Sundance Resources Limited (ASX:SDL) Chairmans Address at 2011 Annual General Meeting

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Perth, Australia (ABN Newswire) - Sundance Resources Limited (ASX:SDL) is pleased to release the following Chairman's address at 2011 Annual General Meeting.

When I stood here this time last year, I urged everyone to look forward to the exciting year we had ahead of us.

As you all know, Sundance had just endured a horrific time following the plane crash that claimed the lives of our entire Board, and I emphasised that the most fitting way to pay tribute to those who died was to realise their ambition to bring the Mbalam Project into production. A year later, I think we have made immense progress in delivering on this vision.

Through the Scheme of Arrangement agreed between Sundance and Hanlong Mining, Mbalam has entered the final phase of a strategy designed to culminate in the development of this world-class iron ore project.

This enormous achievement comes in the face of some of the most difficult and volatile conditions seen on world financial markets. I do not need to remind you as investors of the uncertainty plaguing the economic and commodity arenas.

In many cases, this turmoil has led to heavy financial losses and at best has caused investors, lenders and project developers to tread water in the hope that happier days will return.

Yet despite these substantial challenges, Sundance has succeeded in advancing Mbalam well down the path to development.

In the process, we attracted a new major shareholder in Hanlong, and ultimately now shareholders have been presented with an offer of 57 cents per share under the Scheme of Arrangement, and the countries of Cameroon and Congo now have China committed to developing this project which will bring substantial economic development and jobs to the people of both countries.

In my opinion, I believe this is an excellent outcome for all of the stakeholders of this project.

Considering this offer has come against the financial tide and in a relatively short period of time - it is important to recognize this is a result of the skills and sheer hard work of the Sundance management team, assisted by the Board of Directors.

I would like to recap on those achievements, which have led to you as shareholders being in the position of having the opportunity early next year to vote on whether to accept the offer currently on the table from Hanlong.

Notably in March this year, Hanlong acquired the 16 per cent stake from the Talbot estate, and in addition has bought shares on market. This made them our biggest shareholder. They currently hold approximately 17.99 per cent of Sundance.

Then in April, Mbalam's coming of age as a resources project took place when the Definitive Feasibility

Study for Stage One and Pre-Feasibility Study for Stage Two were completed. It showed Mbalam / Nabeba was a technically and economically viable project.

Paul De Nardi (General Manager Finance and Commercial) will go into more detail in the Overview of Operations, but just to recap Stage One is based on the construction of a rail, port and mines in Cameroon and Congo with a forecast annual production of 35 million tonnes a year of DSO-quality ore.

Capital costs for Stage One are estimated to be US$4.7 billion. The very low operating cost of only around $21.20 per tonne for the first ten years is one of the lowest of any iron ore operation in the world, and enables this project to become even more attractive as iron ore prices rise, or stay viable if they fall.

This is a remarkable outlook for a project of this scale, particularly given the infrastructure requirements, and highlights, among other things, the high quality of the resource.

Another milestone reached this past year was the substantial increase in our high-grade hematite resources and announcing a Maiden Reserve.

It was a highly successful year for the Geology team as the Company now boasts over a half billion tonnes of high grade Hematite at 60.7 per cent Fe. 94 per cent of the total tonnage is now in the Indicated category.

We brought out a maiden Reserve estimate of 252 million tonnes at 63.6 per cent Fe as part of the DFS in April, and then just two weeks ago we upgraded our High Grade Hematite Reserve to now total 352 million tonnes at 62.4 per cent Fe, which delivers the full 10 years of DSO production for Stage One of the Project.

On top of this, the Project also has the additional 2.38 billion tonnes of Itabirite at 38 per cent Fe at Mbarga in Cameroon, and we also recently announced that Sundance plans to grow that further through more drilling in 2012.

I believe that there is considerable more iron ore to be found at both Mbalam in Cameroon, and particularly Nabeba in the Republic of Congo, and that this could potentially increase total Inferred and Indicated Resources to over four billion tonnes.

The completion of the Definitive Feasibility Study and the upgraded Reserve and Resource estimates were significant accomplishments among numerous important achievements during, and subsequent to, the financial year. These also include early planning studies, receipt of formal tender submissions for the rail and port and the appointment of key personnel.

These results demonstrate the huge extent to which Mbalam has advanced towards development and production. However, they also highlight the sheer magnitude of the project and therefore by definition, the ongoing challenges associated with constructing and financing a resource and infrastructure project of such a scale.

In light of this, Sundance invested significant time and resources in the process of identifying a suitable strategic partner or partners which would offer a financing solution while also providing offtake arrangements. It was envisaged that these arrangements may also involve parties specialising in rail and port construction along with other expertise required at Mbalam.

Several parties conducted extensive due diligence on the Project during the year, including visits to site.

We were extremely encouraged by the feedback received from these parties, which were still conducting their due diligence when Hanlong made its initial approach to us in July indicating their interest in acquiring 100% of Sundance.

This brings me to discuss with you the Scheme of Arrangement with Hanlong that we announced in October.

After extensive consideration of the issues and merits of each scenario, the Sundance Directors believe that in view of the existing shareholding held by Hanlong that it was in the best interests of shareholders to enter into discussions with Hanlong regarding their proposal.

Following further talks over the next three months, Hanlong increased the price contained in its current proposal of 57 cents cash per share. This higher offer resulted in Sundance Directors unanimously recommending shareholders vote in favour of the Scheme. It also led to Sundance suspending discussions with the potential strategic partners.

At the time of making that recommendation, I was firmly of the view that it was an attractive outcome for Sundance shareholders. And now, almost two months later, I have only hardened my resolve in this respect.

There are several reasons for my view. Among them is the simple fact that the price of 57 cents per share represents a 65 per cent premium to Sundance's Volume-Weighted Average Price in the one month leading up to Hanlong's initial offer. This is a significant premium by conventional standards and values your Company at $1.65 billion.

I also believe that the prospect of a clean takeover via the Scheme of Arrangement will deliver an attractive return more immediately than is likely to be the case should Sundance take part in the financing and construction of Mbalam.

The Scheme instrument being proposed by Hanlong means that Sundance shareholders will be given the opportunity to vote on the proposal, enabling them to ultimately determine the success of the offer.

However, nothing comes for free in this world, and while the Hanlong offer is undoubtedly attractive - and made further so by the deterioration in world financial markets since the initial approach was made - it is conditional on Sundance securing an agreement from the Government of the Republic of Cameroon and a grant of the Mining Permit in the Republic of Congo.

Today we went into a trading halt due to being advised by Hanlong that they will not receive the Highly Confident Letter, which was a condition of the first phase of the Scheme, by 28 November 2011.

I received a letter today from Mr Nelson Chen, the Chief Operating Officer of Hanlong, who has assured me and the Board that Hanlong's interest in acquiring Sundance at the price of 57 cents cash per share stands.

Although it is unfortunate that we will now not receive the 'Highly Confident' letter as expected, the Sundance Board continue to stand by the belief that in the absence of a superior proposal, this offer continues to be in the best interest of all shareholders.

Therefore, following the request by Hanlong, Sundance has agreed to waive the condition precedent of Hanlong receiving a Highly Confident letter from Phase One of the Scheme. We will progress working together to finalise the Mbalam Convention and Congo Mining Permit in the coming months.

In regards to the discussions with the Governments of the Republic of Cameroon and the Republic of Congo, I am pleased to report that these discussions are proceeding well.

In July I met with the President of Cameroon and in October Giulio Casello met with the President of the Republic of Congo. The Prime Minister for Cameroon visited our office in Perth when he was here for CHOGM and held discussions on the Project.

In these meetings, the Presidents of both Governments expressed their ongoing support for the development of the Mbalam Project.

As I mentioned earlier, Giulio Casello is absent today because he is attending meetings in Cameroon and I am intending to travel to Cameroon along with Mr Liu Han from Hanlong to finalise the terms with the Government of Cameroon, this may not take place until January 2012.

This will involve the Company issuing a Scheme Booklet to shareholders, which we would anticipate sending to you in the first quarter of the New Year.

It will include the Independent Expert's report on the proposed transaction and a subsequent vote by shareholders at a Scheme meeting to be held in Perth.

The current timetable envisages that in the absence of any unforeseen delays, taking into account we are waiving the Highly Confident Letter from the conditions to complete Phase One, that the Scheme process should be completed around May next year.

Ladies and gentlemen, I trust that you share my view that this has been a remarkable year for your Company. The achievements on the ground at Mbalam and Nabeba have been outstanding, both in terms of their significance and the pace at which they were completed.

The Hanlong offer currently before us reflects these achievements. While there is clearly more to do to complete the process, I am confident that the end result will deliver handsome returns for all Sundance shareholders.

Thank you

George Jones
Chairman

Sundance Resources Limited

About Sundance Resources Limited:

Sundance Resources Limited (ASX:SDL) (PINK:SUDCF) is an international resources company developing the Mbalam Iron Ore Project in the Republic of Cameroon and the Republic of Congo, in central west Africa. Sundance Resources is listed on the Australian Securities Exchange and is part of the S&P ASX200 Index.

The Company's corporate head office is based in Perth, Western Australia, home to the world-class iron ore deposits of the Pilbara region. This location means the Company has assembled a management and technical team that draws readily on the skills of some of the world’s most experienced iron ore specialists as it continues to cement its position as an emerging force in the global iron ore sector.

Source:

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