment	50.0	200.7	1,138.2	2,534.9	2,580.6	2,504.2
Exploration and development	103.4	107.2	111.0	115.0	119.1	123.2
Other	0.3	0.3	0.3	0.3	0.3	0.3
Total non current assets	153.8	308.3	1,249.6	2,650.3	2,700.0	2,627.8
Total assets	**1,194.3**	**1,220.7**	**1,588.2**	**2,878.4**	**3,010.3**	**3,071.7**
Payables	7.7	7.7	7.7	7.7	7.7	7.7
Borrowings	0.0	0.0	0.0	109.8	219.7	219.7
Derivatives	0.0	0.0	0.0	0.0	0.0	1.0
Other	1.0	1.0	1.0	1.0	1.0	1.0
Total current liabilities	**8.6**	**8.6**	**8.6**	**118.5**	**228.3**	**229.3**
Borrowings	0.0	0.0	360.6	1,647.5	1,427.8	1,208.2
Provisions and other	0.0	0.0	0.0	0.0	0.0	0.0
Total non current liabilities	0.0	0.0	360.6	1,647.5	1,427.8	1,208.2
Total liabilities	**8.6**	**8.6**	**369.2**	**1,765.9**	**1,656.1**	**1,437.5**
Net assets	**1,185.7**	**1,212.0**	**1,219.0**	**1,112.4**	**1,354.2**	**1,634.2**
Issued capital	1,300.7	1,300.7	1,300.7	1,300.7	1,300.7	1,300.7
Retained earnings	(107.4)	(81.0)	(74.0)	(180.6)	61.1	342.2
Reserves	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
Minority interest	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Total equity	**1,185.7**	**1,212.0**	**1,219.0**	**1,112.4**	**1,354.2**	**1,635.2**

Source: CLSA Asia-Pacific Markets

Return on equity to be 18% in FY16 and 17% in FY17

Return on assets

We forecast return on equity to be 18% in FY16 and 17% in FY17, as the company benefits a high margin iron ore business and high gearing. We forecast a return on assets of 15% in FY16 and 16% in FY17.

Management's ability to deliver

Sundance management have substantial mining and iron-ore experience which reduces the risk of project execution. The company has signed MOUs for rail and port construction with some of China's largest construction companies giving us increased confidence that the required infrastructure will be forthcoming.

Hanlong Mining Investment

Hanlong announced its intention to make a conditional cash offer for Sundance on 18 July

On 18 July Hanlong Mining announced its intention to make a conditional cash offer for Sundance at A$0.50/share under a scheme of arrangement. The proposal is conditional on, among other things, majority Sundance board support and execution of a Scheme Implementation Agreement. Sundance directors have advised shareholders to take no action at this stage.

Hanlong already has 18.6% of Sundance Resources, acquiring the bulk of its stake from Talbot Investments earlier this year.

From the company's website

Hanlong Mining is a part of Hanlong Group, one of China's largest private enterprises with more than 12,000 staff and 30 subsidiary companies. The company has total assets exceeding Rmb36bn and annual sales revenue of over Rmb16bn.

Operates across a large number of sectors

Hanlong Group operates across a large number of industry sectors throughout China including mining, energy, pharmaceuticals, high technology, food and beverage, industrial chemicals, infrastructure development, tourism development and real estate.

Within Hanlong Group are two listed companies, Hongda Group, listed on the Shanghai stock exchange with a market capitalisation of Rmb16.7bn and Jinlu Group, which is listed on the Shenzhen stock exchange with a market capitalisation of Rmb3bn.

Cash costs of US$21.20/t places Sundance at the bottom of the global cost curve

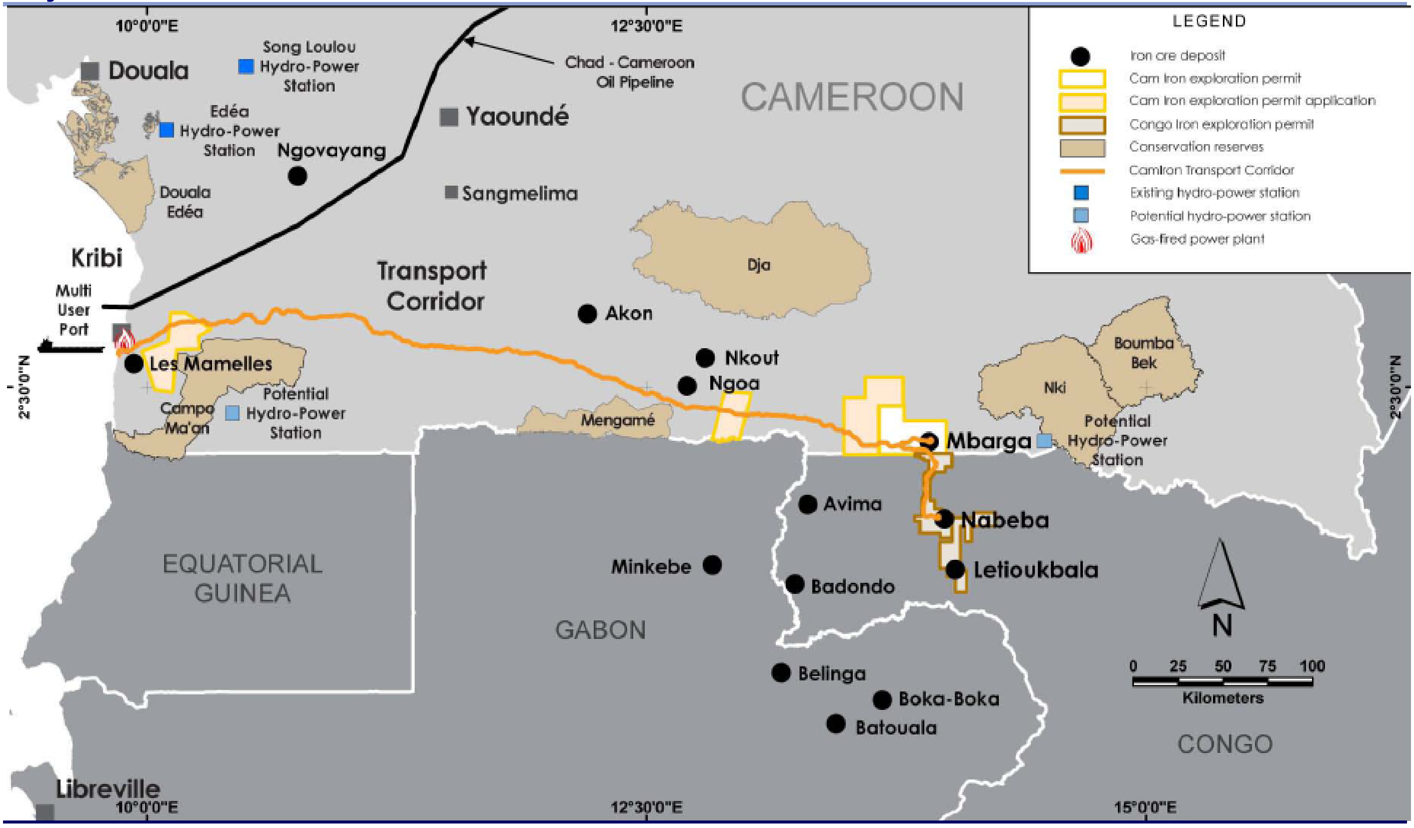
Low-cost producer

The DFS has indicated cash costs of US$21.20/tonne FOB Cameroon pre-royalties for Stage 1. While the final tax and royalty provisions are yet to be finalised, the company anticipates royalties of about 2.5-3%. The operating cost includes mining, crushing and screening, rail haulage and ship loading and in country administration and corporate costs. The low estimated operating cost is attributable to the low strip ratio as well as the relatively low cost of labour in Cameroon.

The Mbarga deposit is located about 300km east-southeast of the capital city of Yaounde in the southern part of Cameroon.

Figure 10

Project location



Source: Sundance Resources

Background and ownership

Exploration conducted by the United Nations Development Fund and the Canadian International Development Agency between 1976 to 1984, and evaluated by Bureau de Recherche Geologique et Minieres BRGM (France) and Paterson Grant Watson, Consulting Geophysicists (Canada), estimated the project to contain an initial inferred resource of 570mt of iron ore grading above 60% Fe.

Sundance acquired its interest in Cam Iron in March 2006

Sundance acquired its interest in Cam Iron in March 2006 for a cash payment of A$250,000 (representing reimbursement of expenditure to date) and the issue of 140 million fully paid shares at an issue price of 2.5 cents per share. It also granted to local shareholders in Cam Iron a 5% free carried interest in Exploration Permit No 92 to the completion of a bankable feasibility study.

Sundance acquired its interest in the Congo tenements in October 2008

Sundance acquired its interest in the Congo tenements in October 2008 for an initial outlay of five million shares plus another 19 million shares issued subsequently as a result of meeting certain performance hurdles. At the time, exploration indicated the tenements were highly prospective for large tonnage iron-ore deposits but, unlike Mbarga in Cameroon, no resource had been defined.

EP92 is owned by Cam Iron, a company incorporated in the Republic of Cameroon. Cam Iron is a 90%-owned subsidiary of Sundance Resources. MRP362 and MRP363 are owned by Congo Iron, a company incorporated in the Republic of Congo, which is an 85%-owned subsidiary of Sundance. These three permits cover a total landholding of 1,740km^2.

Sundance Resources has a 90% and 85% interest in Cam Iron and Congo Iron respectively

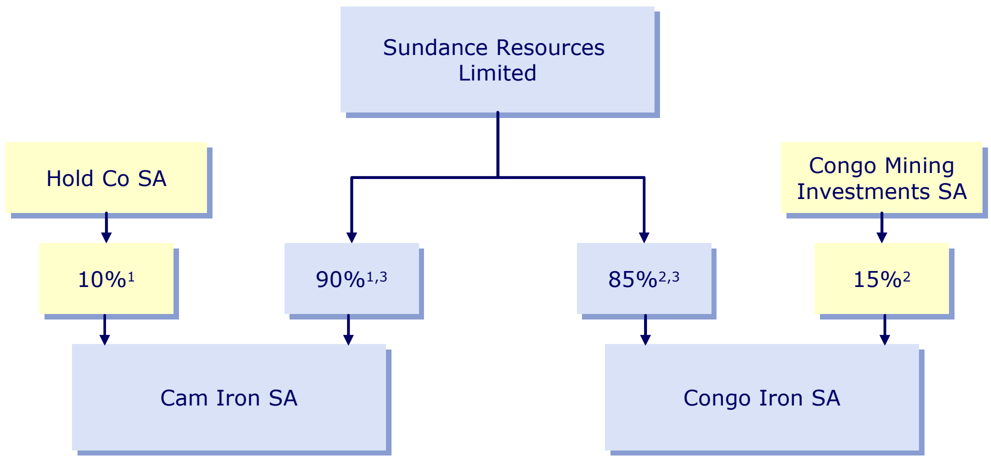
Equity ownership structure

Sundance Resources has a 90% and 85% interest in Cam Iron and Congo Iron with the balance of equity owned by private Cameroon and Congo interests. The Cameroon government has a right to a 10% free-carried interest in the project, which may result on Sundance's interest reducing to 81% of Cam Iron and 76.5% of Congo Iron.

After dilution, we estimate Sundance will retain about 85.5% prior to a selldown

Figure 11

Project ownership structure



[1] The Cameroon government has a right to earn a 10% interest in Cam Iron pursuant to the Cameroon Mining Code, [2] The Congo government has a right to a 10% interest in Congo Iron pursuant to the Congo Mining Code, [3] Once the Cameroon and Congo governments exercise their options, Sundance's interests in Cam Iron and Congo Iron will reduce to 81% and 76.5% respectively before dilution of Hold Co and Congo Mining Investments. Source: Sundance Resources

Prior to first production, we assume Sundance and its JV partner will have 85.5% of the project

However, this assumes the minority private interests contribute pro-rata, which if they don't, they dilute down to a minimum of 5% each. At this stage, their share of required capital is funded via a loan from Sundance Resources (or a joint-venture entity) which is paid back from profits before dividends. Hence, Cam Iron and Congo Iron may end up with 5% of 90% (4.5%) of the project after the respective governments take their respective 10% stakes. Hence, prior to first production, we assume Sundance and its joint-venture partner will have 85.5% (100% less 10% less 4.5%) of the project.

Sundance commenced exploration drilling in June 2007

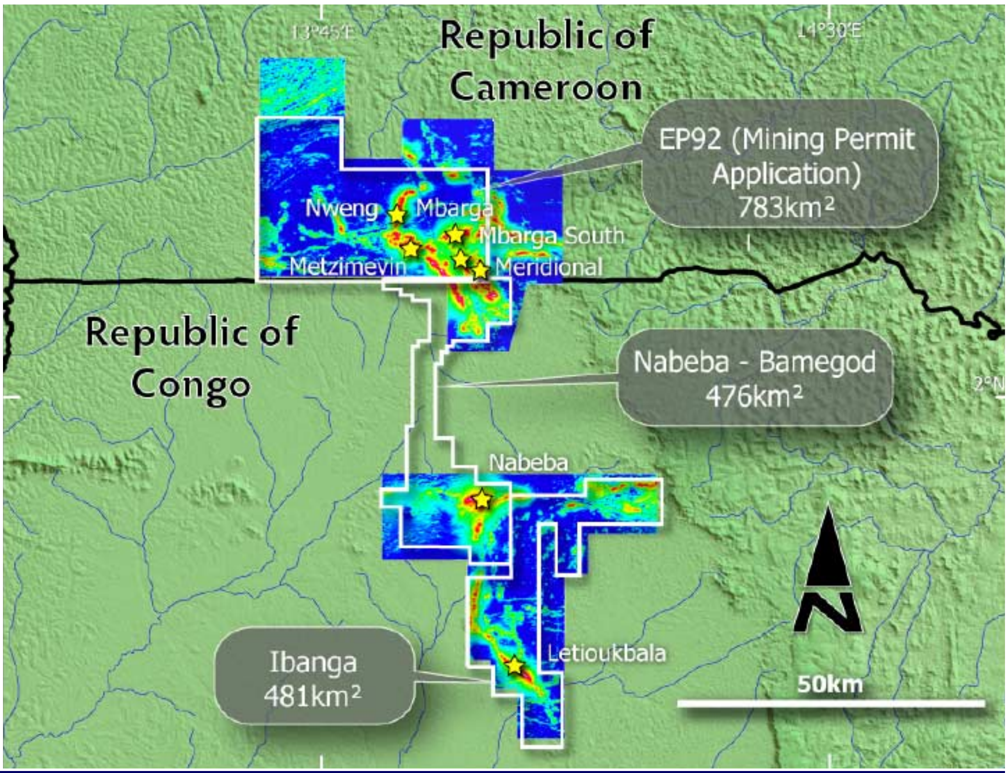
Recent exploration and geology

Exploration drilling commenced in Cameroon in June 2007 at Mbarga while it began at Nabeba in the Republic of Congo in February 2010. The Nabeba deposit in the Congo has 291mt of DSO resources at 62.3% Fe while Mbarga in Cameroon holds 157.2mt at 59.4% Fe. South Mbarga and Metzimevin in Cameroon contain 21mt and 15mt of resources respectively.

Current resources are 484mt of DSO and 2.32bt of lower-grade hematite

Figure 12

Mbalam project showing Mbarga in Cameroon and Nabeba in the Congo



Source: Sundance Resources

Exploration drilling commenced at Mbarga in Cameroon in June 2007

Sundance commenced exploration drilling at Mbarga in Cameroon in June 2007 and at Nabeba in Congo in February 2010. With a total today of more than 500 holes drilled between the two deposits, current resources stand at 484mt at 61.1% Fe and 2.32bt of lower-grade 38% Fe Itabirite hematite.

The deposits are typical supergene haematite enrichments from an Archean banded iron formation protore which has been recrystallised to ferruginous quartzite or itabirite. In this way, they occur in a similar geological setting to large iron-ore deposits mined in the past in Liberia and currently being evaluated in Guinea and in the neighbouring country of Gabon.

The definitive feasibility study for Stage 1 was completed in April 2011

Project economics

The definitive feasibility study for Stage 1 and Pre-feasibility Study for Stage 2 were both completed in April 2011. Stage 1 envisages exporting 35m dry metric tonnes (dmtpa) of higher-grade DSO for 10 years from the end of 2014. Over 10 years this equates to about 140% of existing reserves of 252mt at 63.6% Fe but only about 70% of the existing DSO resources of 484mt at 61.1% Fe.

The DFS was released in April 2011

Figure 13

Stage 1 - DFS capital cost and project parameters

Capital cost (US$m)	Sundance DFS	CL assumptions
Mining, processing and infrastructure	914	
Rail	2,019	
Port	537	
Sub-total	3,471	
EPCM, Owners costs, Contingency	1,214	
Total	**4,686**	**5,000**
Operating costs (US$/t FOB)	21.20	18.00
Production rate (dmtpa)	35	35
Start up	4Q14	3Q15
Mine life (years)	10	10

Source: CLSA Asia-Pacific Markets, Sundance Resources

Our assumptions are broadly in line with the recently released DFS

Our valuation assumptions are broadly in line with the recently released DFS assumptions. However, we have assumed a lower US$/tonne operating cost as our A$/US$ exchange rate forecast reduces our long-term assumption of 0.85 by March quarter 2015. This is broadly in line with our reduced iron-ore prices which reach their long-term price of US$60/tonne by the March 2016 quarter. Therefore, we view a strengthening US dollar will lead to more purchasing power for the US dollar and lower costs overall. If we translated the operating cost estimate of US$21.20/tonne at current exchange rates it comes to about A$20/tonne. This compares to our long-run operating cost assumption of US$18/tonne at an A$/US$ exchange rate of 0.85 which equates to A$21.20/tonne.

Arguably, the capital cost should reduce as the US dollar strengthens. However, we do not have the A$/US$ reaching 0.85 until 2015 and the majority of the capital spend occurs prior to this. Further, our experience is that the capital costs often increase more so than operating costs as projects move closer to production.

Stage 1 capital cost estimate of US$4,686m equates to US$133/t annual production

As a benchmark, the Stage 1 capital cost estimate of US$4,686m equates to US$133/tonne annual production and is broadly in line with the major Pilbara expansions.

Figure 14

Capital intensity of major Pilbara iron-ore players

	US$/t	Notes
BHP	183	Expansion from 155mtpa to 240mtpa
Rio Tinto	131	Pilbara from 220mt to 333mt for US$14.85b
FMG	100	Capital expenditure from 2006-2010 divided by 40mtpa
FMG to 155mtpa	86	Expansion from 55mtpa to 155mtpa = US$8.6b

Source: CLSA Asia-Pacific Markets, company reports and presentations

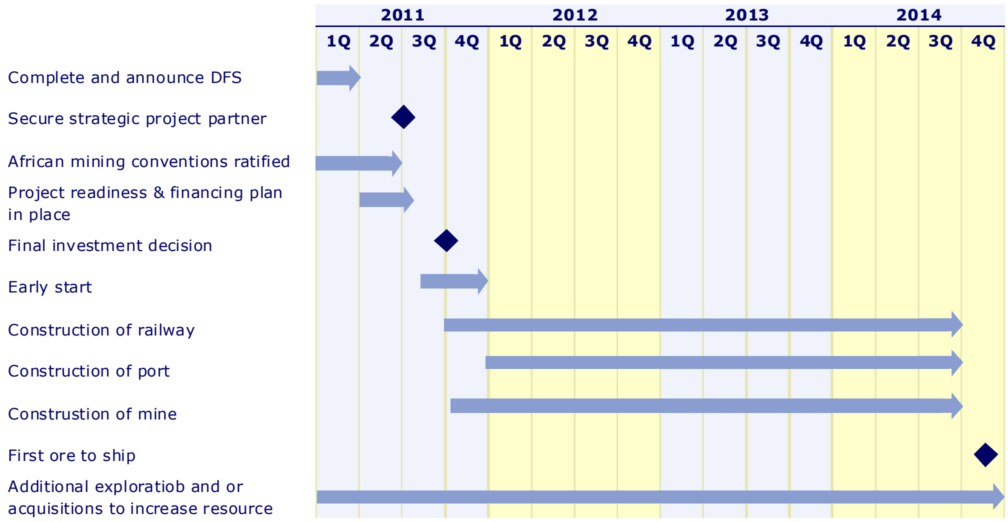
We view the company's proposed timeline to production in late 2014 as ambitious

We believe that a project of such significance to Cameroon is more likely to be developed within time frames and budgets than those proposed in the Pilbara where increasing labour constraints and costs are delaying projects and placing at risk perceived returns. However, we still view the company's proposed timeline to production in late 2014 as ambitious given substantial funding and construction hurdles still exist and have lagged start up in our modelling assumptions by one year.

We view the company's target of first production in late 2014 as ambitious

Figure 15

Project timeline



Source: Sundance Resources

Stage 2 envisages producing 35dmtpa of 66.8% Fe concentrate

Stage 2 envisages producing 35dmtpa of 66.8% Fe concentrate for 15 years at an operating cost of about US$40/tonne FOB Cameroon. The capital cost at the PFS stage is estimated to be US$3,143m and is broken down in Figure 16 along with other key Stage 2 project parameters.

Stage 2 operating costs will be higher than Stage 1 due to processing requirements

Figure 16

Stage 2 - Pre-feasibility Study (PFS) capital cost and project parameters

Capital cost (US$m)	**Sundance PFS**	**CL assumptions[1]**
Beneficiation	1,908	2,000
Pellet plant	400	-
Sub-total of direct costs	2,308	2,000
EPCM, Owners costs, Contingency	835	500
Total	**3,143**	**2,500[1]**
Operating costs (US$/t FOB)	40	34
Production rate (dmtpa)	35	35
Start up	At end of Stage 1	3Q24
Mine life (years)	15	15

[1] Excludes the Pellet Plant, Assumes costs come down as the US$ strengthens; Source: CLSA Asia-Pacific Markets, Sundance Resources

Our operating cost assumption for Stage 2 is US$34/t

We have used lower operating costs in our modelling than those presented in the PFS as we believe the increasing strength of the US dollar will lead to increased purchasing parity as discussed earlier. If we converted US$40/tonne FOB to Australian dollars at current exchange rates, we arrive at a cost of around A$38/tonne. Our operating cost assumption of US$34/tonne equates to A$40/tonne FOB at our long-term exchange rate of 0.85. This assumption is consistent with our valuation of Stage 1.

Despite our assumed strengthening of the A$/US$ we have used capital costs broadly in line with those estimated in the PFS but have reduced the capital by the pellet plant and a proportion of the EPCM costs. The reason we have taken the pellet plant off the Stage 2 capital is because it is an option than can be evaluated at a later stage and Stage 2 concentrate sales prices are more comparable to peers.

The vast majority of the ore will go to China

Estimating a China CFR cost

While FOB cash costs of US$21.20/tonne are comparatively low, Cameroon is much further from the key market of China than the Pilbara. While the company expects up to 20% of production may go to Europe, the vast majority will be shipped to China. Figure 18 shows the substantial difference in distance from the Pilbara and Cameroon to China.

The majority of Mbalam's iron ore will likely go to China

Figure 17

Distance in nautical miles to key markets

Source: Sundance Resources

We are assuming long-term freight rates of US$13/t

However, shipping costs are not only related to distances travelled but also full turn around journey time and other factors. We forecast longer-term shipping rates from Dampier to Qingdao in China to be around US$10/tonne for capesize vessels. Our assumptions for long-term shipping rates for other routes are shown in Figure 18. For Cameroon to China, we are assuming long-term freight rates of US$13/tonne, hence resulting in a total CFR cost for the Mbalam project of about US$35/tonne pre-royalties which we believe still places the project in the bottom quartile of the global cost curve.

Longer-term freight rates are largely sensitive to the oil price

Figure 18

Long-term freight rate assumptions

	US$/t
SSY Spot Iron Ore Freight Rate W Australia to Japan Capesize 160,000-ton	10.00
SSY Spot Iron Ore Freight Rate W Australia to Rotterdam Capesize 160,000-ton	13.00
Freight rate (Richards Bay to Japan)	12.00

Source: CLSA Asia-Pacific Markets, Bloomberg

Premium iron ore

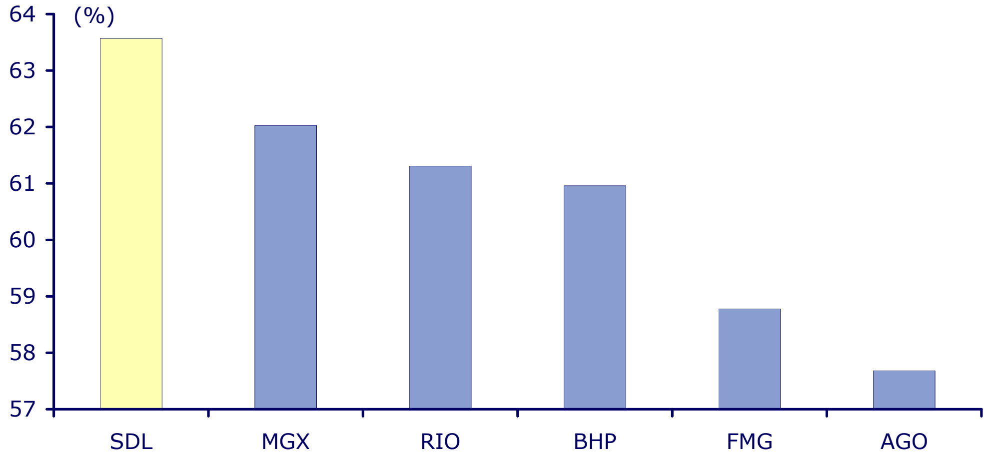
Mbalam project's higher quality should lead to a premium over the benchmark

While the Mbalam project may be a long way from the steel mills of China compared to projects in the Pilbara, its higher quality should lead to a premium over the benchmark. Figure 19 shows the average Fe content in the reserves of Pilbara-based iron-ore producers compared with Sundance Resources' Mbalam project.

Iron content in the DSO is higher than either Rio Tinto's or BHP's Pilbara reserves

Figure 19

Reserves Fe grade of Australian-listed DSO iron-ore companies



Source: CLSA Asia-Pacific Markets, company reports

Higher-grade iron ore receives a premium

Importantly, higher-grade iron ore often receives a small premium over and above the increased iron units. We estimate a premium of only a few percent for the Stage 1 hematite production with a grade of 63.6% Fe but a premium of about 10% for Stage 2 production which has a grade of 66% Fe.

The reserves at the Mbalam project are well within the Silica limits for DSO and, similarly with Fortescue Metals and Atlas Iron's reserves, on the acceptable phosphorous limit of 0.08%. Current reserves are 250mt and were based on an older version of the resource model which contained 446mt of resources. Resources are now 484mt, hence we expect an upgrade of reserves in 1HFY12. Alumina levels above current reserve levels of 2.54% could attract a small penalty. However, in anticipation of this penalty being only minor, the company is re-estimating resources at a 2.7% silica cut-off compared to the current 2.54% cut-off. Silica and alumina levels compared to Pilbara-based producers are shown in Figure 20 and 21.

Alumina is high while silica is very low

Figure 20

Alumina levels in reserves

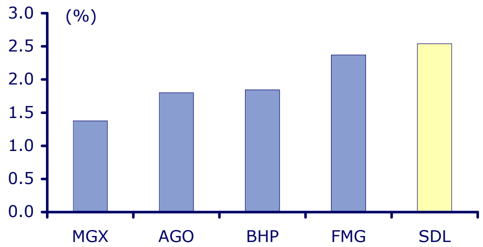
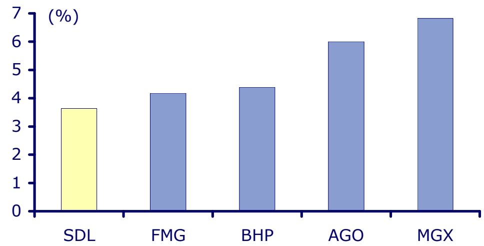


Figure 21

Silica levels in reserves



Source: CLSA Asia-Pacific Markets, company reports

Industry-leading margins

Low operating costs and a premium product should lead to industry leading margins

Low operating costs and a premium product should lead to industry-leading margins when looked at in terms of revenue per tonne of ore landed in China. A margin analysis summary using our long-term real price assumption of US$60/tonne in Figure 22 shows the comparison with Pilbara-based miners.

Superior margins on a landed cost basis in China

Figure 22

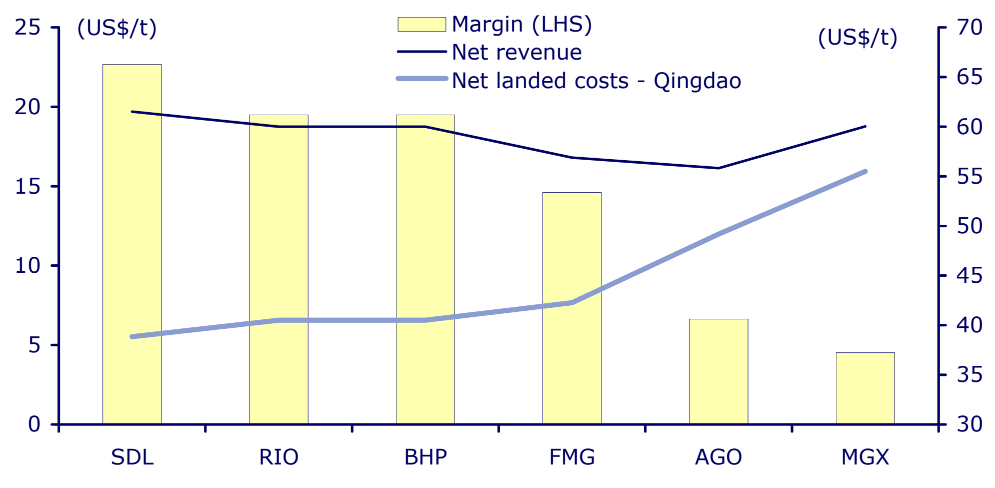
Long-term margin analysis of Mbalam project versus Pilbara-based producers

(US$/t)	SDL	RIO	BHP	FMG	AGO	MGX
Revenue at Qingdao (62% Fe)	**60.00**	60.00	60.00	60.00	60.00	60.00
Fe adjustment based on Reserves	**1.52**	0.00	0.00	(3.12)	(4.18)	0.02
Net revenue per tonne	**61.52**	**60.00**	**60.00**	**56.88**	**55.82**	**60.02**
FOB cost	**24.00**	26.00	26.00	28.00	34.00	40.00
Royalty - long term	**1.85**	4.50	4.50	4.27	4.19	4.50
Freight	**13.00**	10.00	10.00	10.00	11.00	11.00
Net landed costs - Qingdao	**38.85**	**40.50**	**40.50**	**42.27**	**49.19**	**55.50**
Margin - US$/t	**22.67**	**19.50**	**19.50**	**14.62**	**6.64**	**4.52**
Margin %	**37**	**33**	**33**	**26**	**12**	**8**

Note: We have used US$24/t for Mbalam versus the company's DFS estimate of US$21.20/t,
Source: CLSA Asia-Pacific Markets, company reports

Figure 23

Long-term margin analysis of Mbalam project versus Pilbara-based peers



Source: CLSA Asia-Pacific Markets

Royalties in Cameroon and the Congo are expected to be 2.5-3%

The company expects royalties in Cameroon and the Congo to be between 2.5-3% while royalty rates in Western Australia are increasing to 7.5% by 1 July 2013. Hence, margins at the Mbalam project, which were already superior pre-royalties, only improve after royalties are accounted for.

Freight rates for Atlas Iron and Mount Gibson are assumed to be slightly higher than the majors due to the use of smaller ships at Port Hedland for Atlas Iron and at Geraldton for Mount Gibson.

Since peaking in January at A$0.67, Sundance Resources has corrected back towards the 62% retracement of the 2010-11 advance. Current resistance is at A$0.36-0.40 which includes the 10-week and 40-week EMA, while current support is at A$0.30-0.33. Noteworthy is the stock's 14-week RSI bouncing off the recent low of 37 which suggests improving momentum. A break above the cited resistance of A$0.36-0.40 will take the stock towards the next chart resistance of A$0.46-0.54, then the January peak at A$0.67

Appendix 1: What the charts say

Sundance Resources weekly with 40-week WMA

Source: CLSA Asia-Pacific Markets

These views are based on technical analysis and may or may not be in agreement with the 'fundamental' view.

For further information please contact

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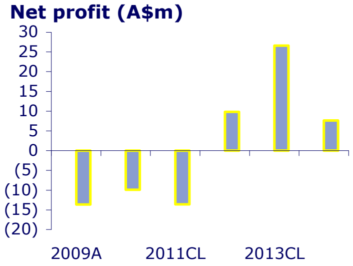
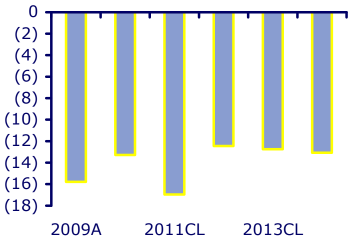
Appendix 2: Risks & drivers

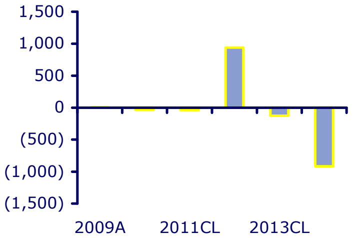
Net profit (A$m)



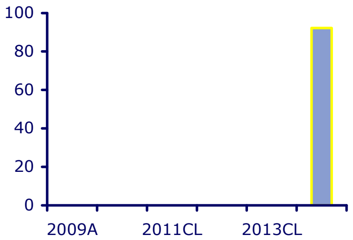
Op profit (A$m)



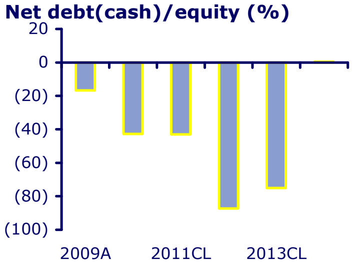
Net cashflow (A$m)



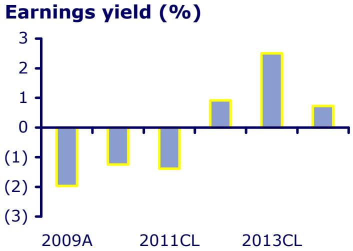
Debt coverage (years)



Net debt(cash)/equity (%)



Earnings yield (%)



Investment by numbers

Sundance Resources plans to develop an integrated iron-ore mine, 510km railway line and port in Cameroon and the Congo, West Africa. Stage 1 and 2 of its operation envisage mining 35mtpa direct-shipping iron ore and 35mtpa of processed itabirite concentrate respectively. The current combined mine life of Stage 1 and 2 should extend beyond 25 years. The company has completed a Definitive Feasibility Study for Stage 1 and a Pre-feasibility Study for Stage 2. Sundance is in negotiations with joint-venture partners to fund the US$4,686m Stage 1 capital cost with a view to finalising a partner in the near term.

We have used a sum-of-the-parts methodology to value Sundance, applying a discount rate of 10% real or 12.5% nominal. Most of our valuation lies in the Mbalam iron-ore project while we allocate US$1/tonne Fe contained in high-grade resources and US$0.50/tonne Fe in low-grade resources not in our mine plan.

Our NPV for 100% of the project is A$1,995m including A$389m for resources not in mine plan and a nominal A$50m for other exploration. However, we assume that after the government's 10% free-carried equity stake and other minority interests, Sundance retains 78% of the project. If it sells a 50% stake, the new JV partner will effectively own a 39% stake in the project.

Risks to our view

Given we don't expect production and positive cashflow until FY16, our valuation is markedly sensitive to discount rates. While our discount rate is 10% real based on expected required returns to ASX investors, we suspect a Chinese JV partner with longer-term strategic imperatives might use a lower discount rate when considering nvesting in the company.

Our valuation is also highly sensitive to our long-term iron-ore price assumption. A 10% hike in ore prices increases our NPV valuation by 41% to A$0.81 while 10% lower prices reduces our NPV valuation by 41% to A$0.35. A 10% increase in our A$/US$ forecast assumptions decreases our NPV valuation only marginally to A$0.56 while 10% weaker A$/US$ forecast assumptions increases our NPV marginally to A$0.61.

Other risks include the successful development and commissioning of projects. To account for this risk we have delayed the ramp up of operations by around nine months. However, the project may slip further given its substantial size.

Key earnings drivers

Year to 30 June	2009A	2010A	2011CL	2012CL	2013CL
Prices					
Spot fines (CFR China) (US$)	89	119	163	150	134
A$/US$ FX	0.75	0.88	0.99	1.05	0.96

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Appendix 3: Summary financials

Year to 30 June	2009A	2010A	2011CL	2012CL	2013CL
Summary P&L forecast (A$m)					
Revenue	**0**	**0**	**0**	**0**	**0**
Op Ebitda	(13)	(11)	(16)	(12)	(13)
Op Ebit	(16)	(13)	(17)	(12)	(13)
Interest income	1	3	3	28	51
Interest expense	0	0	0	0	0
Other items	0	0	0	0	0
Profit before tax	**(14)**	**(11)**	**(14)**	**16**	**38**
Taxation	0	0	0	(6)	(11)
Minorities/Pref divs	1	1	1	0	0
Net profit	**(14)**	**(10)**	**(14)**	**10**	**27**
Summary cashflow forecast (A$m)					
Operating profit	**(16)**	**(13)**	**(17)**	**(12)**	**(13)**
Operating adjustments	2	3	2	25	47
Depreciation/amortisation	3	3	1	0	0
Working capital changes	0	2	1	0	0
Net interest/taxes/other	(1)	(1)	(1)	(6)	(11)
Net operating cashflow	**(12)**	**(6)**	**(14)**	**6**	**23**
Capital expenditure	(32)	(24)	(26)	(18)	(148)
Free cashflow	**(44)**	**(30)**	**(40)**	**(12)**	**(125)**
Acq/inv/disposals	0	0	0	950	0
Int, invt & associate div	0	0	0	0	0
Net investing cashflow	**(32)**	**(24)**	**(26)**	**932**	**(148)**
Increase in loans	0	(5)	0	0	0
Dividends	0	0	0	0	0
Net equity raised/other	17	91	60	0	0
Net financing cashflow	**17**	**86**	**60**	**0**	**0**
Incr/(decr) in net cash	**(27)**	**56**	**20**	**938**	**(125)**
Exch rate movements	0	0	0	0	0
Opening cash	**47**	**20**	**77**	**97**	**1,036**
Closing cash	**20**	**76**	**97**	**1,036**	**911**
Summary balance sheet forecast (A$m)					
Cash & equivalents	20	77	97	1,036	911
Debtors	3	2	2	2	2
Inventories	1	3	3	3	3
Other current assets	0	0	0	0	0
Fixed assets	6	7	32	50	198
Intangible assets	0	0	0	0	0
Other term assets	0	0	0	0	0
Total assets	**125**	**187**	**235**	**1,194**	**1,221**
Short-term debt	0	0	0	0	0
Creditors	2	8	8	8	8
Other current liabs	0	0	1	1	1
Long-term debt/CBs	0	0	0	0	0
Provisions/other LT liabs	0	0	0	0	0
Minorities/other equity	0	(2)	(2)	(2)	(2)
Shareholder funds	123	182	228	1,188	1,215
Total liabs & equity	**125**	**187**	**235**	**1,194**	**1,221**
Ratio analysis					
Revenue growth (% YoY)	(100.0)	nm	nm	nm	nm
Ebitda growth (% YoY)	-	nm	nm	nm	nm
Ebitda margin (%)	0.0	0.0	0.0	0.0	0.0
Net profit margin (%)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	0.0	0.0	0.0	37.4	30.0
Ebitda/net int exp (x)	0.0	0.0	0.0	0.0	0.0
Net debt/equity (%)	(16.6)	(42.7)	(43.0)	(87.3)	(75.1)
ROE (%)	(11.7)	(7.1)	(7.1)	1.4	2.2
ROIC (%)	(182.7)	(196.5)	(100.0)	(20.6)	(7.4)
EVA®/IC (%)	(193.9)	(207.6)	(111.1)	(31.2)	(18.1)

Source: CLSA Asia-Pacific Markets

We have assumed first production in 2015.

Substantial capital expenditure expected from FY13 onwards.

We have assumed major equity and debt drawdowns are expected in FY13 and FY14 respectively.

Appendix 4: Summary financials and valuation

Income statement (A$m, Jun y/e)	09A	10A	11CL	12CL	13CL	14CL
Operating revenue	0.0	0.0	0.0	0.0	0.0	0.0
Cost of sales	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	0.0	0.0	0.0	0.0	0.0	0.0
Exploration expense	0.0	0.0	(1.2)	(2.4)	(2.5)	(2.5)
Corporate expense	(13.0)	(10.8)	(14.5)	(10.0)	(10.3)	(10.5)
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Ebitda	(13.0)	(10.8)	(15.7)	(12.5)	(12.8)	(13.1)
Depreciation and amortisation	(2.8)	(2.5)	(1.3)	0.0	0.0	0.0
Ebit	(15.8)	(13.3)	(17.0)	(12.5)	(12.8)	(13.1)
Net finance expense	1.5	2.5	2.6	28.2	50.8	26.4
Tax expense	0.0	0.0	0.0	5.9	11.4	5.7
Minority interest	(0.7)	(0.9)	(0.8)	0.0	0.0	0.0
Net profit (Normalised)	(13.7)	(9.9)	(13.6)	9.8	26.6	7.6
Exceptional items	0.0	0.00	0.00	0.00	0.00	0.00
Net attributable profit (Reported)	(13.7)	(9.9)	(13.6)	9.8	26.6	7.6
Cashflow statement (A$m, Jun y/e)						
Net Profit	(13.7)	(9.9)	(13.6)	9.8	26.6	7.6
Plus Depreciation and Amortisation	2.76	2.5	1.3	0.0	0.0	0.0
Less Capitalised Tax, Int. & Expl.	0.00	0.0	(1.8)	(3.6)	(3.7)	(3.8)
Less chg in other working capital	(0.40)	2.0	1.0	0.0	0.0	0.0
Operating cashflow	(11.3)	(5.4)	(13.1)	6.2	22.9	3.8
Capex payments	(32.2)	(24.1)	(26.4)	(17.7)	(147.9)	(920.1)
(Acquisitions)/Disposals	0.0	0.0	0.0	950.0	0.0	0.0
Other	(0.2)	0.0	0.00	0.00	0.00	0.00
Investing cashflow	(32.4)	(24.1)	(26.4)	932.3	(147.9)	(920.1)
Free cashflow	(43.7)	(29.5)	(39.5)	938.5	(125.0)	(916.2)
Net borrowings	(0.5)	(4.6)	0.0	0.0	0.0	353.9
Dividends paid to shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from equity issuance	17.4	90.7	60.1	0.0	0.0	0.0
Financing cashflow	17.0	86.1	60.1	0.0	0.0	353.9
Forex changes	0.1	(0.2)	(0.1)	0.0	0.0	0.0
Net increase (decrease) in cash	(26.6)	56.4	20.5	938.5	(125.0)	(562.4)

Balance sheet (A$m, Jun y/e)	09A	10A	11CL	12CL	13CL	14CL
Cash	20.4	76.8	97.3	1,035.8	910.8	348.4
Receivables	2.5	2.3	2.3	2.3	2.3	2.3
Inventories	1.2	2.6	2.6	2.6	2.6	2.6
Other	0.3	0.4	0.4	0.4	0.4	0.4
Total current assets	24.4	82.1	102.6	1,041.1	916.1	353.7
Property, plant and equipment	6.4	6.9	32.0	49.7	197.6	1,117.7
Exploration and development	93.5	97.9	99.7	103.3	107.0	110.8
Other	0.4	0.3	0.3	0.3	0.3	0.3
Total non current assets	100.3	105.1	132.1	153.4	305.0	1,228.9
Total assets	124.7	187.2	234.7	1,194.5	1,221.1	1,582.6
Payables	2.2	7.7	7.7	7.7	7.7	7.7
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	1.0	1.0	1.0	1.0
Total current liabilities	2.2	7.7	8.6	8.6	8.6	8.6
Borrowings	0.0	0.0	0.0	0.0	0.0	353.9
Provisions and other	0.0	0.0	0.0	0.0	0.0	0.0
Total non current liabilities	0.0	0.0	0.0	0.0	0.0	353.9
Total liabilities	2.2	7.7	8.6	8.6	8.6	362.5
Net assets	122.5	179.6	226.0	1,185.9	1,212.5	1,220.1
Issued capital	204.5	290.6	350.7	1,300.7	1,300.7	1,300.7
Retained earnings	(93.5)	(103.4)	(117.0)	(107.2)	(80.6)	(72.9)
Reserves	11.9	(5.1)	(5.2)	(5.2)	(5.2)	(5.2)
Minority interest	(0.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Total equity	122.5	179.6	226.0	1,185.9	1,212.5	1,220.1

Board of Directors	Shares (m)	Options (m)	(%)
George Jones	16.1	5.0	0.8
Giulio Casello	0.0	8.0	0.3
Michael Blakiston	0.0	2.0	0.1
Barry Eldridge	0.0	2.0	0.1
Ms Fiona Harris	0.0	2.0	0.1
Mr Andrew Robin Marshall	0.0	2.0	0.1
Total directors	**16.1**	**21.0**	**1.4**

Commodity price assumptions (Jun y/e)	09A	10A	11CL	12CL	13CL	14CL
Iron Ore Fines (CIF China) (US$/t)	88.73	118.79	161.58	150.00	133.75	116.25
Freight - Cameroon - China (US$/t)	15.60	16.06	13.07	13.06	13.37	13.71
Sundance FOB revenue (US$/t)	84.40	77.59	153.21	140.47	123.49	105.19
US$/A$	0.75	0.88	0.99	1.05	0.96	0.91
Saleable production (mt, Jun y/e)						
Stage 1 - 35mtpa DSO	0.0	0.0	0.0	0.0	0.0	0.0
Stage 2 - 35mtpa from 2024	0.0	0.0	0.0	0.0	0.0	0.0
Project 3	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0
Cash costs (Jun y/e)						
Cash operating costs (A$/t)	na	na	na	na	na	na
Cash operating costs (US$/t)	na	na	na	na	na	na
Ratios (Jun y/e)						
Undiluted shares (m)	1,917.7	2,521.2	2,870.7	2,870.7	2,870.7	2,870.7
Normalised EPS (A¢/share)	(0.7)	(0.4)	(0.5)	0.3	0.9	0.3
EPS growth (%)	na	na	na	na	170.4	(71.3)
PE (x)	na	na	na	101.8	37.7	131.2
EV/Ebitda (x)	na	na	na	na	na	na
Dividend (US¢/share)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0	0	0	0	0	0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
Net finance expense/(income) (A$m)	(1.5)	(2.5)	(2.6)	(28.2)	(50.8)	(26.4)
Finance expense coverage (x)	na	na	na	(0.3)	(0.5)	(0.3)
Balance Sheet Ratios (Jun y/e)						
Normalised ROA (%)	(12.7)	(7.1)	(7.2)	(1.0)	(1.0)	(0.8)
Normalised ROE (%)	(10.6)	(6.0)	(6.3)	1.4	2.2	0.6
Normalised ROIC (%)	(15.5)	(13.0)	(14.6)	(12.3)	(7.3)	(2.4)
Total debt (A$m)	0.0	0.0	0.0	0.0	0.0	353.9
Net debt (A$m)	(20.4)	(76.8)	(97.3)	(1,035.8)	(910.8)	5.5
Gearing = ND/(ND+E) (%)	na	na	na	na	na	0.4

NPV at 10% discount rate

	100% basis		Equity share	
Project	**A$m (100%)**	**A$/share**	**A$m**	**A$/share**
Stage 1 - 35mtpa DSO	816	0.28	349	0.12
Stage 2 - 35mtpa from 2024	492	0.17	210	0.07
Other Resources	319	0.11	137	0.05
Exploration	50	0.02	21	0.01
Corporate	0	0.00	(54)	(0.02)
Unpaid Capital	0	0.00	9	0.00
Cash	0	0.00	1,036	0.35
Debt	0	0.00	0	0.00
Total NPV	1,678	0.57	1,708	0.58
Premium				0.00
Target Price (A$/share)				0.58

Reserves and Resources (As at Jun 2010)	Mt	Fe%
Reserves		
Nabeba and Mbarga	252	63.6
Resources		
High Grade DSO	484	61.1
Itabirite hematite	2,325	38.0

Sensitivity analysis (Jun y/e) (%)	Sensitivity	NPV	11CL	12CL	13CL	14CL
Sensitivity - for a 10% change in Iron Ore prices	10.0	47.4	0.0	0.0	0.0	0.0
Sensitivity - for a 10% change in A$/US$	10.0	(5.2)	0.0	0.2	0.6	(6.5)

Major shareholders	Shares (m)	Shares (%)
Sichuan Hanlong Group	515.0	17.5
Deutsche Bank AG	145.7	4.9
UBS AG	141.1	4.8

Source: CLSA Asia-Pacific Markets

Appendix 5: Board and management

Board

George Jones - Chairman

Jones has an extensive career in banking and mining

George Jones has a comprehensive understanding of the company and its assets. Jones has more than 35 years experience in the mining, banking and finance industries and has been a director of a number of private and publicly-listed companies, including Gindalbie Metals, where he is currently chairman.

Giulio Casello - Managing director and CEO

Casello is a highly experienced mining executive

Casello is a highly experienced executive with national and global exposure in manufacturing environments for blue chip organisations. Backed by almost 30 years of experience, in operations, business development and corporate strategy. He joins the company from his role as chief operating officer for iron ore miner Sinosteel Midwest Century where he leads its development from an exploration company to a producer. He previously worked at Century Aluminum Company in the United States, where as senior vice president, business development he was responsible for developing and implementing a growth plan in aluminium, alumina and critical raw materials (carbon, bauxite, energy) and managing new projects across the globe.

Michael Blakiston - Non-executive director

Blakiston has extensive legal experience in the resources sector

Blakiston is a solicitor with substantial legal experience in the resources sector. He is a partner of the corporate and resource law firm, Blakiston & Crabb and has over 29 years experience. Blakiston holds Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of Western Australia. Blakiston & Crabb are currently engaged by Sundance Resources to provide ongoing legal advice.

Barry Eldridge - Non-executive director

Eldridge is a career miner

Eldridge has over 40 years industry experience both in Australia and overseas. Following a 20 year career in the coal industry in Queensland and New South Wales, Eldridge moved to Western Australia in 1988 where he has been involved in a number of management roles in the mining industry. Most notable of these have been project manager for the Super Pit in Kalgoorlie, project manager for the development of Kanowna Belle gold mine, managing director of Forrestania Gold NL, project director for Rio Tinto's West Angelas iron ore development, director - major projects for North Ltd.

Fiona Harris - Non-executive director

Harris has an accounting background

Harris has extensive experience as a non-executive director over the past 15 years with iron ore companies, Portman Mining and Territory Resources, Alinta, Burswood, Evans & Tate and various other organisations. Harris is currently a non-executive director of listed mining companies Territory Resources, Altona Mining, Aurora Oil and Gas and several private companies. Harris was previously a partner in chartered accountants, KPMG.

Robin Marshall - Non-executive director

Marshall is a career miner

Marshall is an experienced mining executive with international experience in the development and management of major resource projects. Marshall has held senior and executive positions with several global mining groups including project director for Vale Inco at its world-class Goro Nickel project, vice-president - assets development projects for BHP Billiton Iron Ore, project manager for North Limited, project director with Iron Ore Company of Canada.

Hackett is an experienced company secretary

Neil Hackett - Company secretary

Hackett joined Sundance as acting company secretary on 19 June 2010 and was appointed company secretary on 2 July2010. Hackett is a professionally qualified ASX200 senior executive and company secretary with 18 years practical experience with diversified industrials, financial services, mineral explorers and the ASIC. Hackett holds a Bachelor of Economics, is a Fellow of the Financial Services Institute of Australia.

Management

Canterbury has vast accounting experience in the mining industry

Peter Canterbury - Chief financial officer

Canterbury joined Sundance in May 2007 as chief financial officer. He was previously employed as CFO of Dadco Europe, a privately-owned group based in the UK. Dadco operates an alumina refinery in Germany as well as holding bauxite investments in Guinea, West Africa. Prior to this, he spent 12 years working with Alcoa in various financial and commercial positions. Canterbury brings to Sundance extensive international financial, contractual and management experience.

Longley has worked for both Rio and BHP

Rob Longley - General manager geology

Longley joined Sundance from international iron ore explorer, Sphere Investments. He has over 20 years of industry experience focused on iron ore, including appointments at Rio Tinto and BHP. He worked on the commissioning and development of Rio Tinto's West Angelas Marra Mamba iron ore mine in the Pilbara and for BHP when it was operator of the high-grade hematite mine at Koolan Island, Western Australia. Importantly, he brings to Sundance current iron ore exploration experience in West Africa.

De Nardi has a financial and technical background

Paul De Nardi - General manager finance and commercial

De Nardi joined Sundance in January 2010. Paul's qualifications include an MBA (Major in Finance) from UWA and has a Bachelor of Chemical Engineering degree from Curtin University. He has over 20 years experience in mining business development, project financing, corporate advisory and engineering construction. Prior to Sundance Resources De Nardi spent nine years at Rio Tinto Iron Ore most recently as general manager global development iron ore where he was responsible for the generation, financial and technical analysis, negotiation and execution of global iron ore project opportunities.

Bogne is a founding director and shareholder of Cam Iron

Roger Bogne - CEO, Cam Iron

Bogne is a founding director and shareholder of Cam Iron. He is a Cameroonian national residing in Yaounde, the capital of Cameroon. Bogne was responsible for locating and securing Exploration Permit No. 92 held by Cam Iron. He established Cam Iron for the purpose of developing the iron ore deposits identified in previous exploration by the UNDF. He is responsible for local operations, particularly in respect of government and community relations, and support of all field programs.

Sil founded Congo Iron

Olivier Sil - General manager corporate, Congo Iron

Sil has a Master Degree in Business Law from the University of Versailles St Quentin en Yvelines, France, and a significant experience in the banking industry by virtue of his position of sales consultant for various banks in Europe and recently with Standard Chartered Bank, Cameroon. He is also a pioneer in the Exploration industry. He founded Congo Iron, a 85% subsidiary of Sundance Resources in the Republic of Congo.

Source: Sundance Resources

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01/01/2011