



ASX Announcement | Media Release
30 July 2018

AGREEMENT FOR SUNDANCE TO BE DEBT FREE FOLLOWING CANCELLATION OF CONVERTIBLE NOTES

- Binding term sheet (subject to conditions) for transformational transaction that will leave Sundance debt free.
- Involves converting \$133M of notes into \$58.19M of shares and a capped production royalty.
- Turns an Enterprise Value comprising \$133m of convertible note debt¹ plus a \$33m market capitalisation at 0.4 cents per share (i.e. \$166m Enterprise Value)², into an Enterprise Value comprising a \$90.7m market capitalisation at 0.4 cents per share with no debt.
- Introduces 5 institutional shareholders to the Company's Top 20 shareholders. Any noteholder holding 10% or more of the voting power in the Company (post restructure) may appoint a Board member. These shareholders will have escrow provisions around their shares.
- The elimination of debt and the introduction of new Executive skill sets will enable Sundance to focus on the development of the Mbalam-Nabeba Iron Ore Project which consists of 517mt grading 62.2% Fe³ in Stage 1.
- This transformational transaction is a significant step forward for shareholders towards the commercialisation of the Project.

The Board of Sundance Resources Limited (ASX: SDL) ("Sundance" or "Company") is pleased to announce that the Company has reached agreement to restructure its balance sheet and eliminate the Convertible Notes ("Notes") that were due to mature in September 2019.

Completion of this agreement will ensure the Company is free of \$133m of debt and is in a position where it can progress the process of securing partners to join Sundance to advance the Mbalam-Nabeba Iron Ore Project ("Project").

Indicatively if all resolutions giving effect to the transaction are approved by shareholders Sundance will come to have approximately 22.67 billion shares on issue, which at a last sale price

¹ Based on the redemption value of the notes of \$132.86 million.

² As at close of trading on 27 July 2018.

³ See the Company's previous announcement dated 20 May 2015. The Company is not aware of any new information or data that materially effects this estimate. All material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.

of 0.4 cents per share implies a market capitalisation of \$90.7M⁴, materially below the see-through Enterprise Value.

On 29 July 2018 Sundance signed a legally binding term sheet with Senrigan Master Fund, Noble Resources International Pte Ltd, D. E. Shaw Composite Holdings International, Ltd, Wafin Limited, BSOF Master Fund L.P. and David Porter (together the “**Noteholders**”) to, subject to certain conditions being satisfied or waived, cancel their Convertible Notes (“**Notes**”) in consideration for a combination of equity in Sundance and a capped production royalty (“**Restructure**”).

The redemption value of the Notes is \$132.86 million. The Notes have a maturity date of 23 September 2019, by which time Sundance would have to repay them.

Under the agreed deal, each Noteholder was offered an opportunity to cancel its Notes in exchange for such number of shares in Sundance that represents between 30 – 50% of the redemption value of its Notes, based on a Sundance share price of 0.4 cents. The level of equity that a Noteholder elected to receive determined the rate of the proposed production royalty, which ranged from 1.00% to 1.24% of their share of revenue from the sale of the first 517 million tonnes of ore from the Project. The calculation of value to the Noteholders was determined by reference to the long term iron ore price of US\$69/t CFR China. The royalty payable to the individual Noteholders will be calculated as follows:

$$\text{Royalty} = \text{QR} \times \text{NP} \times \text{RR}$$

where:

QR is the revenue received by Cam Iron and/or Congo Iron from ore sales from the Project for the relevant quarter

NP is the Noteholder’s Redemption Value of the Notes it holds as a proportion to the total Redemption Value of Notes on issue, in each case immediately prior to the Restructure

RR is the applicable Royalty Rate agreed as described in the table below

The detail of the proposed conversion is covered in the table below:

Noteholder	Redemption Value (\$M)	Conversion % to equity	No of Shares equivalent (M)	Royalty %
Senrigan	15.48	40	1,548	1.12
Noble	31.61	50	3,951	1
D. E. Shaw	18.84	50	2,355	1
Wafin	63.27	40	6,327	1.12
BSOF	3.36	40	336	1.12
Porter	0.3	40	31	1.12
Total	132.86		14,548	

⁴ As at close of trading on 27 July 2018.



Sundance has approximately 19,000 shareholders. Following completion of the Restructure, the Top 20 shareholders (including the Noteholders) will own 80% of the shares on issue. Currently, the Top 20 shareholders own 44% of the shares on issue.

A summary of the key terms of the Term Sheet are set out in the schedule to this announcement.

Completion under the Term Sheet is subject to certain conditions being satisfied or waived, and there is no guarantee completion will occur. Among other conditions to the Restructure, approval will be sought from Sundance shareholders at an Extraordinary General Meeting ("EGM"). The Notice of Meeting will be issued in due course with the EGM expected to be held in Perth in September 2019.

Following completion, the Noteholders will hold approximately 64% of the issued equity in the Company. Importantly, the removal of the Notes will free up the Company's balance sheet to enable Sundance to progress development of the Project.

This agreement has the full support of the Sundance Board, in the absence of David Porter, who as a Noteholder was unable to participate in the Board meeting.

Sundance Resources' Chief Executive Officer, Giulio Casello said "*This is a transformational deal for all 19,000 Sundance shareholders.*

"We are very pleased with the outcome as it will clear the Company of debt, introduce new major shareholders onto our register and gives clear support to the development of the Mbalam-Nabeba Iron Ore Project by converting over half the value of the Notes into a production royalty when the Project comes on line.

"Sundance appreciates the support and foresight of the Noteholders, who agree that value can be best delivered through this deal.

"This significant development will support the introduction of an equity partner into Sundance, which will work with us to satisfy the needs of the Cameroon Government and the development of the Project."

ENDS

Further information:

GIULIO CASELLO

Chief Executive Officer and Managing Director

Sundance Resources Limited

Tel: +61 8 9220 2300

Email: info@sundanceresources.com.au



SUNDANCE
RESOURCES LTD

Media:

Peter Klinger
Cannings Purple
Mob: +61 411 251 540
E: pklinger@canningspurple.com.au

About Sundance Resources

Sundance Resources is seeking to develop its flagship Mbalam-Nabeba Iron Ore Project, which straddles the border of Cameroon and the Republic of Congo in Central Africa. Stage One will be the production of a Direct Shipping Ore ("DSO")-quality sinter fines product averaging >62.0% Fe at a rate of 40Mtpa for approximately 14 years based on blending material sourced from the deposits in the neighbouring countries of Cameroon and Congo. Stage Two, which is currently at a Pre-Feasibility Stage, would then extend the life of the operation by further 15-plus years producing high-grade Itabirite hematite concentrate. In April 2011, Sundance completed the Definitive Feasibility Study for Stage One and Pre-Feasibility Study for Stage Two of the Mbalam-Nabeba Iron Ore Project. The Project will utilise the following rail and port infrastructure to be financed, built and owned by the Government of Cameroon, a 540km rail line dedicated to the transport of iron ore through Cameroon and a dedicated mineral export terminal designed for taking bulk iron ore carriers of up to 300,000 tonnes.

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Schedule

Key terms of Term Sheet

Key term	Description																																																
Cancellation of Notes	<p>The Notes held by each Noteholder will be cancelled in entirety and the corresponding Note Deeds will be terminated (as they apply to the Notes) in exchange for:</p> <ul style="list-style-type: none">the issue of fully paid ordinary shares in the capital of the Company to the Noteholders; anda gross revenue based royalty granted by the Company in favour of each Noteholder, <p>in each case, in the amounts and at the rates set out in the table below against each Noteholder.</p> <p>The rate of the Royalty to be granted to a Noteholder depends on the percentage at which that the Noteholder has elected to convert its Notes into shares (Conversion Percentage). The Conversion Percentage and corresponding rate of the Royalty offered to the Noteholders is set out below:</p> <table><thead><tr><th>Conversion Percentage</th><th>Royalty Rate</th></tr></thead><tbody><tr><td>30%</td><td>1.24%</td></tr><tr><td>40%</td><td>1.12%</td></tr><tr><td>50%</td><td>1.00%</td></tr></tbody></table> <p>The Noteholders have agreed to cancel their respective Notes at the following Conversion Percentage and Royalty Rates:</p> <table><thead><tr><th>Noteholder</th><th>Redemption Value (\$M)</th><th>Conversion Percentage</th><th>No of shares issued (M)</th><th>Royalty %</th></tr></thead><tbody><tr><td>Senrigan</td><td>15.48</td><td>40</td><td>1,548</td><td>1.12</td></tr><tr><td>Noble</td><td>31.61</td><td>50</td><td>3,951</td><td>1.00</td></tr><tr><td>D. E. Shaw</td><td>18.84</td><td>50</td><td>2,355</td><td>1.00</td></tr><tr><td>Wafin</td><td>63.27</td><td>40</td><td>6,327</td><td>1.12</td></tr><tr><td>BSOF</td><td>3.36</td><td>40</td><td>336</td><td>1.12</td></tr><tr><td>David Porter</td><td>0.3</td><td>40</td><td>31</td><td>1.12</td></tr><tr><td>Total</td><td>132.86</td><td>-</td><td>14,548</td><td>-</td></tr></tbody></table>	Conversion Percentage	Royalty Rate	30%	1.24%	40%	1.12%	50%	1.00%	Noteholder	Redemption Value (\$M)	Conversion Percentage	No of shares issued (M)	Royalty %	Senrigan	15.48	40	1,548	1.12	Noble	31.61	50	3,951	1.00	D. E. Shaw	18.84	50	2,355	1.00	Wafin	63.27	40	6,327	1.12	BSOF	3.36	40	336	1.12	David Porter	0.3	40	31	1.12	Total	132.86	-	14,548	-
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Shares issued	A total of approximately 14,548,000,000 ordinary fully paid shares will be issued by the Company to the Noteholders at an issue price of 0.4c per share. The shares issued to the Noteholders will be held in voluntary escrow for a period of 6 months from issue.																																																
Grant of royalty	Based on the Noteholders' elected Conversion Percentage, each Noteholder has agreed to receive the relevant corresponding Royalty of the gross revenue generated from the sale of the first 517 million tonnes of ore from Cam Iron SA and/or Congo Iron SA of the Mbalam-Nabeba Iron Ore Project, in accordance with the following formula: $\text{Royalty} = \text{QR} \times \text{NP} \times \text{RR}$ Where: QR is the revenue received by Cam Iron and/or Congo Iron from ore sales from the Royalty Area for the relevant quarter																																																



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	<p>NP is the Noteholder's Redemption Value of the Notes it holds as a proportion to the total Redemption Value of Notes on issue, in each case immediately prior to the Restructure</p> <p>RR is the applicable Royalty Rate specified against each Noteholder's name</p> <p>Royalty payments will be calculated and paid by Sundance to the relevant Noteholder within 90 days of the end of each quarter.</p> <p>The Royalty is transferable by the Noteholders to:</p> <ul style="list-style-type: none">• a third party provided that it is first offered to the Company on terms no less favourable than those offered by the third party; or• its affiliates.
Security	The Company's obligations in respect of the Royalty will be secured on terms consistent with the General Security Deed entered into between the Company and Madison Pacific Trust Limited dated 30 October 2015 and associated security and intercreditor documents provided that the Noteholders agree to subordinate their security in favour of a project finance debt facility if that facility is of sufficient size to fully fund the Mbalam-Nabeba Iron Ore Project.
Conditions	<p>Completion of the Restructure is subject to the following conditions:</p> <ul style="list-style-type: none">• Approval of any noteholder that is not party to the Term Sheet• Approval by shareholders of the Company as required for the purposes of the ASX Listing Rules and Corporations Act 2001 (Cth), including for the issue of shares• Approval of any relevant legal or regulatory bodies• The independent expert confirming that the Restructure is fair and reasonable, or not fair but reasonable, to the non-associated shareholders of the Company• Execution of definitive agreements• The Company not being insolvent at or prior to Completion• Disclosure of certain excluded information to the Noteholders at least two Business Days prior to Completion and each Noteholder electing to proceed to completion notwithstanding that information and any announcements since the date of the Term Sheet that were not contemplated in the Term Sheet (other than a share issue by Sundance representing not more than 15% of Sundance's share capital following the share issue to noteholders). <p>The parties must satisfy or waive the conditions mentioned above on or before 31 October 2018.</p>
Board appointment right	Noteholders holding at least 10% of the voting power in the Company (based on the number of voting shares on issue in the Company) have the right to appoint a nominee as a non-executive director of the Company.
Options	The terms of options issued to certain Noteholders under the Note Deeds will continue to apply and certain provisions of the Note Deeds in relation to the options will survive termination of the Note Deeds.