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## The following is an *Inside Briefing* interview with Sundance Resources Chairman, Mr George Jones

In this interview, Mr Jones provides an update on Sundance Resources (ASX: SDL) and the latest developments at the Company's Mbalam Iron Ore Project in West Africa, including:

- An overview of the recently concluded MOU's with leading Chinese groups regarding the proposed construction of a bulk materials port and railway line to support the development of Mbalam
- An update on the Company's development and funding strategy for Mbalam
- An overview of Sundance's corporate strategy following the recent appointment of a new Board of Directors

*Inside Briefing: Sundance Resources Limited (ASX: SDL) has recently announced two MOU's regarding the development of key rail and port infrastructure to support the Mbalam Project. Can you explain the significance of these announcements in the broader context of your development strategy at Mbalam?*

**George Jones:** These are breakthrough, potentially project-making developments for Sundance and the Mbalam Project. As investors would be well aware, large-scale iron ore projects are in many respects a logistics and supply chain management exercise. In the case of the Mbalam, given its inland location, the establishment of new rail and port infrastructure in Cameroon is absolutely pivotal to our ability to successfully develop the project.

These projects – a 450km-long railway line and a new world-class deepwater bulk materials port at the proposed coastal town of Lolabe – will play a key role in underwriting the project's viability. Through these two MOU's, we have effectively teamed up with two of China's largest, most powerful and most successful construction and infrastructure groups to potentially deliver the rail and port infrastructure required to support 35mtpa of iron ore production, addressing our delivery requirements from mine to ship.

In the case of the port MOU, we have agreed to work with China Harbour Engineering Company to deliver a new port at Lolabe, which will be our gateway to the world for exporting iron ore from West Africa. This group is a subsidiary of China Communications Construction Company which was ranked 17th in the top 225 International Contractors as well as one of the top 500 global companies last year. It employs 6,000 people worldwide and is currently undertaking US\$9.5 billion worth of projects.

In the case of the rail MOU, we have agreed to work with CRCC China-Africa Construction Limited to work towards signing a delivery contract for the mine rail project, including railway track and rolling stock. This group is the second largest state-owned construction enterprise in China and its largest construction contractor. It too is a top-500 global company and has over 200 projects underway in 35 countries, many of them in Africa.

These are very exciting steps forward for Sundance, crystallising much of the hard work of the former Board and management team. We now have agreements with two of China's leading infrastructure providers, giving us access to their highly-skilled teams of engineers, artisans, financial experts and construction specialists in scoping out and potentially funding and developing this infrastructure. We believe this will make Mbalam an extremely bankable project.

*Inside Briefing: How do these arrangements relate to your ongoing discussions with potential strategic investors? What progress has been made to secure financing and strategic participants?*

**George Jones:** These infrastructure agreements are discrete components of the project and they are separate from the discussions regarding off-take contracts and project finance. Having said that, they clearly strengthen the prospects of developing the project and significantly enhance Mbalam's profile on the world stage.

The fact we have engaged with two of the world's most accomplished infrastructure groups to develop rail and port infrastructure is a major plus for Sundance and the project. It gives the market confidence that a delivery solution is very achievable for this project.

I'm pleased to say that our discussions with strategic partners are also now well advanced and we are currently actively negotiating on several fronts to secure both off-take contracts and project finance with steel mills. We are aiming to have all of these foundation agreements in place before the end of this calendar year to enable us to start construction by the middle of next year.

With a resource base capable of positioning Sundance as a top-10 iron ore producer globally, and major industry groups needing to ensure long-term security and diversity of supply – as well as to reduce their reliance on the "big three" global miners – a number of industry heavyweights are closely engaged with us. Add to this the fact that Sundance will achieve first-mover advantage in a regional iron ore province which we believe has one of the world's largest endowments of iron ore, and we have a very compelling proposition for potential participants needing long term security of supply.

In recent weeks, we've travelled extensively to meet with a number of the major steel mills and discuss sales contracts and potential joint venture arrangements. It was during these visits that we met and engaged with China Harbour Engineering Company Ltd and CRCC China-Africa Construction Limited. The groups we are talking to have responded very well to the new Board and I am pleased to say these visits have reinforced the strong level of interest in the project and resulted in significant progress. I hope to report further positive outcomes on this in the near future.

*Inside Briefing: Sundance formally elected the new Board at the EGM held on 16 August 2010 in the wake of the tragic events of 19 June this year. Is there an intention to further expand the Board? What about the executive management team?*

**George Jones:** We have been able to assemble a world-class Board comprising a group of people with very strong experience in all aspects of project development, financing, operations and governance. The strong support received from shareholders at the recent EGM was testament to that. We will continually assess Board capabilities to ensure that it is adequately resourced to meet the requirements of both the Company and the Mbalam Project. As we move towards financing and development, we are actively looking to make at least one or two more suitable appointments.

We have a very experienced and capable executive management team in place with a wealth of international iron ore and project development experience. This team has been very capably led by our Acting CEO, former Chief Financial Officer Peter Canterbury, who has done an outstanding job in stepping up to the plate to lead the company through what has been a very challenging period. This reflects the quality and depth of the Sundance team. We are well down the path in searching for a Managing Director and we have identified several highly qualified and experienced candidates. I look forward to reporting on a successful outcome of this process in the near future.

*Inside Briefing: Is there likely to be any change in emphasis from the new Board?*

**George Jones:** The Board remains focused on delivering the Mbalam Project in a way that maximises value for shareholders and enables us to capitalise on our first-mover advantage in an emerging world-class iron ore province in West Africa. This province has all the hallmarks of the Pilbara in its early days, with the potential to support up to 100Mtpa of production based on integrated rail and port infrastructure.

The new Board brings together different experiences and skills, including people with significant experience in financing, developing and delivering major iron ore projects, as well as establishing strong strategic partner relationships, so it is very well positioned to guide delivery of this Project. The Board also has strong credentials in the area of corporate governance and so is well qualified to put appropriate processes and procedures in place as Sundance becomes a significantly larger and more mature organisation.

*Inside Briefing: Does the Company face any legal or financial liability relating to the air-crash on 19 June?*

**George Jones:** The air-crash is still under an official investigation by the Congolese aviation authority with assistance from the United States National Transport Safety Board and the French Bureau of Inquiry and Analysis. We are monitoring this investigation through the Australian Air Safety Authorities, who have an observer role. However, we have no official role in the investigation. We are not currently aware of any legal claims in respect to the air-crash and we have insurance in place. These arrangements are confidential between the parties.

*Inside Briefing: Has the Company changed its approach to executive and Board air-travel following the air-crash?*

**George Jones:** The Company has made several significant changes in its approach to air-travel. Firstly, the Board issued a formal policy directive that no more than two Board members may travel in any aircraft together, regardless of the circumstances, and an informal policy limitation of no more than two Directors or senior executives on the same flight. Airline and charter risk assessments will also be conducted as part of a larger travel safety review.

*Inside Briefing: At the EGM you commented that Sundance may consider a share restructure within six months. Can you elaborate on the reasons for this and the potential impact on existing shareholders?*

**George Jones:** Sundance has a world-class iron ore resource – currently in the top four or five undeveloped iron ore resources globally. With a current enterprise value per tonne of around A\$0.29 per contained Fe resource tonne, we sit a long way behind many of our peer companies in terms of relative value. Many emerging iron ore producers in Australia are typically valued at between A\$0.80 and \$1.20 per resource tonne.

Sundance shares were recently (June 2010) valued by Stonebridge Securities Limited at \$0.47 per share, based on a 10-year high grade DSO project at a long term iron ore price of just US\$65/tonne, with no value applied to the itabirite resource. In short, we believe that Sundance is substantially undervalued given the scale and quality of its resources and its enormous growth potential.

I believe the number of shares on issue, now some 2.7 billion, is a serious drag on the Company. Sundance needs to move on from being a high volume stock for day-traders to a position in the market that recognises its future growth potential and gets us on the radar screen of larger institutional funds. I will therefore be recommending to the Board that Sundance give consideration to undertaking a share consolidation within the next six months. The structure and timing of this will be carefully considered to ensure that any consolidation is value-enhancing for current and future shareholders.

For example, I believe such a consolidation would only make sense for our shareholders if it were linked to a significant corporate transaction such as bringing in a strategic partner or undertaking a large capital raising. As we progressively de-risk the Mbalam Project by ticking off some of the major project milestones over the next few months, I expect that the market will recognise and support this strategy.

*Inside Briefing: Do you have a preferred model for strategic participation?*

**George Jones:** We are exploring several models for bringing participants into the Project. A number of steel mills have expressed interest in project equity. We would be happy to grant equity in the Project in return for securing long term off-take agreements and a guarantee of project finance.

Key rail and port infrastructure is likely to be via an EPC (engineering, procurement and construction) contract, although some infrastructure providers are willing to look at dedicated financing and/or Build Own Operate Transfer arrangements. This will be further fleshed out in the coming months under the MOU arrangements with CRCC China-Africa Construction Limited and China Harbour Engineering Company Ltd.

*Inside Briefing: Can you explain the key financials of the Project, including CAPEX and OPEX? What potential is there to extend the high grade DSO production period and what impact could this have on project economics?*

**George Jones:** Under the current parameters, the Project has very robust financials including a capital payback period of less than four years and an Internal Rate of Return in excess of 25%. Based on the Pre-Feasibility Study carried out in January 2008, the estimated CAPEX for the DSO phase is around US\$3.3 billion while operating costs are estimated at a very low US\$19.65 per tonne, providing an estimated operating margin of US\$43 per tonne. These figures are being updated in the DFS and of course it hasn't escaped investors that iron ore prices have increased markedly since the PFS was carried out in 2008.

The key to the project's attractive economics is the very low cost DSO mining phase, which is based on at least a 10-year mining period of high grade hematite ore with very low strip ratios of less than 0.3 to 1.0. We believe there is high potential to extend the 10-year High Grade DSO production phase, which would further strengthen the already attractive financials.

*Inside Briefing: What are the current resources at the project and what plans are in place to expand beyond the current resource? What about the balance of Sundance's exploration effort?*

**George Jones:** Sundance already has one of the world's largest iron resources outside of the control of the existing group of large-scale producers. The DFS scopes a 25-year project life based on initial production of high-grade DSO hematite followed by ongoing production of pellet feed concentrate from lower grade itabirite resources. The Company's initial target therefore was to prove enough high-grade DSO resource to support a DSO operation for at least the first 10 years of production before transitioning to itabirite concentrate for the balance of the mine life.

This was achieved in June 2010 with the announcement of a maiden resource of 200 million tonnes of High Grade hematite at 63.1% Fe at the Nabeeba project in the Republic of Congo, increasing the total Project resource of indicated and inferred near-surface DSO hematite to 415 million tonnes @ 61.6% Fe.

In addition, there is an itabirite hematite resource of 2.3 billion tonnes, which is only based at one deposit, the Mbarga Deposit. This is sufficient to support ongoing production of pellet feed concentrate (and pellets) for a further 15 years. With the main objectives of the 2010 drilling programme already achieved, our focus is now on further resource definition drilling to progressively convert the existing inferred resources to indicated and measured status. Further work is also underway to convert Project DSO Resources to Reserve status.

Looking ahead, we believe there is significant upside potential to define further resources. Our current overall landholding covers 1,740km<sup>2</sup> and we have only drilled approximately 13km<sup>2</sup> to date. We have therefore barely scratched the surface. Ongoing regional mapping and geophysical interpretation is continuing to generate significant further high grade exploration targets.

*Inside Briefing: What regional development is planned around the Mbalam Project? How important is this to the profile of the region as a significant mining province?*

**George Jones:** The Mbalam Project is located across an area in south-eastern Cameroon and northern Congo and Gabon which we believe has one of the world's largest endowments of iron ore. Sundance has achieved first-mover advantage in developing this region, enabling it to establish a government-sanctioned process covering the development of substantial regional rail and port infrastructure as well as to set the market for ore from this region.

We envisage that the Mbalam Project, with its integrated rail and port infrastructure, will become a regional mining production hub which can unlock value at the other regional assets which are possibly further down the value curve but which could be progressed due to their proximity to the Mbalam rail and port infrastructure. The planned rail and port infrastructure for the Mbalam Project could support regional production of up to 100 million tonnes per annum.



*Inside Briefing: What regulatory hurdles remain for the Project? How supportive are the various Governments in the region?*

**George Jones:** As we announced recently, Sundance achieved an important regulatory milestone when Environmental approval was granted by the Cameroon Government in June 2010. This represented a significant de-risking of the Project for potential investors.

In August, we submitted the final draft Convention in French and English to the Government of the Republic of Cameroon. This document forms the basis for the final negotiations and is a cornerstone agreement setting out the legal, fiscal, land, labour, financial and social conditions under which Sundance will progress and operate the Project. We expect to commence the final negotiations on the Mbalam Convention in September 2010, and we are hopeful of finalising the agreement by the end of November 2010.

We have started discussions on the requirements of a Convention with the Government of the Republic of Congo concerning the development of the Project within the Congo. I have met with officials of the Cameroon and Congolese Governments in recent times and have been most impressed by the strong level of support for the project.

In early July, my fellow director Michael Blakiston and I met with the President of the Republic of Congo and Senior Government officials. I expressed thanks for the support provided by the Government and the people of Congo throughout the search and repatriation process. The Congolese Government continues to show exceptional support for the Project and the Company and we look forward to a very strong partnership with them.

At the end of July, I travelled with Michael Blakiston and Peter Canterbury to the Republic of Cameroon to hold meetings with Prime Minister Philemon Yang and Senior Government ministers including Badel Ndanga Ndinga, the Minister of Mines. We thanked them for their exceptional efforts and support following the air-crash and assured them that the project is well on track, that there is a new board in place and the that new board has a strong determination to see this project implemented as soon as possible.

It has become very clear to me that the recent tragic events have underlined and even strengthened the close relationship that exists between Sundance and the Governments of the Republic of Congo and the Republic of Cameroon.

*Inside Briefing: What assessment have you made on the level of exposure to sovereign risk for the Mbalam project?*

**George Jones:** This Project faces no more sovereign risk than Australian and Guinean projects where land tenure, environmental and land acquisition processes are far less favourable than those in Cameroon.

Cameroon is one of the most stable countries in the central African region. The ruling party has a substantial majority and there is little evidence of that changing in the foreseeable future. As mentioned, the project enjoys very strong support from Government and community in the Republic of Cameroon. The Cameroon Government's interest in the project is defined in a framework agreement signed in 2008 that gave the Government the right to a 10% carried interest in Camlron. As I have mentioned, the fiscal terms of the project are defined in the Mbalam Convention which is intended to ensure the project is as competitive as possible.

*Inside Briefing: With a new Board and management team in place, what are the strategic priorities for the Company?*

**George Jones:** Our key strategic priorities are to complete the Definitive Feasibility Study by the end of 2010, secure all the necessary governmental approvals and finalise the Mbalam Convention and secure financing terms with strategic partners. All of these are on schedule for completion by the end of 2010.

At the same time, we'll be progressing the infrastructure requirements of the project under the newly established arrangements with our two Chinese partners.

We are very focused on the job ahead and we have a single-minded determination to ensure that the legacy of our friends and colleagues is realised in the development of not just of a world-scale iron ore project but an entirely new iron ore province with the potential to change the face of this part of West Africa.

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**Competent Person's Statement**

*The information in this release that relates to Exploration Results is based on information compiled by Mr Robin Longley, a Member of the Australian Institute of Geoscientists. Mr Longley is a consultant to the Company and 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". Mr Longley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**About Sundance Resources Limited**

*Sundance Resources Ltd is an Australian exploration company focused on mining interests in the Republic of Cameroon and the Republic of Congo, on the central west coast of Africa. Sundance has commenced feasibility study on the Mbalam Iron Ore Project as the basis for developing a global iron ore business. Central West Africa is considered to have the potential to develop into a significant new iron province, underpinned by the Mbalam Iron Ore Project and the nearby Belinga Project in Gabon, under development by the China National Machinery and Equipment Import and Export Corporation. WA-based Sundance has been listed on the Australian Stock Exchange since 1993 and is also traded on over-the-counter markets in Frankfurt, Berlin, Hamburg, Stuttgart and Munich.*