



**Sundance Resources Limited**  
ABN 19 055 719 394  
and subsidiaries

**Annual : ]bUbWU' Report**  
**2020**

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## CORPORATE DIRECTORY

Directors:	David Porter (Chairman & Non-Executive Director) Giulio Casello (Managing Director & Chief Executive Officer) Brett Fraser (Non-Executive Director)
Company Secretary:	Carol Marinkovich
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# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## CONTENTS

DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION .....	24
DIRECTORS' DECLARATION.....	25
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	26
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	27
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	28
CONSOLIDATED STATEMENT OF CASHFLOWS.....	29
NOTES TO FINANCIAL STATEMENTS.....	30
INDEPENDENT AUDITOR'S REPORT .....	71

For personal use only

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## DIRECTORS' REPORT

The Directors present their report together with the financial report on the Sundance Consolidated Group, consisting of Sundance Resources Ltd ('Company') and the entities that it controlled during the financial year ended 30 June 2020 ('Sundance' or 'Group' or "Consolidated Entity"), for the financial year ended 30 June 2020 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### 1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year were:

Name & Qualifications	Age	Experience and Special Responsibilities	Other Directorships held in listed companies during the previous 3 years
<b>Mr David Porter</b> <i>Chairman, Non-Executive Director</i>	71	Mr Porter is a professional geologist and Fellow of the Australasian Institute of Mining and Metallurgy with over 40 years' experience in the mining industry, including most facets of exploration and mining. For the past 17 years he has focused his activities in Africa and was the founding Chairman of Cam Iron SA and Congo Iron SA. Mr Porter was also instrumental in the development of two coal projects in the Waterberg region of South Africa which are at development stage. Prior to Mr Porter's project activities in Africa, he was Managing Director of three ASX listed exploration companies, all of which developed gold and base metal projects. Mr Porter worked for many international mining companies, with small ASX listed companies and as an independent consultant on gold, base metal, iron ore and coal projects.  <i>Director since 23 December 2016</i> <i>Appointed Chairman on 7 February 2017</i>	<b><u>Current Directorships:</u></b> Nil <b><u>Directorship Ceased within the past three years:</u></b> Blina Minerals NL
<b>Mr Giulio Casello</b> <i>Managing Director &amp; Chief Executive Officer</i> B.Eng, ME Mgt, MAICD	61	Mr Casello is a highly experienced executive with national and global exposure in manufacturing environments for blue chip organisations. Backed by 40 years of experience, he has a track record of success with operations, business development and corporate strategy. He has previously worked at Sinosteel Midwest as Chief Operating Officer, Century Aluminium Company in the United States of America where as Senior Vice President Business Development he was responsible for developing and implementing a growth plan in aluminium, alumina and critical raw material and managing new projects across the globe. He has also held a number of significant positions in Alcoa including Director of WA Operations, General Manager of Alcoa's World Chemicals and Location Manager of the Kwinana Alumina Refinery.  <i>Director since 8 November 2010</i>	<b><u>Current Directorships:</u></b> Nil <b><u>Directorship Ceased within the past three years:</u></b> Nil

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



<b>Mr Brett Fraser</b> <i>Non-Executive Director</i> FFIN, FCPA, BBus, FGIA	57	<p>Mr Fraser is an experienced ASX company director; has worked in the finance and securities industry for over 30 years' and has started, owned and operated businesses across wine, health, finance, media and mining. Mr Fraser provides consultancy across sell side transactions, business acquisitions, business strategy and restructuring, initial public offers, capital raisings and corporate governance. In addition, Mr Fraser is a Fellow of Certified Practicing Accountants; Fellow of the Financial Services Institute of Australasia; Grad Dip Finance, Securities Institute of Australia; Bachelor of Business (Accounting); International Marketing Institute – AGSM Sydney and Fellow of the Governance Institute of Australia. Mr Fraser is also a former director of Drake Resources Limited, Doray Minerals Limited and Gage Roads Limited.</p> <p><b>Appointed Non-Executive Director on 10 April 2018</b></p>	<p><b><u>Current Directorships:</u></b> Nil</p> <p><b><u>Directorship Ceased within the past three years:</u></b> Blina Minerals NL Aura Energy Limited Holista Colltech Limited Empire Resources Limited</p>
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No Directors have resigned during the year.

### 2. COMPANY SECRETARY

Mrs Carol Marinkovich was appointed as Contract Company Secretary on 29 August 2016. Mrs Marinkovich re-joined Sundance after having previously worked for the company as full time Company Secretary until December 2014.

Mrs Marinkovich has extensive corporate experience working with listed and unlisted mining and engineering companies both within Australia and internationally and is a member of Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

### 3. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the continued evaluation and de-risking of its Mbalam-Nabeba Iron Ore Project ('**Project**') in the Republic of Cameroon ('**Cameroon**') and the Republic of Congo ('**Congo**'), and the evaluation of various development scenarios for the Project.

There were no significant changes in the nature of the principal activities during the financial year.

### 4. RESULTS

The operating loss after tax of the Group for the financial year was \$6,616,407 (2019: \$205,800,856).

### 5. REVIEW OF OPERATIONS

#### The Project

Sundance holds a majority interest in subsidiaries Cam Iron SA ('**Cam Iron**') and Congo Iron SA ('**Congo Iron**') whose principal asset is the mining permit application in the Republic of Cameroon and the mining permit in the Republic of Congo which rights comprise the Mbalam-Nabeba Iron Ore Project ('**Project**'). The Project straddles the border of Cameroon and Congo in Central Africa.

- The Project is expected to comprise:
  - The iron ore mine, processing plant and associated infrastructure to be developed on the area covered by the previous Exploration Permit 92 ('**EP92**') which had been held by Cam Iron located in the East Province of Cameroon ('**Mbarga**'); and
  - The iron ore mine, processing plant and associated infrastructure to be developed on Mining Permit Nabeba-Bamegod held by Congo Iron in the Sangha Province of the Congo ('**Nabeba**').
  - A new railway (to be constructed) from Congo, through Cameroon, to the coast with:
    - 540km in Cameroon;
    - 40km spur line in Congo; and
    - A dedicated deep-water iron ore mineral terminal (to be constructed) in Cameroon
- The Project plans to produce at least 40Mtpa from the two mines at Mbarga and Nabeba for 30+ years in two stages:
  - Stage 1: high-grade hematite direct shipping ore for at least 13 years; and
  - Stage 2: 66% - 68% concentrate product from itabirite for further 20+ years.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



### Development Strategy

Sundance, AustSino Resources Group ('AustSino') and the Sundance Noteholders signed an agreement on 24 September 2018 ('Previous Agreement' or "Agreement") which was subsequently terminated then superseded by the new agreement announced on 8 July 2019 ('New Agreement') which has subsequently been conditionally extended to 30 November 2020. The New Agreement covered the development strategy for the Project including an integrated port, rail and mine in Cameroon and Congo. Details of the New Agreement are below. As part on the implementation of this development strategy, the agreement signed between the Cameroon Government and CamIron in June 2015 ("Transition Agreement") in which the Cameroon Government was to fund the rail and port will need to be terminated and Sundance does not expect this to be an issue.

The development strategy is supported by a new consortium of potential Chinese partners interested in participating in the funding, construction and operation of the Project.

These potential consortium partners attended meetings held in Cameroon at the end of February 2019 and they have all signed non-binding MOUs or similar documents with AustSino. In addition, a non-binding consortium acknowledgement agreement ("Consortium Agreement") was signed on 28 February 2019 between the Chinese parties, Sundance and AustSino. The Chinese parties together represent a world class syndicate and are:

- Shenzhen Yantian Port Holdings Co Ltd
- China Railway Construction Corporation International Co Ltd
- Hong Kong Baofeng International Co Ltd
- Shanghai Tsingshan Mineral Co Ltd.

Details of the Consortium Agreement are included in the Sundance announcement of 8 July 2019.

Pursuant to the Consortium Agreement, the parties intend to use their reasonable endeavours to complete all necessary commercial negotiations, due diligence and legal documentation for funding and developing the Project.

Representatives of the Cameroon Government visited China during November 2019 to meet with the potential consortium partners. The potential partners expressed their support of the Project which was well received by the Cameroon Government Representatives.

Follow up meetings occurred in January 2020 in Cameroon between Sundance, AustSino and Cameroon Government representatives at which the Cameroon Government reiterated its support for the Project and the proposed transaction in which AustSino will take a controlling position in Sundance. The transaction is described in the Sundance, AustSino and Noteholder Agreements section below.

Due to COVID 19 restrictions there have been no further meetings in Cameroon or Congo this financial year, but Sundance continues to maintain relationships during this time through the local offices of Cam Iron and Congo Iron.

### Sundance, AustSino and Noteholder Agreements

#### 1. **New AustSino, Sundance and Noteholder Agreement**

On 25 September 2018, Sundance announced that it had signed an agreement ("Agreement") with AustSino Resources Group Limited (ASX: ANS) ("AustSino") and all Noteholders of the Company (other than Wafin Limited (Wafin)) being 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"), which will fund Sundance, bring in partners who have the capability and capacity to fund and bring the Mbalam Nabeba Iron Ore Project ("Project") into production and leave Sundance debt free. On 1 October 2018 Wafin also agreed to be bound by the terms of the Agreement.

This Agreement had an end date of 30 June 2019.

On 5 July 2019 Sundance entered into the New Agreement with AustSino and the Noteholders of the Company being Senrigan Master Fund, Noble Resources International Pte Ltd, D. E. Shaw Composite Holdings International, Ltd, BSOF Master Fund L.P. Wafin Limited and David Porter (together the "Noteholders"). Some of the key differences between the Previous Agreement and the New Agreement are as follows:

- The reinstatement of the Mbalam Convention is not a condition to the completion of the New Agreement.
- The cash payable by AustSino on completion of the New Agreement will reduce from \$58M (payable on completion of the Previous Agreement) to \$29M. Of this, \$25M (previously \$50M) will be paid to Noteholders and \$4M (previously \$8M) will be retained by Sundance.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## DIRECTORS' REPORT

- AustSino will own approximately 50.2% of Sundance following the completion of the New Agreement under which AustSino will receive approximately 11,153,846,154 shares issued at a price of \$0.0026 per share (resulting in a change of control of Sundance).
- The number of options to be granted to the Noteholders is to be halved from 10 billion to 5 billion. The terms of those options (having an exercise price of \$0.02 and expiry date of five years from the date of issue) are otherwise unchanged.
- AustSino will provide certain financial support to Sundance to part support its working capital requirements until completion of the New Agreement. Sundance may seek support from other parties. The support of AustSino was an initial \$200,000 placement of ordinary shares to AustSino at an issue price of \$0.00375 per share, resulting in the issue of 53,333,333 shares to AustSino ("**Initial Placement**"). The funds were received by Sundance on 8 July 2019. After the Initial Placement and within 5 business days following a request by Sundance, AustSino is required to pay \$100,000 per month to Sundance in return for the issue of ordinary shares in Sundance at an issue price of \$0.00375 up to an aggregate of \$600,000 (including the initial \$200,000) ("**Financial Support Arrangement**"). The total number of ordinary shares potentially to be issued by Sundance to AustSino under the Financial Support Arrangement is 160,000,000 ordinary shares. In lieu of subscribing for additional Sundance shares, AustSino may instead require that amounts paid under the Financial Support Arrangement be deducted from the \$29 Million purchase price payable by AustSino on Placement Completion. Neither the Initial Placement nor any subsequent placement of shares under the Financial Support Arrangement will require Sundance shareholder approval.

Although the reinstatement of the Mbalam Convention is not a condition precedent for the completion of the New Agreement, Sundance and AustSino will continue to explore the reinstatement of the Mbalam Convention.

### 2. Extension of End Date for New Agreement

The End Date for the New Agreement was 31 December 2019, AustSino and Sundance agreed by a letter agreement signed on 22 October 2019 ("**Letter Agreement**") that the end date for the completion of the New Agreement be extended to 30 June 2020.

In addition to the extension it was agreed:

- The existing financial support arrangement in the Sundance Agreement will continue until completion. AustSino will continue to pay \$100,000 per month to Sundance in return for the issue of ordinary shares in Sundance at an issue price of \$0.0045 per share (which would comprise total payments of \$1.3 million, \$600K at \$0.00375 per share and \$700K at \$0.0045 per share, if completion does not occur until 30 June 2020).
- AustSino will now pay an additional \$200,000 per month to Sundance starting on 1 December 2019 in return for the issue of ordinary shares in Sundance at an issue price of \$0.0045 per share. However, the shares will not be issued to AustSino unless and until completion occurs (which would comprise total additional payments of \$1.4 million to Sundance if completion does not occur until 30 June 2020).
- Sundance and AustSino have agreed to release each other (and their relevant personnel) from any claims or liabilities arising under or in connection with the Second Placement Agreement or the Mbalam-Nabebe Project prior to 22 October 2019 (the date of the SDL Letter Agreement).

These changes were conditional on:

- written agreement of Sundance's Noteholders to the SDL Letter Agreement by 31 December 2019 (but which Sundance and AustSino expect to receive by late November 2019); and
- AustSino and Western Australian Port Rail Construction (Shanghai) Ltd (WAPRC), being parties to an agreement dated on or about 24 September 2018 pursuant to which WAPRC will subscribe for shares in the Investor for \$100 million (WAPRC Agreement), agreeing to extend the deadline for completing all conditions precedent under the WAPRC Agreement from 31 December 2019 to 30 June 2020, by 1 December 2019 (which Sundance and AustSino expect to receive by mid November 2019).

Separately, as consideration for Sundance agreeing to extend the end date to completion of the New Agreement, AustSino has agreed to issue 107,692,308 fully paid ordinary AustSino shares to Sundance at a deemed issue

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



price of \$0.013 per share but at no cost to Sundance, after receipt of written agreement from all Noteholders of Sundance to the Letter Agreement. These shares were issued on 24 December 2019.

On 2 December 2019 written agreement was received by Sundance from the Noteholders to extend the end date of the New Agreement to 30 June 2020. AustSino has also informed Sundance that WAPRC has also extended the WAPRC Agreement to 30 June 2020. The Letter Agreement is now unconditional.

### **3. Further extension of the New Agreement**

On 3 June 2020, AustSino announced to the market that it would not be able to satisfy the conditions precedent required under the Sundance Agreement by 30 June 2020. AustSino stated that it was unable to complete the placement agreement with WAPRC because WAPRC was unable to make a proposed \$100 million cash injection available as required by 30 June 2020.

As announced on 25 June 2020, Sundance was advised by AustSino that a new investor to replace WAPRC had been identified and a new agreement with them was being finalised. This resulted in Sundance adjourning its Extraordinary General Meeting, which was scheduled for 29 June 2020, until the new investor became certain.

On 2 July 2020 Sundance announced it was in negotiations with AustSino with a view to agreeing a further extension to the New Agreement.

On 7 July 2020, Sundance announced its negotiations with AustSino had progressed to the signing of a new extension letter agreement between AustSino and Sundance to extend the New Agreement to 30 September 2020 ("**Further Extension Letter**"). This Further Extension Letter required approval from the Sundance Noteholders by 17 July 2020 in order for the further extension to be effective.

The Further Extension Letter had a number of conditions:

1. The Agreement was extended to 30 September 2020 subject to:
  - (a) by 10 July 2020 AustSino must lodge a draft Notice of Meeting to the Australian Securities Exchange for review; and
  - (b) by 17 July 2020 AustSino must demonstrate to the reasonable satisfaction of Sundance that it had progressed the funding (e.g. \$29M) for completion of the Sundance Agreement.
2. AustSino will provide a further \$450,000 in funding to Sundance (this will be repayable in cash or equity only if the Sundance Agreement completes; otherwise it will be revenue to Sundance). The first payment of \$50,000 was payable on 17 July 2020 should all Noteholders have consented to the further extension and AustSino have satisfied or Sundance waived the conditions in (a) and (b) above.

On 9 July 2020, AustSino announced that it had entered into a binding placement agreement with Midwest Resource Finance Group Pty Ltd ("Midwest") pursuant to which Midwest had agreed to subscribe to 7,692,307,693 AustSino shares at an issue price of \$0.013 per share to raise \$100 million.

On 21 July 2020, Sundance announced that AustSino had submitted its draft Notice of Meeting to the ASX and ASIC on 10 July 2020 to satisfy the first condition. Sundance also announced that it had received consent from the Noteholders as required by 17 July 2020.

Sundance met with AustSino on 17 July 2020 and was presented with a number of documents to support that progress was being made in funding the New Agreement. The Board of Sundance was pleased to view the documents but did not believe there was sufficient progress to enable it to say that the condition precedent of the Further Extension Letter had been satisfied.

Nevertheless, Sundance agreed to waive this condition but has not otherwise release AustSino from further claims and liabilities.

On 27 July 2020, Sundance announced that the required bank processes had commenced but Sundance will continue to monitor the progress before releasing AustSino.

The Sundance Extraordinary General Meeting was reconvened on 29 July 2020 and all resolutions put to the meeting were passed via poll.

### **4. Final Extension of the New Agreement**

Progress by AustSino and Midwest continued to secure funding for the New Agreement but, as of 30 September 2020, the funds had yet to be secured. It became evident that further time was required to complete the New Agreement.

Sundance and AustSino signed a conditional extension of the end date of the New Agreement from 30 September to 30 November 2020 ("**Final Extension Letter**").



# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## DIRECTORS' REPORT

The Final Extension Letter is conditional on approval being received for the extension from the Noteholders. Once Noteholder approval has been received, AustSino will provide a further \$300K in funding to Sundance (this will be repayable in cash or equity only if the New Agreement completes).

The Final Extension Letter also allows Sundance to cancel the Sundance Agreement with five business days' notice from 2 November 2020 if AustSino, by that date, has not convened a shareholders meeting to approve the transactions contemplated under the Sundance Agreement.

AustSino has also been working on finalising its Notice of Meeting ("NoM") to allow its shareholders to approve the MidWest placement. The NoM is unlikely to be released to AustSino's shareholders until the Midwest funds have been fully secured.

### **Mbalam Convention**

As per ASX announcements of 19 and 20 March 2018, the Mbalam Convention was extended to 14 September 2018; it has now expired.

Since then a number of follow up meetings in Cameroon and China have occurred with representatives of the Cameroon Government, Sundance, AustSino and the potential project partners, all of which were received positively and progress towards the reinstatement of the Mbalam Convention was expected.

Unfortunately, the Cameroon Government has not made a decision regarding the reinstatement of the Mbalam Convention and there is some uncertainty as to when any decision will be made and the outcome of any such decision.

There is a risk that the Mbalam Convention will not be reinstated by the Government or that the Government does not enter into a new agreement with Sundance at all or not on substantially similar terms as the Mbalam Convention.

The Company's subsidiary Cam Iron SA's mining permit application over the land previously covered by the previous Exploration Permit EP92 remains in place resulting in Cam Irons belief that it has priority rights to be granted a mining permit over the area previously covered by EP92. This belief is supported by independent Cameroon legal advice with their opinion being that notwithstanding the expiry of the Convention, and as per the Mining Code, the mining permit application was valid and has never been determined. Although EP92 has now expired, consistent with the Mining Code, the land the subject of the mining permit application remains unavailable for third parties, pending a decision by the Minister on Cam Iron's mining permit application.

### **Media Allegations**

Allegations relating to events that occurred between 2006 and 2008 in the Republic of Congo appeared in articles published by Fairfax Media in August and September 2016.

These allegations arose in evidence given during the Porter case heard in the Supreme Court of Western Australia in September 2015 but were not tested by the court and should not necessarily be considered an independent and accurate portrayal of events.

Sundance is co-operating fully with the Australian Federal Police with its investigation into these events. It is expected to take some time to conclude.

### **Financial Position**

Cash and cash equivalents increased during the year to \$0.8 million at 30 June 2020 from \$0.1 million at 30 June 2019.

The Board has confidence that the Project and the assets contained within the Company still have substantial value. Taking into consideration the current accounting standards and the uncertainty that exists on reinstatement of the Mbalam Convention, how the Project will be developed, and ultimate tenure in Cameroon to be confirmed, the carrying value of the Project was fully impaired in 2019. This will be continuously re-evaluated as further clarity is developed regarding the Mbalam Convention and the development plans that will eventuate from the New Agreement made with AustSino and non-binding Consortium Agreement with the potential project consortium.

The consolidated statement of cash flows indicates that payments to suppliers and employees were \$2.4 million (2019: \$2.9 million).

The Consolidated Entity has a net asset deficiency as at 30 June 2020. Net assets of the Consolidated Entity amounted to negative \$131.37 million (30 June 2019: \$128.18 million). Mine development assets are fully impaired.

At 30 June 2020, the Consolidated Entity had a net working capital deficiency of \$132.6 million (2019: \$128.2 million). The increase in working capital deficiency is substantially due to the Convertible Note debt liability being recognised at full redemption value, partially offset by a stronger cash position. This liability is expected to be extinguished either through:

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



- the New Agreement between Sundance, AustSino and the Noteholders in which the debt will be extinguished via a cash payment of \$25M, shares and options, or
- if that agreement does not conclude, then by the Existing Term Sheet between Sundance and the Noteholders in which the debt will be converted to equity and a future production royalty.

Refer to Note 1 – “Going Concern”.

The total loss for the period amounted to \$6.62 million compared to \$205.8 million for the year ended 30 June 2019. Of this total loss, \$5.7 million related to non-cash convertible note financing charges (2019: \$17.5 million).

Total comprehensive income amounted to a loss of \$6.6 million (2019: loss \$199.1 million) for the year ended 30 June 2020, which includes an exchange gain on translation of foreign operations. This gain amounted to \$0.04 million (2019: \$6.7 million gain) and is due to a movement in the Central African CFA francs against the Australian Dollar from 405.3 at 30 June 2019 to 401.8 at 30 June 2020.

### **Corporate**

#### **Sundance Suspension**

Sundance entered voluntary suspension on 7 September 2018 pending an announcement on a transaction. On 25 September 2018 the Company announced the Agreement with AustSino and the Noteholders. Sundance was then required to remain in suspension until AustSino responded to ASX's request for further information concerning AustSino's proposed transactions, including its corporate capital structure, the source of funds and the new controllers of AustSino.

Sundance and AustSino expected that the New Agreement would have been completed prior to the 30 September 2020 end date. Sundance completed all of its conditions precedent for the New Agreement following the Sundance EGM which occurred on 29 July 2020 with all resolutions approved by shareholders.

Sundance announced on 7 September 2020 that of that date AustSino had received approval for its Notice of Meeting from ASIC but not from ASX which means that it was not able to meet its deadline of 30 September.

The end date for the New Agreement has now been extended to 30 November 2020 following the signing of the Final Extension Letter.

AustSino has also been working on finalising its Notice of Meeting (“NoM”) to allow its shareholders to approve the MidWest placement. According to feedback received from AustSino the NoM is unlikely to be released to AustSino's shareholders until the Midwest funds have been fully secured.

Sundance announced on 7 September 2020 that it had received notification from the ASX that Sundance had been granted a three-month extension, to 7 December 2020, for the deadline for automatic removal of the Company from the Official List. During the period to 7 December 2020 ASX will provide to the Company the details of what will be required from the Company in order for its shares to be reinstated to the Official List.

ASX has also advised Sundance that no further extension will be considered or granted beyond 7 December 2020.

Sundance expects that trading in its shares on ASX will remain suspended until the New Agreement is completed or it comes to an end.

#### **Investment in Sundance**

The Company issued the following Shares to AustSino under the Financial Support Arrangement clause of the New Agreement at a deemed issue price of \$0.00375 per Share:

- 12 July 2019 – 53,333,333 to raise \$200,000;
- 6 August 2019 – 26,666,667 to raise \$100,000;
- 5 September 2019 – 26,666,667 to raise \$100,000;
- 14 October 2019 – 26,666,667 to raise \$100,000; and
- 16 December 2019 – 26,666,667 to raise \$100,000.

On 5 September 2019, the Company issued 26,666,667 Shares to a sophisticated investor at \$0.00375 per Share to raise \$100,000. Following shareholder approval on 29 November 2019 26,666,667 options at an exercise price of \$0.006 were also issued.

On 24 September 2019, the Company issued 22,666,667 Shares to a sophisticated investor at \$0.00375 per Share to raise \$85,000. Following shareholder approval on 29 November 2019 22,666,667 options at an exercise price of \$0.006 were also issued.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



The Company issued the following Shares to AustSino under the Financial Support Arrangement clause of the New Agreement and Letter Agreement at a deemed issue price of \$0.0045:

- 22,222,222 shares to raise \$100,000 per month for the months of December 2019 to June 2020. 155,555,554 shares in total and total cash of \$700,000.
- The Company also received \$200,000 per month from December 2019 to June 2020. The shares for this cash consideration of \$1,400,000 will only be issued if the New Agreement concludes. The number of shares which may be issued are 311,111,108.

On 31 January 2020, the Company announced that 74,285,714 shares had been issued to David Porter as a result of the conversion of his convertible notes which had a face value of \$260,000 at an agreed issue price of \$0.0035 per share. This results in David Porter no longer being a Noteholder of Sundance and therefore not a party to the New Agreement other than as a shareholder of Sundance.

In July 2020 Sundance received \$150,000 in funding following the financial arrangements in the Further Extension Letter.

On 31 August 2020 Sundance received \$300,000 from AustSino to complete its financial support arrangements in the Further Extension Letter.

### **Cameroon Customs Dispute**

Sundance, through its subsidiary Cam Iron SA ("Cam Iron"), is aware that customs officials in Cameroon conducted an audit that found discrepancies in the paper work provided by third parties to Cam Iron on the sale of Cam Iron vehicles and the customs records of those transactions. There is no indication at this time that Cam Iron should have been aware of the discrepancies. The impact of these discrepancies on Cam Iron is uncertain and this matter is the subject of further investigation by Cam Iron.

### **Material Business Risks**

The material business risks faced by Sundance that are likely to have an effect on the prospects of the Company are considered below:

#### ***Working Capital Funding***

At 30 June 2020, Sundance held cash of \$0.8 million (2019: \$0.1 million). Sundance is not currently in a position to generate income from operations and as such is reliant upon the equity and/or debt markets for additional working capital funding. Post year end Sundance received \$450,000 from placements with AustSino.

At 30 June 2020, the Consolidated Entity had a net working capital deficiency of \$132.6 million (2019: \$128.2 million) due mainly to convertible note borrowings being current.

#### ***The Mbalam Convention***

Cessation of the Mbalam Convention, which occurred on 14 September 2018, is an event of default as defined in the various deeds with the Noteholders in relation to the Convertible Notes, which may (if the Noteholders resolve to give notice) result in the Convertible Notes becoming immediately due and payable at their full redemption value unless a waiver is received from the Noteholders. On 31 October 2018 Sundance secured a waiver from the Noteholders for this event of default.

The Mbalam Convention is no longer a condition precedent of the New Agreement signed between Sundance, AustSino and the Sundance Noteholder.

#### ***Completion of New Agreement***

Completion of the transactions under the Agreement are subject to a number of conditions being satisfied or waived, by AustSino and there is no guarantee completion will occur. Following the Extraordinary General Meeting by Sundance held on 29 July 2020 all conditions required of Sundance have been completed.

Sundance also notes that the Completion Placement is conditional on AustSino obtaining FIRB, ASX and shareholder approval for the funding which it will use to subscribe for Shares under the Second Placement.

If the AustSino agreement does not complete, then the Existing Term Sheet of 30 July 2018 to restructure the balance sheet between Sundance and its Noteholders remains in place.

#### ***Cameroon Tenure Risk***

As announced on 31 July 2017 Exploration Permit 92 ("EP92") held by Cam Iron expired on 26 July 2017 after it had reached the maximum number of extensions under the Cameroon Mining Code. Cam Iron believes it has priority rights to be granted a mining permit over the area previously covered by EP92 as a result of Cam Iron having lodged a valid mining permit application in 2009 during the term of EP92.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



Independent Cameroon legal advice was sought and their opinion was that notwithstanding the expiry of the Mbalam Convention the mining permit application was never determined and although EP92 has now expired and consistent with the Mining Code, Cam Iron retains priority over any application filed by a third party over the land that is subject of the mining permit application, pending a decision by the Minister of Mines on Cam Iron's mining permit application.

There is a risk that the Minister of Mines may not make a favourable decision.

### ***Project Funding***

Sundance and/or its project partner will need to raise further capital and/or debt financing in order to advance the development of the Project. Failure to secure appropriate funding for the development of the Project will result in a delay or inability to develop the Project, the potential loss of the Project and the impairment of the carrying value of the capitalised mine development expenditure related to the Project.

### ***Commodity Price***

The price of iron ore can be volatile and is affected by numerous factors beyond Sundance's control such as supply and demand dynamics; and changes in global economic conditions. The decision to develop the Project, and the returns to be achieved from it, are dependent upon the future price of iron ore. The iron price has averaged around \$US90/t during 2019 and is continued through the early parts of 2020. COVID-19 has had a significant negative impact on the supply of iron from Brazil, with Chinese demand for iron ore remaining strong this has resulted in an increase of the iron ore price to over \$US120/t. These prices are expected to reduce in 2021 as production from Brazil increases.

The movement in China to advance its environmental agenda is resulting in improved positions for producers of high grade iron ore (>62%) with large discounts being offered on lower grade iron ore. Sundance expects that this bias will continue and is supportive of our Project which has stage 1 life of mine averaging 62.2% Fe and stage 2 producing a high grade concentrate of 66 – 68% Fe. Iron ore pricing may continue to exhibit volatility on a short to medium term basis. Sundance however notes that the Project is a mid to longer term project where long term iron ore price forecasts continue to be favourable.

### ***Key Personnel***

The success of the Project is dependent on securing the services of key engineering, managerial, financial, commercial, marketing and processing personnel. Loss or diminution in the services of key employees, particularly as a result of an inability to retain key employees or the ability to attract suitable replacement staff could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

### ***Foreign Jurisdiction***

Sundance's operations in Cameroon and Congo, in Central Africa, are exposed to various levels of political, economic and other risks and uncertainties associated with operating in foreign jurisdictions. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; tropical diseases; acts of terrorism; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

### ***Political***

Changes, if any, in mining or investment policies or shifts in political attitude in Cameroon and Congo or elsewhere may adversely affect Sundance operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to: restrictions on production; pricing controls; export controls; currency remittance; income taxes; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people; water use; mine safety and government and local participation. Failure to comply strictly with applicable laws, regulation and local practices relating to mineral tenure and development could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted.

### ***Resource/Reserve Estimates***

The resources and reserve estimates are expressions of judgements based on knowledge, experience and industry practice. These estimates are currently considered appropriate and have been made in accordance with Joint Ore Reserves Committee ('JORC') requirements, however, they may change significantly when additional data becomes available or economic assumptions change.

### ***Production and Other Operational Risks***

Future operations will be subject to a number of factors that can cause material delays or changes in operating costs for varying lengths of time. These factors include weather conditions and natural disasters, disruption to supply,

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



unexpected technical problems, unanticipated geological conditions, equipment failures, personnel issues, or disruptions of rail and ship loading facilities.

### **Litigation**

Sundance may be exposed to risks of litigation which may have a material adverse effect on the financial position of the Group.

### **COVID-19**

There have been considerable economic disruptions arising from the outbreak of COVID-19 virus. This amongst other impacts has resulted in full lockdowns in Cameroon and Congo and travel restrictions to China. The Group considers this to be a non-adjusting post balance sheet event. At the date of signing the financial report the Group is unable to determine what financial effects the outbreak of the virus could have on the Group in the coming financial period. No financial effects arising from the economic impacts of the virus have been included in the financial results for the financial year ended 30 June 2020.

The Group will consider a range of expenditure containment measures designed to deal with prolonged economic and logistical impacts of the COVID-19 outbreak. Measures will be implemented as is deemed necessary. Given the inherent unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak, if any, on the Group's future financial statements could be significantly different to those disclosed above depending on how the situation evolves.

### **Details of Mining and Exploration Tenements**

The Company, through its subsidiary companies, held the following exploration/mineral research permits and mining tenements at 30 June 2020:

Country	Area	Permit	Holder
Republic of Cameroon	Mbalam	Exploration Permit No. 92 has now expired and the Cameroon convention has passed its long stop date requiring reinstatement.  A valid Mining Permit application over the land previously covered by EP92 was lodged on October 2009 and later amended in December 2009. The Company has legal advice which supports Sundance's priority over any other application by a third party over the land.	Cam Iron SA <sup>(i,iii,v)</sup>
Republic of Congo	Nabeba-Bamegod	Decree No.2013-45	Congo Iron SA <sup>(ii,iv,v)</sup>
Republic of Congo	Ibanga	Decree No. 2013-405	Congo Iron SA <sup>(ii,iv,v,vi)</sup>

- (i) Cam Iron holds 100% interest; Cam Iron is a 90%-owned subsidiary of Sundance.
- (ii) Congo Iron holds 100% interest; Congo Iron is an 85%-owned subsidiary of Sundance.
- (iii) The Government of Cameroon has a right to a 10% free carry interest in Cam Iron on the grant of the mining permit.
- (iv) The Government of Congo has a right to a 10% interest in Congo Iron pursuant to the Congo Mining Code.
- (v) Should both Governments exercise their rights for an interest in Cam Iron and Congo Iron then Sundance's interest would reduce to 81% of Cam Iron and 76.5% of Congo Iron.
- (vi) This permit expired in August 2015. Congo Iron made application for a replacement permit covering only part of the Ibanga permit area containing the most prospective area in August 2015.

## 6. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors at the directors' meetings and of members at the meetings of the committees of the Company during the financial year were:

**Columns A** = Number of meetings attended

**Columns B** = Number of meetings held while the Director held office

Bolding of the number of meetings attended denotes the Chairman of the Board or Board Committee.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



Director	Directors' Meetings	
	A	B
Mr D Porter	10	10
Mr B Fraser	10	10
Mr G Casello	10	10

In addition to the above meetings, a number of matters were dealt with by way of circular resolution during the year.

### 7. STATE OF AFFAIRS

Other than set out in section 5 "Review of Operations" above, there was no significant change in the state of affairs of the Group during the financial year.

### 8. LIKELY DEVELOPMENTS

The Group will explore and evaluate development alternatives for the Project in Cameroon and Congo as discussed in section 5 "Review of Operations".

### 9. ENVIRONMENTAL REGULATION

The Group's operations are subject to environmental regulations under Cameroon and Congo legislation.

Cam Iron received environmental approval to progress the Project on 25 June 2010 with the receipt of a Certificate of Conformity from the Ministry of Environment and Nature Protection ('**MINEP**'). This approval was unconditional but upgrades to the Environmental and Social Assessment ('**ESA**') documentation were required to be completed prior to the commencement of operations. The ESA has been assessed by the Government of Cameroon and Certificate of Environmental Conformity has been re-issued to Cam Iron on 5 August 2014.

The baseline study programme for Congo Iron's Nabeba Permit ESA was conducted in early 2011. The ESA documentation was first submitted on 24 January 2012 to the Ministry for Sustainable Development, Forest Economy and the Environment ('**MDDEFE**') and presented to the public. The ESA was reviewed by the MDDEFE and additional amendments to the ESA were requested. The revised ESA was re-submitted on 15 May 2012 and was then followed up with a project site visit from members of the MDDEFE on 10 June 2012. On 13 August 2012 a letter from the Chairman of the Inter-Ministerial Commission was received stating that the working group is satisfied with the amended terms of reference and the ESA has been accepted in its final form. The Certificate of Environmental Conformity was received from the Minister of the Environment in September 2012 and reissued in June 2013.

### 10. DIVIDENDS

In respect of the year ended 30 June 2020, no dividends have been paid or proposed (2019: nil).

### 11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than and as said elsewhere in this financial report since the end of the financial year:

#### Extension of AustSino Agreement

On 2 July 2020, Sundance announced it was in negotiations with AustSino with a view to agreeing a further extension to the Sundance Agreement.

On the 6 July 2020, Sundance announced that its negotiations with AustSino had progressed to the signing of a new extension letter agreement between AustSino and Sundance to extend the Sundance Agreement to 30 September 2020 ("**Further Extension Letter**"). This Further Extension Letter was circulated among the Noteholders for their execution by 17 July 2020 in order for the further extension to be effective.

The Further Extension Letter had a number of conditions:

1. The Agreement was to be extended to 30 September 2020 subject to:

- (a) by July 10 AustSino must lodge a draft Notice of Meeting to the Australian Securities Exchange for review; and
- (b) by July 17 AustSino needs to demonstrate to the reasonable satisfaction of Sundance that they have progressed the funding (e.g. \$29M) for completion of the Sundance Agreement.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



2. AustSino to provide a further \$450,000 in funding to Sundance (this will be repayable in cash or equity only if the Sundance Agreement completes otherwise it will be revenue to Sundance). The first payment of \$50,000 being payable on 17 July should:

- (i) all Noteholders have consented to the further extension, and
- (ii) AustSino have satisfied the conditions in (a) and (b) above.

This Further Extension Letter and the key dates in it permitted Sundance to take further action and allow Sundance to seek an alternative course if sufficient progress to their satisfaction is not achieved.

On 10 July 2020 AustSino announced that it had submitted its draft Notice of Meeting to the ASX satisfying the first condition.

On 21 July 2020, Sundance announced that it received consent from all Noteholders as required by 17 July 2020.

Sundance also announced that it had met with AustSino on 17 July 2020 and was presented with a number of documents to support that progress was being made in funding the Sundance Agreement. The Board of Sundance was pleased to view the documents but did not believe there was sufficient progress to enable it to say that the condition precedent had been satisfied.

Sundance agreed to waive this condition but not otherwise release AustSino and gave AustSino another five business days (i.e. to 24 July 2020) for AustSino to provide further evidence that the required bank processes, which needed to be undertaken in order for the funding under the Sundance Agreement to be available, are being advanced.

On 27 July 2020 Sundance announced that the bank processes had commenced but were not advanced far enough for Sundance to provide AustSino with the agreed release. Sundance continues to monitor progress and update shareholders as the situation evolves. This outcome does not affect the implementation of the Sundance Agreement which requires the satisfaction of various conditions precedent.

The Sundance shareholders' Extraordinary General Meeting, which was adjourned on 29 June 2020, was reconvened on 29 July 2020. All resolutions were passed.

### Further Funding

- On 20 and 31 July 2020, Sundance received \$50,000 and \$100,000 respectively from AustSino under extension of the AustSino agreement.
- On 31 August 2020, Sundance received a further \$300,000 from AustSino to complete its financial support arrangements under the extension of the AustSino agreement.

### Final Extension of the New Agreement

Sundance and AustSino signed a conditional extension of the end date of the New Agreement from 30 September to 30 November 2020 ("**Final Extension Letter**").

The Final Extension Letter is conditional on approval being received for the extension from the Noteholders. Once Noteholder approval has been received, AustSino will provide a further \$300K in funding to Sundance (this will be repayable in cash or equity only if the New Agreement completes).

The Final Extension Letter also allows Sundance to cancel the Sundance Agreement with five business days' notice from 2 November 2020 if AustSino, by that date, has not convened a shareholders meeting to approve the transactions contemplated under the Sundance Agreement.

AustSino has also been working on finalising its Notice of Meeting ("NoM") to allow its shareholders to approve the MidWest placement. The NoM is unlikely to be released to AustSino's shareholders until the MidWest funds have been fully secured.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of these operations, or the state of affairs of the group in future financial years.

## REMUNERATION REPORT

### 12. REMUNERATION REPORT OVERVIEW

The remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Key Management Personnel ('KMP') of the Company for the financial year ended 30 June 2020.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## DIRECTORS' REPORT

### 12.1 NOMINATION AND REMUNERATION COMMITTEE, COMPOSITION AND ACTIVITIES

The Nomination and Remuneration Committee ('NRC') was in place to assist the Board in nomination and remuneration related matters. The NRC operated until 16 December 2014 when it was put on hold and since then all matters previously handled by the NRC are now dealt with by the full Board.

### 12.2 KMP DETAILS

The following persons acted as KMP of the Company during and since the end of the reporting period.

#### Non-Executive Directors

- David Porter Independent Non-Executive Director Chairman
- Brett Fraser Independent Non-Executive Director

#### Executive Director

- Giulio Casello Managing Director & Chief Executive Officer ('MD/CEO')

All executive KMP are employed under contracts of employment on a full time basis.

### 12.3 REMUNERATION POLICY

The Board has adopted a Remuneration Policy to ensure that its remuneration practices enable the Company to:

- Provide reasonable remuneration to employees for the services they provide to the Company;
- Attract and retain employees with the skills required to effectively manage the operations and growth of the business;
- Motivate employees to perform in the best interests of the Company and its stakeholders;
- Provide an appropriate level of transparency and meet all ASX and ASIC requirements; and
- Ensure a level of equity, consistency and transparency across the Company.

The Board is responsible for reviewing remuneration arrangements within the Company. The Board assesses the appropriateness of the nature and amount of emoluments of KMP on an annual basis.

The Remuneration Policy can be found on the Company Website and is reviewed annually by the Board.

#### **Non-Executive Directors**

The overall level of annual Non-Executive Director fees is approved by shareholders in accordance with the requirements of the Company's Constitution and the Corporations Act. The Board decides on actual fees to be received by individual Directors within the quantum approved by shareholders. In accordance with the resolution passed at the Company's annual general meeting on 24 November 2010, the maximum aggregate Directors' fees payable to all of the Company's Non-Executive Directors remains fixed at \$1,000,000 per annum (this fee pool includes superannuation entitlements).

In setting the fees, the Board has regard to the rates payable by ASX listed entities of similar size, Director' skills and expertise, the circumstances of the Company and the actual and expected workloads of the Directors.

Non-Executive Directors are remunerated by way of fees paid; including fees paid in recognition of acting as Chair on Board committees, superannuation and, in certain circumstances, by way of shareholder approved equity issues. Issues of equity to Non-Executive Directors will only occur where the Board believes it is in the best interests of the Company to do so, in particular where such issues may reduce the amount of cash remuneration otherwise required to be paid to attract the appropriate calibre of Directors, or in recognition of exceptional workload or circumstances.

#### **Employees (including executive KMP)**

The Company aims to align remuneration, including executive KMP, with that of other comparable ASX listed entities for roles at all levels of the Company. Remuneration comprises both fixed remuneration and performance based (at risk) remuneration.

The proportion of an employee's total remuneration that is at risk increases with the seniority of the role and with the individual's ability to impact the performance of the Company. At risk elements of total remuneration for KMP may comprise both short term incentives as a reward for achievement of specific objectives during the calendar year and long term incentives that align medium and long term shareholder interests.

#### **Fixed Remuneration (base salary and superannuation)**

Fixed remuneration is set having regard to the levels paid in comparable ASX listed entities at the time of recruitment, Company position and performance and the individual's experience or specialist skills and market demand for particular roles. Consideration is given to the overall total remuneration package of the employee when setting the remuneration package.



# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## DIRECTORS' REPORT

A review of fixed salary is conducted on an annual basis. Any increases in fixed salary are based on market movements, growth in role, Company position and performance (including capacity to pay), remuneration history and individual performance.

### Performance Based (at Risk) Remuneration

In addition to fixed remuneration employees may be entitled to performance based remuneration which is paid to reward achievement of corporate and individual objectives. The level at which performance based remuneration is set is based on independent market surveys and analysis supported by information gathered from a number of consulting organisations about other ASX listed entities of similar size, nature and industry.

Performance based remuneration is initially determined by assessing performance against the achievement of predetermined KPIs and challenging objectives. The outcomes of the formula calculation are capped as a percentage of the relevant employee's base remuneration, dependant on level of seniority and direct influence on the Company's performance, and are reviewed by the Board to guard against anomalous or inequitable outcomes.

### Use of Remuneration Consultants

Where necessary and appropriate, the Board seeks and considers advice from independent remuneration consultants. Remuneration consultants are engaged by and report directly to the Board.

During the reporting period no remuneration consultants were used.

## 12.4 RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Performance based remuneration aims to align remuneration with the Company's performance and attainment of strategic objectives. Performance based remuneration may comprise both short term (annual) and long term (3-4 year) incentives.

### Short Term Incentive ('STI') Plan

The purpose of this plan is to:

- Drive achievement of the stated objectives of Sundance and its subsidiaries;
- Drive a culture of 'delivering outputs' as a team and also as an individual;
- Motivate employees to contribute to the best of their capabilities by recognising and rewarding high individual and group contributions towards the organisation's objectives via a mix of individual and corporate objectives, and
- To attract and retain the right people.

The maximum remuneration opportunity provided by the STI plan is based on a percentage of annual salary and is pre-determined.

The level of STI ultimately paid is determined based on meeting both corporate and individual objectives against the pre-determined KPIs, comprising both financial and non-financial indicators.

The Company assesses the achievement of both Company and individual KPIs on a calendar year basis (January to December). Corporate achievements are assessed by the NRC and submitted for Board approval. Individual performance is determined during the annual performance appraisal process. All these measures are taken into account when determining the amount, if any, to be paid to KMP as a short term incentive. Short term incentives are only used when they support and are consistent with the Company's long term goals.

For the 2020 financial year STI performance conditions have been set by the Board

- Extending the Convention beyond 14 September 2018 and
- finding a new equity partner that can work with Sundance to advance the Project.

No performance rights have been granted

### Long Term Incentive ('LTI') Plan

The purpose of the LTI plan is to provide an appropriate incentive to eligible persons to deliver the medium and longer term development and success of the Company, and to align the interests of KMP with the interests of shareholders. It also aims at attracting and retaining key employees, including executive KMP.

LTI's are available by invitation to senior, or specifically targeted, staff and consultants/contractors where there is a clear intention of long term engagement with the Company.

Eligible persons, including KMP, are granted performance rights to a specified dollar value at the beginning of each LTI plan grant period. The remuneration opportunity provided by the LTI plan is based on a percentage of the annual fixed remuneration at the time of the grant. Rights are issued at the Volume Weighted Average Price ("VWAP") over the last thirty days leading up to January 1 of any issue year. Under the plan, participants are granted performance

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



rights which only vest if certain performance conditions are met and they are employed by the Company at the measurement date.

Each performance condition is chosen to correlate directly to the Company's medium and longer term interests and success of the Project, the Company, and shareholders' best interests. Performance conditions typically spread over a 4-year period. These performance conditions are then submitted to the Board for consideration and approval.

Performance conditions are set with quantifiable and measurable outcomes, which can then be objectively assessed against supporting information and evidence of achievement. Progress toward, and achievement of, performance conditions is assessed by the MD/CEO and reviewed by the Board. The Board will then determine the level of achievement for each performance condition, seeking information where needed from the Executive Committee, other Managers or sources.

Further detail of awards made under the LTI Plan is set out in Section 12.7 of this report.

For the 2020 financial year no LTI performance conditions have been set by the Board and no performance rights have been granted.

At the Extraordinary General Meeting held on 29 July 2020 the shareholders approved the issuance of performance rights to Mr G. Casello and Mr B. Fraser.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2020.

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	\$	\$	\$	\$	\$
Revenue <sup>(i)</sup>	1,806,383	4,123,768	284,528	12,411,637	263,259
Net loss before tax	(6,616,407)	(205,800,856)	(18,616,633)	(7,273,369)	(117,316,322)
Net loss after tax	(6,616,407)	(205,800,856)	(18,616,633)	(7,273,369)	(117,316,322)
	\$/share	\$/share	\$/share	\$/share	\$/share
Share price at start of year	0.004	0.004	0.004	0.003	0.02
Share price at end of year	0.004	0.004	0.004	0.004	0.003
	cents/share	cents/share	cents/share	cents/share	cents/share
Basic earnings per share	(0.043)	(2.06)	(0.21)	(0.07)	(2.06)

(i) Revenue includes fair value gains on convertible notes.

### Company Performance

The Company considers it appropriate to review Company performance in its progress to financial close for the Project. Over the reporting period significant events occurred to that end, including:

- Continued engagement and support from the Governments of Cameroon and Congo;
- Extending the existing agreement ("Existing Term Sheet") with the Noteholders to 30 June 2021. The Existing Term Sheet will leave Sundance debt free.
- Negotiating the New Agreement with and its extensions AustSino and the Noteholders.
- Facilitating representatives of the Cameroon Government visiting China during November 2019 to meet with the potential consortium partners.

## ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

### DIRECTORS' REPORT

#### 12.5 REMUNERATION OF KMP



2020 FY	Short-term benefits			Post-employment benefits	Total cash based remuneration	Share Based Payments				Total Remuneration	% of Remuneration Performance Related
	Salary & Fees <sup>(i)</sup>	STI Payment	Other <sup>(ii)</sup>	Superannuation		STI	Performance Rights	Options <sup>(iii)</sup>	Total Share Based Payments		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>											
Mr D Porter	91,425	-	-	7,125	98,550	-	-	-		98,550	-
Mr B Fraser	59,000	-	-	5,605	64,605	-	-	-		64,605	-
<b>Executive Director</b>											
Mr G Casello	300,000	-	65,315	21,003	386,318	-	-	-		386,318	-
	<b>450,425</b>	<b>-</b>	<b>65,315</b>	<b>33,733</b>	<b>549,473</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>549,473</b>	

(i) Includes statutory leave for Executive Director and other KMP. Non-Executive Directors do not receive leave entitlements.

(ii) Includes leave entitlements for Mr Casello.

(iii) Options approved by shareholders at February 2017 EGM. 0% have lapsed and 100% have vested at the date of this report. 0% have been exercised.

## ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

### DIRECTORS' REPORT

#### 12.5 REMUNERATION OF KMP (CONTINUED)



2019 FY	Short-term benefits			Post-employment benefits	Total cash based remuneration	Share Based Payments				Total Remuneration	% of Remuneration Performance Related
	Salary & Fees <sup>(i)</sup>	STI Payment <sup>(ii)</sup>	Other <sup>(iii)</sup>	Superannuation		STI <sup>(ii)</sup>	Performance Rights <sup>(iv)</sup>	Options <sup>(v)</sup>	Total Share Based Payments		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>											
Mr D Porter	57,500	-	-	5,463	62,963	-	-	-	-	62,963	-
Mr B Fraser*	46,000	-	-	4,370	50,370	-	-	-	-	50,370	-
<b>Executive Director</b>											
Mr G Casello	250,000	-	5,963	20,531	276,494	-	-	236,133	236,133	512,627	46%
	<b>353,500</b>	<b>-</b>	<b>5,963</b>	<b>30,364</b>	<b>389,827</b>	<b>-</b>	<b>-</b>	<b>236,133</b>	<b>236,133</b>	<b>625,960</b>	

(i) Includes statutory leave for Executive Director and other KMP. Non-Executive Directors do not receive leave entitlements.

(ii) Includes leave entitlements for Mr Casello.

(iii) Options approved by shareholders at February 2017 EGM. 0% have lapsed and 100% have vested at the date of this report. 0% have been exercised.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



### 12.6 SHORT TERM INCENTIVE ('STI') PAYMENTS

There were no STIs granted in the 2020 (2019: nil) calendar year.

### 12.7 LONG TERM INCENTIVES AND SHARE BASED PAYMENTS

#### Performance Rights Plan ('PRP')

The Company's Performance Rights Plan ('PRP') was approved by Shareholders at the AGM on 29 November 2017. The PRP can be found in full on the Company website: [www.sundanceresources.com.au](http://www.sundanceresources.com.au)

Under the PRP, Performance Rights may be offered to Eligible Persons as determined by the Board. The Performance Rights are an entitlement to receive ordinary shares in the Company, subject to satisfaction by Eligible Persons of specified criteria set by the Board. The Performance Rights are granted at no cost. Upon vesting of the Performance Rights, shares will automatically be issued or transferred to the participant, unless the Company is in a 'Blackout Period' (as defined in the Company's Securities Trading Policy) or the Company determines in good faith that the issue or transfer of shares may breach the insider trading provisions of the Corporations Act or the Securities Trading Policy, in which case the Company will issue or transfer the shares as soon as reasonably practical thereafter.

#### Long Term Incentive Plan Performance Conditions

Resolution	Participating Director	Number of Performance Rights	Performance Conditions	Percentage of Performance Rights to Vest	Expiry Date
4	Mr Giulio Casello	200,000,000	Completion of the Proposed Transactions and receipt of the AustSino Consideration	100%	5.00pm (WST) on the date that is 3 years after the date of grant of the Performance Rights (or such other date as determined by the Board)
5	Mr Brett Fraser	100,000,000	Completion of the Proposed Transactions and receipt of the AustSino Consideration	100%	5.00pm (WST) on the date that is 3 years after the date of grant of the Performance Rights (or such other date as determined by the Board)

There were no performance rights held by KMP at the end of the financial year.

#### Employee Share Option Plan

An Employee Share Option Plan ('ESOP') was approved by the shareholders of the Company at 29 July 2020 EGM. A copy of the ESOP is available on the Company website.

#### Share Options

At the 17 February 2017 EGM, shareholders approved the issue of Options to Mr Giulio Casello.

- 100,000,000 Options for no consideration, each Option having an exercise price of \$0.003 vesting on 1 December 2017 depending on continued employment to that date and an expiry date five years from the date of issue; and
- 100,000,000 Options for no consideration, each Option having an exercise price of \$0.006 vesting on 1 December 2018 depending on continued employment to that date and an expiry date five years from the date of issue.

200M options have vested. Nil exercised.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## DIRECTORS' REPORT

### 12.8 KEY TERMS OF KMP AGREEMENTS

Remuneration and other terms of employment for the Executives disclosed in this Remuneration Report are contained in contracts of employment or consultancy agreements. The remuneration and other terms are reviewed at least annually and generally relate to a calendar year.

Executive	Date of Agreement Commencement	Term of Agreement	Total Fixed Remuneration (vii)	Others(i)	Variable Remuneration - STI (% of Base Salary)(ii)	Variable Remuneration- LTI (% of Base Salary) (iii)	Notice of Termination required by the Company (other than dismissal for cause) (iv)&(v)&(vi)	Notice required on resignation of Executive (vi)
Mr G Casello Managing Director & Chief Executive Officer	1/5/2018	Ongoing	\$350,000	-	25%	75%(vi)	12 months	3 months

- (i) The value of benefits to the employee or consultant is determined by the market value of such benefit and is detailed further in Section 12.5.
- (ii) Entitlement to Short Term Incentive payment on termination is subject to the terms and conditions of the STI plan.
- (iii) Entitlement to Performance Rights is subject to the terms and conditions of the Performance Rights Plan.
- (iv) Entitlement to Options is subject to the terms and conditions of the Employee Share Option Plan.
- (v) Payment of any termination benefit to Mr Casello is to be made pursuant to section 200 of the Corporations Act 2001.
- (vi) All agreements include provision to make payment in lieu of notice period if deemed appropriate.
- (vii) Total fixed remuneration (TFR) includes compulsory superannuation payments.

### 12.9 KMP SHARE HOLDINGS

Fully paid ordinary share holdings through the reporting period are set out below:

FY 2020	Opening Balance	Granted as Compensation	Received on the Exercise of Options	Purchases	Net Other Change	Closing Balance
<b>Non-Executive Directors</b>						
Mr D Porter	1,661,257,272	-	-	-	74,285,714	1,735,542,986
Mr B Fraser	-	-	-	-	-	-
<b>Executive Director</b>						
Mr G Casello	14,950,000	-	-	-	-	14,950,000

Options and Performance Rights through the reporting period are set out below:

FY 2020	Opening Balance	Granted as Compensation	Expired During the Period	Net Change	Other	Closing Balance
<b>Non-Executive Directors</b>						
Mr D Porter	-	-	-	-	-	-
Mr B Fraser	-	-	-	-	-	-
<b>Executive Director</b>						
Mr G Casello	200,000,000	-	-	-	-	200,000,000

There were no other transactions with key management personnel of the consolidated entity.

**END OF REMUNERATION REPORT WHICH HAS BEEN AUDITED**

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



### 13. SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

#### Unissued shares under option

At the date of this report unissued ordinary shares of the Company under options are:

Issuing Entity	Expiry Date	Exercise Price	Number of Options	Class of Shares
Sundance Resources Limited	7 April 2022	\$0.003	100,000,000	Ordinary
Sundance Resources Limited	7 April 2023	\$0.006	100,000,000	Ordinary
Sundance Resources Limited	8 January 2024	\$0.006	110,000,000	Ordinary
Sundance Resources Limited	13 February 2024	\$0.006	400,000,000	Ordinary
Sundance Resources Limited	21 February 2024	\$0.006	30,000,000	Ordinary
Sundance Resources Limited	28 August 2024	\$0.006	26,666,667	Ordinary
Sundance Resources Limited	29 August 2024	\$0.006	22,666,667	Ordinary

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme.

#### Shares issued on exercise of options

During or since the end of the financial year, the Company has issued nil ordinary shares as a result of the exercise of options.

### 14. DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the Australian Securities Exchange ('ASX') in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as disclosed in the Remuneration Report at 12.9 KMP Share Holdings (page 21).

### 15. INDEMNIFYING OFFICER OR AUDITOR

The Company, during the financial year, in respect of any person who is or has been an officer or auditor of the Company or any related body corporate:

- has not indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor.
- has paid a premium in respect of a policy of insurance to cover legal liability and expenses for the directors and executive officers in the event of any legal action against them arising from their actions as officers of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amounts of the premium.

The insurance policy does not contain details of the premiums paid in respect of individual officers of the Company.

### 16. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration has been included on page 24.

In accordance with the Corporations Act 2001 section 307C the Auditors of the Company, Bentleys have provided a signed auditor's independence declaration to the Directors in relation to the year ended 30 June 2020. This declaration has been attached to the independent audit report to the members of the Company.

Non-audit services were provided to the Company by the Auditors, Bentleys, details of which are outlined in Note 19 to the financial statements. On the basis of written advice from the Audit & Risk Management Committee, the directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## DIRECTORS' REPORT



### 17. CORPORATE GOVERNANCE STATEMENT

The Company has adopted the recommendations of the ASX Corporate Governance Council's Principles and Recommendations (Third Edition) in regard to the Corporate Governance Disclosures and provide disclosure of the Company Corporate Governance Statement on the Sundance Website at [www.sundanceresources.com.au](http://www.sundanceresources.com.au).

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001, in Perth, Western Australia on 7 October 2020.

On behalf of the Directors

Handwritten signature of David Porter in blue ink.

**Mr David Porter**  
Chairman

Handwritten signature of Giulio Casello in blue ink.

**Mr Giulio Casello**  
Managing Director and Chief Executive Officer

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[bentleys.com.au](http://bentleys.com.au)

To The Board of Directors

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit Partner for the audit of the financial statements of Sundance Resources Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

**BENTLEYS**  
**Chartered Accountants**

**MARK DELAURENTIS CA**  
**Partner**

Dated at Perth this 7<sup>th</sup> day of October 2020

**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**  
**DIRECTORS' DECLARATION**



In accordance with a resolution of the Directors of Sundance Resources Limited we declare that:

- 1) In the opinion of the Directors:
  - a. the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2020 and of its performance for the year ended on that date; and
    - ii. complying with Accounting Standards and the Corporations Act 2001; and
  - b. the financial statements and notes also comply with International Reporting Standards as disclosed in Note 1; and
  - c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- 2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Directors

Handwritten signature of David Porter in blue ink.

**Mr David Porter**  
Chairman

7 October 2020  
Perth, Western Australia

Handwritten signature of Giulio Casello in blue ink.

**Mr Giulio Casello**  
Managing Director and Chief Executive Officer

# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 \$	2019 \$
<b>CONTINUING OPERATIONS</b>			
Other income	2	1,806,383	4,123,768
Administration expense	3	(343,357)	(145,179)
Consultants fees expensed		(252,540)	(314,019)
Employee and director benefits expense	3	(1,119,209)	(1,183,256)
Exchange rate profit (loss)		(1,262)	554
Legal fees		(337,939)	(443,923)
Listing and registry fees		(82,844)	(119,789)
Occupancy costs		(99,907)	(136,497)
Professional fees	3	(190,661)	(203,076)
Personnel travel expenses		(45,629)	(105,953)
Finance charges on Convertible Notes	3	(5,729,880)	(17,544,057)
Finance cost on issue of shares	3	-	(1,500,000)
Project impairment	6(c)	-	(187,542,141)
Rail project public utility expense	3	-	(503,981)
Other expenses	3	(219,562)	(183,307)
<b>Loss from continuing operations before tax</b>		<b>(6,616,407)</b>	<b>(205,800,856)</b>
Income tax expense	9	-	-
<b>LOSS FOR THE PERIOD</b>		<b>(6,616,407)</b>	<b>(205,800,856)</b>
Loss attributable to:			
Owners of the parent		(4,117,610)	(175,760,902)
Non-controlling interests		(2,498,797)	(30,039,954)
<b>NET LOSS ATTRIBUTABLE TO MEMBERS</b>		<b>(6,616,407)</b>	<b>(205,800,856)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(39,139)	6,654,915
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(6,655,546)</b>	<b>(199,145,941)</b>
Total comprehensive income attributable to:			
Owners of the parent		(3,954,696)	(170,262,045)
Non-controlling interests		(2,700,850)	(28,883,896)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS</b>		<b>(6,655,546)</b>	<b>(199,145,941)</b>
<b>LOSS PER SHARE FROM CONTINUING OPERATIONS</b>			
- Basic (cents per share)	20	¢ (0.045)	¢ (2.065)

The accompanying notes form part of these financial statements

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**



SUNDANCE  
 RESOURCES LTD

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5(a)	753,385	139,095
Trade and other receivables	5(b)	39,572	45,624
Other current assets	6(a)	131,857	164,704
Inventory	6(b)	1,056	466
<b>Total Current Assets</b>		<b>925,870</b>	<b>349,889</b>
<b>NON-CURRENT ASSETS</b>			
Investments in other entities	6(c)	1,400,000	-
<b>Total Non-Current Assets</b>		<b>1,400,000</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>2,325,870</b>	<b>349,889</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	5(c)	132,556,198	127,454,455
Trade payables and accruals	5(d)	934,123	925,862
Provisions	6(d)	139,533	140,578
<b>Total Current Liabilities</b>		<b>133,629,854</b>	<b>128,520,895</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	6(d)	66,794	14,226
<b>Total Non-Current Liabilities</b>		<b>66,794</b>	<b>14,226</b>
<b>TOTAL LIABILITIES</b>		<b>133,696,648</b>	<b>128,535,121</b>
<b>NET ASSET DEFICIENCY</b>		<b>(131,370,778)</b>	<b>(128,185,232)</b>
<b>EQUITY</b>			
Issued capital	7	432,049,810	429,979,810
Reserves		80,221,512	78,658,598
Accumulated losses		(582,669,259)	(578,551,649)
<b>Equity attributable to owners of the Company</b>		<b>(70,397,937)</b>	<b>(69,913,241)</b>
Non-controlling interests		(60,972,841)	(58,271,991)
<b>TOTAL EQUITY</b>		<b>(131,370,778)</b>	<b>(128,185,232)</b>

The accompanying notes form part of these financial statements

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**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued Capital	Other Equity	Share Transactions with Non-Controlling Interests	Foreign Currency Translation Reserve	Issue of Convertible Notes	Option Premium Reserve	Share Based Payments Reserve	Accumulated Losses	Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 30 June 2018	426,181,131	-	(11,160,000)	30,124,084	24,672,500	4,518,800	24,766,903	(402,790,747)	96,312,671	(29,388,095)	66,924,576
Loss for the year	-	-	-	-	-	-	-	(175,760,902)	(175,760,902)	(30,039,954)	(205,800,856)
Foreign Currency Translation	(1,321)	-	-	5,500,178	-	-	-	-	5,498,857	1,156,058	6,654,915
<b>Total comprehensive income for the year</b>	<b>(1,321)</b>	<b>-</b>	<b>-</b>	<b>5,500,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(175,760,902)</b>	<b>(170,262,045)</b>	<b>(28,883,896)</b>	<b>(199,145,941)</b>
Securities issued	3,800,000	-	-	-	-	-	-	-	3,800,000	-	3,800,000
Share based payments	-	-	-	-	-	-	236,133	-	236,133	-	236,133
At 30 June 2019	429,979,810	-	(11,160,000)	35,624,262	24,672,500	4,518,800	25,003,036	(578,551,649)	(69,913,241)	(58,271,991)	(128,185,232)
Loss for the year	-	-	-	-	-	-	-	(4,117,610)	(4,117,610)	(2,498,797)	(6,616,407)
Foreign Currency Translation	-	-	-	162,914	-	-	-	-	162,914	(202,053)	(39,139)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,117,610)</b>	<b>(3,954,696)</b>	<b>(2,700,850)</b>	<b>(6,655,546)</b>
Securities issued	1,745,000	-	-	-	-	-	-	-	1,745,000	-	1,745,000
Securities pending issue	-	1,400,000	-	-	-	-	-	-	1,400,000	-	1,400,000
Securities issued to employees	325,000	-	-	-	-	-	-	-	325,000	-	325,000
Share based payments	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	432,049,810	1,400,000	(11,160,000)	35,787,176	24,672,500	4,518,800	25,003,036	(582,669,259)	(70,397,937)	(60,972,841)	(131,370,778)

The accompanying notes form part of these financial statements

# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## CONSOLIDATED STATEMENT OF CASHFLOWS



SUNDANCE  
RESOURCES LTD

		2020	2019
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers & employees		(2,367,346)	(2,902,877)
Receipts from others		100,759	499,547
Interest received		740	2,392
Interest paid		(5,097)	-
<b>Net Cash Used in Operating Activities</b>	8	<b>(2,270,944)</b>	<b>(2,400,938)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal property, plant & equipment		-	-
<b>Net Cash Used in Investing Activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shares pending issue		1,400,000	-
Proceeds from Share issue		1,485,000	2,080,000
<b>Net Cash Generated by Financing Activities</b>		<b>2,885,000</b>	<b>2,080,000</b>
<b>Net Decrease in Cash Held</b>		<b>614,056</b>	<b>(320,938)</b>
Cash and cash equivalents at beginning of year		139,095	457,725
Effect of exchange rates on cash and cash equivalents		234	2,308
<b>Cash and cash equivalents at end of Year</b>	5(a)	<b>753,385</b>	<b>139,095</b>

The accompanying notes form part of these financial statements

**CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS**

1. General Information .....	31
<b>How numbers are calculated</b>	
2. Other income.....	34
3. Expenses .....	35
4. Segment information .....	36
5. Financial assets and financial liabilities .....	38
6. Non-financial assets and liabilities .....	48
7. Equity .....	52
8. Cash flow information.....	54
9. Income tax.....	55
<b>Risk.....</b>	
10. Financial and capital risk management.....	57
<b>Group structure.....</b>	
11. Controlled entities .....	60
<b>Unrecognised items .....</b>	
12. Contingent liabilities .....	60
13. Capital and leasing commitments.....	61
14. Expenditure commitments.....	61
15. Events occurring after the reporting period.....	62
<b>Other information .....</b>	
16. Related party transactions .....	63
17. Share-based payments .....	63
18. Key management personnel remuneration.....	66
19. Auditor's remuneration .....	66
20. Loss per share .....	67
21. Dividends .....	67
22. Parent entity information .....	67
23. New and revised accounting standards and interpretations .....	68

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. GENERAL INFORMATION

Sundance Resources Limited A.C.N. 055 719 394 (**'Company'**) is a public company listed on the Australian Stock Exchange (trading under the symbol 'SDL'), incorporated in Australia and operating in Australia and Africa.

Sundance Resources Limited's registered office and its principal place of business is as follows:

45 Ventnor Avenue  
West Perth WA 6005

The Company's principal activities during the year were the continued evaluation and de-risking of its Mbalam-Nabeba Iron Ore Project (**'Project'**) in the Republics of Cameroon and Congo in Central Africa, and the evaluation of various development scenarios for the Project. These activities were undertaken through the Company's subsidiary companies Cam Iron S.A. (**'Cam Iron'**) and Congo Iron S.A. (**'Congo Iron'**), which upon consolidation creates the Consolidated Entity (**'Group'** or **'Consolidated Entity'**).

The financial statements were approved by the Board of Directors (**'Directors'**) and authorised for issue on 7 October 2020.

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the financial statements of the Group and the separate financial statements of the parent entity (refer note 22). For the purposes of preparing the consolidated financial statements, the Company and the Group are for-profit entities.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (**'IFRS'**).

#### Basis of Preparation of Accounts

The financial report has been prepared on an accruals basis and is based on historical cost, except for the revaluation of certain financial instruments that are measured at fair values as explained in the accounting policies. Costs are based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

#### Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

At 30 June 2020, the Consolidated Entity had a working capital deficiency of \$132.6 million (2019: \$128.2 million). The increase in working capital deficiency is substantially due to the movement of the Convertible Note debt from a non-current to current liability position. This liability is expected to be extinguished either through:

- the New Agreement (refer 1. below and description of New Agreement in the Directors Report) between Sundance, AustSino and the Noteholders in which the debt will be extinguished via a cash payment of \$25 million, shares and options, or
- if the completion conditions in the New Agreement do not complete, then by the Existing Term Sheet between Sundance and the Noteholders in which the debt will convert to equity and a right to a future production royalty.

During the period the Consolidated Entity incurred a net loss of \$6.6 million and incurred net cash outflows from operating activities of \$2.3 million for the year ended 30 June 2020.

The Directors believe that at the date of signing the financial statements there are reasonable grounds to believe that the Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate. The ability of the Consolidated Entity to continue as a going concern is dependent on:

1. As announced on 8 July 2019 a binding conditional new agreement (**"New Agreement"**) was entered into by the Company, AustSino and Sundance Noteholders. This resulted in \$600,000 of funding from AustSino under the Financial Support clause of the New Agreement.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. GENERAL INFORMATION (CONTINUED)

2. It was further announced on 22 October 2019 that the New Agreement was extended to 30 June 2020 and it was also agreed that Sundance would receive \$300,000 per month commencing 1 December 2019 from AustSino until the earlier of the date the New Agreement completes or by 30 June 2020. This resulted in total funds of \$2,100,000 being received by Sundance as the New Agreement did not complete by 30 June 2020.
3. On 7 July 2020, Sundance announced its negotiations with AustSino had progressed to the signing of a new extension letter agreement between AustSino and Sundance to extend the New Agreement to 30 September 2020 ("**Further Extension Letter**"). This resulted in a further \$150,000 of funding being provided in July 2020 with another \$300,000 being provided on 31 August 2020.
4. On 30 September 2020 Sundance announced that it had signed a Final Extension Letter with AustSino to extend the New Agreement end date to 30 November 2020. This extension will result in a further \$300,000 of funding from AustSino when the Noteholders approve the extension. This is expected to occur by mid October 2020.
5. During the financial year ended 30 June 2019 and prior to the New Agreement replacing the previous agreement with AustSino and the Sundance Noteholders (which was announced on 25 September 2018), placements of \$1,080,000 have been received from AustSino (\$120,000) and other sophisticated investors (\$960,000).
6. The Consolidated Entity also raised further equity of \$185,000 from sophisticated investors during the month of September 2019.
7. Once the conditions to the New Agreement are completed a Completion Placement of \$29 million from AustSino to Sundance of which \$25 million cash, together with a combination of shares and options in Sundance, will be used to cancel the existing convertible notes and the remainder will be retained by Sundance to fund working capital and to continue project plans. The Completion Placement is dependent on the following Conditions Precedent being achieved or waived.

In relation to AustSino's investment in Sundance and the issue of shares by AustSino to fund the Completion Payment:

- approval by AustSino's shareholders as required for the purposes of the ASX Listing Rules and Corporations Act 2001 (Cth) ("Corporations Act");
- approval of any relevant legal or regulatory bodies or by any subscriber in connection with AustSino's placement of shares to fund its subscription for the Completion Placement; and
- an independent expert confirming that the relevant transactions are fair and reasonable, or not fair but reasonable, for AustSino's shareholders

In relation to the investment of Sundance and the issue of securities by Sundance, Sundance has completed all its requirements.

8. If the New Agreement does not complete, then the legally binding term sheet of 30 July 2018 with Noteholders (subject to certain conditions being satisfied or waived) cancels their Convertible Notes in consideration for a combination of equity in Sundance and a capped production royalty remains in place until June 2021 allowing Sundance to raise further funds from the market whilst being debt free. Which at the date of this report the directors have a reasonable belief they would be able to achieve.

Should the Consolidated Entity be unable to achieve the matters set out above, a material uncertainty would exist as to whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

#### **Critical accounting judgements and the key sources of estimation uncertainty**

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience, external data and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. GENERAL INFORMATION (CONTINUED)**

#### *Significant accounting judgements*

The Directors evaluate the estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

#### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the fair value of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### **Foreign currency**

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environments in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Sundance Resources Limited and is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing in the month of the transactions. At each balance sheet date, monetary items are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the profit or loss on disposal of the net investment.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. GENERAL INFORMATION (CONTINUED)

On consolidation, assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing at the balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed. Any exchange differences that have previously been attributed to non-controlling interests are derecognised but they are not classified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of the transition to Australian Accounting Standards are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified within operating cash flows.

### NOTE 2. OTHER INCOME

This note provides a breakdown of the items included in 'other income'.

	2020	2019
	\$	\$
<b>Other income from continuing operations</b>		
Interest revenue	740	2,392
Fair value movement of embedded derivative in convertible notes <sup>(i)</sup>	368,136	3,883,864
Shares acquired at nil consideration	1,400,000	-
Other income <sup>(ii)</sup>	37,507	237,512
<b>TOTAL OTHER INCOME</b>	<b>1,806,383</b>	<b>4,123,768</b>

(i) Refer Note 5(c) Borrowings for further details

(ii) Includes deposit on acquisition of drilling equipment

#### Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3. EXPENSES

This note provides an analysis of expenses by nature.

	2020 \$	2019 \$
<b>Expenses from continuing operations</b>		
<i>Employee and director benefit expense:</i>		
- Share based payment	325,000	236,133
- Salaries and wages	584,326	787,700
- Non-Executive Directors' fees	150,425	103,500
- Superannuation	59,458	55,923
	1,119,209	1,183,256
<i>Administration expense:</i>		
- Corporate expenses	105,028	55,754
- General and administration expenses	219,827	95,567
- IT and communications <sup>(i)</sup>	18,502	(6,142)
	343,357	145,179
<i>Professional fees:</i>		
- Audit, accounting and tax	178,527	177,156
- Public relations	12,134	25,920
	190,661	203,076
<i>Convertible Note Finance:</i>		
- Convertible note effective interest charge	4,561,557	17,492,001
- Convertible note fair value movement	1,156,200	-
- Convertible note capitalised borrowing cost amortisation charge	12,123	52,056
	5,729,880	17,544,057
<i>Finance cost on issue of shares<sup>(ii)</sup></i>	-	1,500,000
<i>Rail project public utility expense<sup>(iii)</sup></i>	-	503,981
<i>Other expenses:</i>		
- Consumables	6,305	6,572
- Insurance	194,366	159,758
- Motor vehicles	10,155	16,168
- Interest paid	5,097	-
- Other	3,639	809
	219,562	183,307

(i) Includes reversal of accrual for taxes on VSAT equipment not payable

(ii) As per ASX announcement of 3 April 2019, 300M fully paid ordinary shares were issued to Western Australian Port Rail Construction (Shanghai) "WAPRC" at a deemed issue price of \$A0.005 per share as consideration for facilitating the extension of the end date of the Agreement to 30 June 2019.

(iii) Expenditure that continues to be incurred on the project which can no longer be capitalised.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4. SEGMENT INFORMATION

#### 4.1 Description of segments and principal activities

AASB 8 Operating Segments ('AASB 8') requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is specifically focused on each project being developed. The only project currently under development is the Mbalam-Nabeba Iron Ore Project which includes iron ore deposits in the Republics of Cameroon and Congo in Central Africa. The unallocated portion relates to head office and corporate activities.

The Group's reportable segment under AASB 8 is therefore the Mbalam-Nabeba Iron Ore Project.

Information regarding this segment is presented below. The accounting policies of the reportable segment are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the financial year.

#### 4.2 Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment.

Segment loss represents the loss attributed to each segment without allocation of central administration costs, borrowing costs, director's salaries and investment revenue. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	SEGMENT REVENUE		SEGMENT EXPENSE	
	Year Ended		Year Ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Continuing Operations</b>				
Mbalam-Nabeba Iron Ore Project	-	-	(613,678)	(1,045,005)
Impairment expense	-	-	-	(187,542,141)
<b>Total segments</b>	<b>-</b>	<b>-</b>	<b>(613,678)</b>	<b>(188,587,146)</b>
Unallocated interest income			740	2,392
Unallocated income			1,400,000	-
Unallocated expenses			(7,403,469)	(17,216,102)
<b>Loss before tax</b>			<b>(6,616,407)</b>	<b>(205,800,856)</b>

There were no intersegment sales during the year recorded in the revenue reported above.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4. SEGMENT INFORMATION (CONTINUED)

#### 4.3 Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements.

All assets are allocated to reportable segments other than parent entity current assets, the majority of which are cash and cash equivalents. Assets used jointly by reportable segments are allocated on the basis of the usage by individual reportable segments.

All liabilities are allocated to reportable segments other than 'other financial liabilities', current and deferred tax liabilities, and 'other' liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

	30 June 2020 \$	30 June 2019 \$
<b>Segment assets</b>		
Mbalam-Nabeba Iron Ore Project	-	-
Total segment assets	-	-
Unallocated assets	2,325,870	349,889
<b>CONSOLIDATED ASSETS</b>	<b>2,325,870</b>	<b>349,889</b>
<b>Segment liabilities</b>		
Mbalam-Nabeba Iron Ore Project	-	-
Total segment liabilities	-	-
Unallocated liabilities	133,696,648	128,535,121
<b>CONSOLIDATED LIABILITIES</b>	<b>133,696,648</b>	<b>128,535,121</b>

#### 4.4 Other segment information

	Additions to non-current assets Year Ended	
	30 June 2020 \$	30 June 2019 \$
Mbalam-Nabeba Iron Ore Project	-	503,981
Unallocated	1,400,000	-
	<b>1,400,000</b>	<b>503,981</b>

Impairment losses of \$nil were recognised for the year (2019: \$187,542,141).

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### **Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "other income" line item (Note 2).

#### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

#### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### **Financial liabilities and equity**

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is

- (i) contingent consideration of an acquirer in a business combination,
- (ii) held for trading or
- (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

#### *Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not

- (i) contingent consideration of an acquirer in a business combination,
- (ii) held-for-trading, or
- (iii) designated as at FVTPL,

are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Notes	2020 \$	2019 \$
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	5(a)	753,385	139,095
Trade and other receivables	5(b)	39,572	45,624
<b>Total Financial Assets</b>		<b>792,957</b>	<b>184,719</b>
<b>FINANCIAL LIABILITIES</b>			
Borrowings	5(c)	132,556,198	127,454,455
Trade payables and accruals	5(d)	934,123	925,862
<b>Total Financial Liabilities</b>		<b>133,490,321</b>	<b>128,380,317</b>

#### Note 5(a) Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and in hand	753,385	139,095
	<b>753,385</b>	<b>139,095</b>

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

At 30 June 2020 the Group had no undrawn borrowing facilities (2019: nil).

Cash and cash equivalents carrying value is assumed to approximate fair value.

#### Note 5(b) Trade and other receivables

	2020 \$	2019 \$
Other receivables	39,572	45,624
	<b>39,572</b>	<b>45,624</b>

Trade and other receivables carrying value is assumed to approximate fair value.

#### Note 5(c) Borrowings

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The difference between the carrying amount of the liability component at the date of issue and the amount reported at reporting date represents the effective interest rate.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the convertible note as a whole. This is recognised and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

If the embedded derivative is separated from its host contract (because it is not closely related to the host), then it must be accounted for as if it were a standalone derivative. The embedded derivative should be recognised in the statement of financial position at fair value, with changes in fair value recognised in profit or loss as they arise, unless it is designated as an effective hedging instrument in a cash flow or a net investment hedge.

	2020	2019
	\$	\$
<b>CURRENT BORROWINGS</b>		
Convertible Note - Debt Liability	132,556,198	127,150,441
Convertible Note - Derivative Liability	-	316,136
Convertible Note - Capitalised Borrowing Costs	-	(12,122)
	<b>132,556,198</b>	<b>127,454,455</b>
<b>TOTAL BORROWINGS</b>	<b>132,556,198</b>	<b>127,454,455</b>

#### PROPOSED CANCELLATION OF CONVERTIBLE NOTES

On 29 July 2018 Sundance signed a legally binding term sheet ("**Existing 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 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 had a maturity date of 23 September 2019, by which time Sundance would 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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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
<b>Total</b>	<b>132.56</b>		<b>14,517</b>	

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").

Following completion, the Noteholders will hold approximately 64% of the issued equity in the Company.

#### NEW AGREEMENT

The Term Sheet described above ("Existing Term Sheet") will continue to apply and remain binding on the Noteholders and Sundance until Cancellation Completion of the New Agreement between Sundance, AustSino and the Noteholders. This New Agreement was announced on 8 July 2019 and is described below.

Sundance and the Noteholders acknowledged and agreed that on and from the date of the New Agreement (8 July 2019), the End Date in the Existing Term Sheet will be extended to the earlier of (a) 100 days after the termination of the New Agreement, and (b) 30 June 2020.

Under the New Agreement, Sundance has agreed to issue to AustSino 11,153,846,154 ordinary shares at an issue price of A\$0.0026 per Share, together with the grant of 11,153,846,154 unlisted options at an exercise price of A\$0.02 and an expiry date of five years after the date of issue, which are subject to a number of conditions precedent to be satisfied or waived by 31 December 2019 or another date agreed by the parties ("Placement Completion").

Placement Completion requires Sundance shareholder approval and is subject to a number of other conditions described in the Sundance ASX announcement of 8 July 2019.

The proceeds (\$29M) of the Placement Completion will be used for the following:

- \$25M cash will be paid to the Noteholders ("Cash Payment"); and
- The \$4M balance will be used for working capital and to progress development of the Project and the transaction costs associated with the New Agreement. It is expected that this will comprise the following (including corresponding estimates of the expenses):
  - working capital, including in relation to salaries, administration and regulatory costs in Australia, Cameroon and Congo (approximately \$2.5M);
  - transaction costs associated with the New Agreement, including the Independent Expert's Report, EGM and legal costs associated with the New Agreement and the Cameroon Convention (approximately \$0.5M); and
  - negotiation and legal costs associated with financing packages and EPC contracts for the Project (approximately \$1M).

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The table below outlines the redemption value of each Noteholder's Convertible Notes and the proportion of that value to the total redemption value of the Convertible Notes.

Noteholder	Redemption Value	
	A\$m	% of total
Wafin Limited	63.3	47.7%
Noble Resources International Pte Ltd	31.6	23.8%
D.E. Shaw Composite Holdings International Pte Ltd	18.8	14.2%
Senriqan Master Fund	15.5	11.7%
BSOF Master Fund L.P.	3.4	2.6%
<b>Total</b>	<b>132.6</b>	<b>100.0%</b>

In exchange for the cancellation of the existing convertible notes in Sundance held by the Noteholders ("Convertible Notes") ("Cancellation"), and in addition to the Cash Payment to the Noteholders, Sundance will issue to the Noteholders:

- 2,000,000,000 Shares at a deemed issue price of A\$0.004; and
- 5,000,000,000 unlisted options at an exercise price of A\$0.02 and an expiry date of five years after the date of issue.

Cancellation of the Convertible Notes will leave Sundance debt free.

The cash, Shares and options will be allocated amongst the Noteholders in proportion to their redemption value or as otherwise agreed between the Noteholders (with those alternate proportions to be notified to Sundance and outlined in Sundance's notice of meeting in due course, if applicable). Any alternate allocation between the Noteholders will not increase the total value of the consideration payable to the Noteholders for Cancellation of the Convertible Notes.

The transaction will require a number of regulatory and shareholder approvals before completion. The conditions to this transaction include completion of AustSino's own placement of shares, which in turn requires regulatory and shareholder approvals (including Chinese and FIRB approvals), and there is no guarantee that such approvals will be obtained. Failing to obtain these approvals will result in neither AustSino's placement nor the transaction proceeding.

#### EXTENSION OF END DATE TO NEW AGREEMENT

The End Date for the New Agreement was 31 December 2019, AustSino and Sundance agreed by a letter agreement signed on 22 October 2019 ("**Letter Agreement**") that the end date for the completion of the New Agreement be extended to 30 June 2020.

These changes were conditional on written agreement of Sundance's Noteholders which was obtained.

The End Date in the Existing Term Sheet was extended to the earlier of (a) 100 days after the termination of the New Agreement, and (b) 31 December 2020.

#### FINAL EXTENSION OF THE NEW AGREEMENT

Sundance and AustSino signed a conditional extension of the end date of the New Agreement from 30 September to 30 November 2020 ("Final Extension Letter").

The Final Extension Letter is conditional on approval being received for the extension from the Noteholders.

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**CONVERSION OF DAVID PORTERS CONVERTIBLE NOTE**

On 31 January 2020 Mr. Porter converted his convertible note to shares in Sundance. Mr Porter is no longer a party to the New Agreement or the Letter Agreement. This has resulted in a reallocation of the split in redemption value for the remaining Sundance noteholders as per the table below.

Noteholder	Redemption value		Cash	Shares	Options
	A\$m	% of total	A\$m	m	m
Wafin Limited	63.3	47.7%	11.93	954.75	2386.88
Noble Resources International Pte Ltd	31.6	23.8%	5.96	476.62	1191.55
D.E. Shaw Composite Holdings International Pte Ltd	18.8	14.2%	3.54	283.56	708.90
Senrigan Master Fund	15.5	11.7%	2.92	233.79	584.46
BSOF Master Fund L.P.	3.4	2.6%	0.64	51.28	128.21
<b>Total</b>	<b>132.6</b>	<b>100%</b>	<b>25</b>	<b>2,000</b>	<b>5,000</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 Jun 20	30 Jun 19				
Noble Note: – Derivative Component	-	1,529 <sup>(i)</sup>	Level 2	Binomial Model at 30 June 2017 Key inputs include: - Underlying share price \$0.0035 - Risk free rate of 1.95% - Volatility 130% - Expected term 2.70 years - Vesting date 23 September 2019	N/A	N/A
Investor Consortium Note: – Derivative Component	-	1,834 <sup>(i)</sup>	Level 2	Binomial Model at 30 June 2017 Key inputs include: - Underlying share price of \$0.0035 - Risk free rate 1.95% - Volatility of 130% - Expected term 2.7 years - Vesting date 23 September 2019	N/A	N/A
Wafin Note: – Derivative Component	-	3,057 <sup>(i)</sup>	Level 2	Binomial Model at 30 June 2017 Key inputs include: - Underlying share price of \$0.0035 - Risk free rate 1.95% - Volatility of 130% - Expected term 2.7 years - Vesting date 23 September 2019	N/A	N/A
2015 Investor Consortium Note: – Derivative Component	-	167,774 <sup>(i)</sup>	Level 2	Binomial Model at 30 June 2017 Key inputs include: - Underlying share price of \$0.0035 - Risk free rate 1.95% - Volatility of 130% - Expected term 2.7 years - Vesting date 23 September 2019	N/A	N/A
2016 Investor Group Note: – Derivative Component	-	-	Level 2	Binomial Model at 30 June 2017 Key inputs include: - Underlying share price of \$0.0035 - Risk free rate 1.95% - Volatility of 130% - Expected term 2.7 years - Vesting date 23 September 2019	N/A	N/A

(i) Conversion feature embedded within the convertible notes on amendment to terms and conditions



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Financial Liabilities	Effective Interest Rate	30 June 2020	30 June 2020	30 June 2019	30 June 2019
		Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Convertible note debt liability - Noble	11.051%	29,156,200	29,156,200	27,268,512	27,268,512
Convertible note debt liability - Investor Consortium	14.177%	33,600,000	33,600,000	32,526,123	32,526,123
Convertible note debt liability - Wafin	16.921%	60,000,000	60,000,000	57,725,346	57,725,346
Convertible note debt liability – 2015 Investor Consortium	21.782%	9,800,000	9,800,000	9,326,893	9,326,893
Convertible note debt liability – 2016 Investor Group	11.926%	-	-	291,446	303,569
		<b>132,556,200</b>	<b>132,556,200</b>	<b>127,138,320</b>	<b>127,150,443</b>

The fair value amounts have been derived from independent valuation at balance sheet date, while the carrying amount reflects the fair value less the capitalised borrowing costs incurred in the arrangement of the Noble and Investor Consortium convertible notes.

#### Note 5(d) Trade and Other Payables

	2020 \$	2019 \$
CURRENT		
Trade payables	133,026	158,789
Sundry payables and accrued expenses	801,097	767,073
	<b>934,123</b>	<b>925,862</b>

Trade payables and sundry creditors are non-interest bearing and generally on 30 day terms.

### NOTE 6. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the group's non-financial assets and liabilities, including:

- Specific information about each type of non-financial asset and liability
  - Other Assets (note 6(a))
  - Mine development assets (note 6(c))
  - Employee benefits provisions (note 6(d))
- Accounting policies
- Information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### Note 6(a) Other Assets

	2020	2019
	\$	\$
Prepayments	58,262	99,063
Tax receivables	73,595	65,641
	<b>131,857</b>	<b>164,704</b>

#### Note 6(b) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

	2020	2019
	\$	\$
Consumables and equipment (current inventory)	829,545	821,661
Provision for impairment (current inventory)	(828,489)	(821,195)
Drilling equipment and spares (non-current inventory)	2,625,836	2,602,715
Provision for impairment (non-current inventory)	(2,625,836)	(2,602,715)
	<b>1,056</b>	<b>466</b>

#### Note 6(c) Mine Development Assets

Capitalised mine development expenditure is recognised at cost less accumulated amortisation and any impairments. Where commercial production in an area of interest has commenced, the associated costs, together with any forecast future capital expenditure necessary to develop proved and probable reserves, are amortised over the estimated economic life of the mine on a units-of-production basis. Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found and the future US\$ iron ore price and ability of the entity to recoup the expenditure through successful development of the area. Any such estimates and assumptions may change as new information becomes available (please refer to the Directors Report – Material Business Risks). If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

The carrying value of mine development was fully impaired in the Half Year financial statements ended 31 December 2018. The Directors concluded that a number of estimates and judgements were required, the most critical of which related to the ability of the Consolidated Entity to secure a mining permit in Cameroon and to obtain the necessary funding for the project. As the Company does not currently have a convention in Cameroon this creates doubt on the development plan for the Project.

	2020	2019
	\$	\$
<b>Mbalam-Nabeba Iron Ore Project</b>		
Carrying amount at beginning of year	-	181,238,078
Effect of movement in exchange rates	-	6,304,063
Project impairment	-	(187,542,141)
	<b>-</b>	<b>-</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 6. NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

At 30 June 2020, the Company held a 90% interest in Cam Iron S.A. which holds a 100% interest in the Project in Cameroon and an 85% interest in Congo Iron S.A. which holds a 100% interest in the Project in Congo. The mining codes in both Cameroon and Congo entitle the state to take up an equity interest in the Project.

#### **Recoverability**

The ability of the consolidated entity to recover the carrying value of the Project is dependent on the granting of a Mining Permit over the land previously covered by EP92, which amongst other matters noted below, includes the ability of the company to obtain project financing to develop the project and realise amounts in excess of its carrying value. Sundance was the holder of Exploration Permit ("EP92") from 2006 to 2017. In 2009 the Company filed a valid application for a mining permit over the tenement covered by EP92. This application was never dealt with and notwithstanding that EP92 has now expired the land, consistent with Cameroon Mining Code, remains unavailable for third parties until a further decision is made on the current Sundance mining permit application.

The Mbalam Convention had been extended to 14 September 2018 and has now expired. Sundance has completed all steps required of it from The Cameroon Government, as per the ASX announcement of 19 March 2018, to receive a reinstatement of the Mbalam Convention. As to the date of publishing this Financial Statement the Mbalam Convention has not been reinstated.

As per ASX announcements of 19 and 20 March 2018, the Mbalam Convention was extended to 14 September 2018. On this date, the convention ended as the company was unable to demonstrate to the Cameroon Government that a credible partner who was interested in the development of the Project had taken an equity position. Sundance has been periodically updating a senior representative of the Government about the progress it had made with regard to securing an equity partner (being AustSino) and associated partners who had the capacity and capability to fund and construct the Project.

Notwithstanding the end of the Mbalam Convention, Sundance's subsidiary Cam Iron SA's mining permit application over the land previously covered by Exploration Permit EP92 remains on foot giving Cam Iron priority rights in respect of its Mining Permit Application relating to that area until a decision is made on the Mining Permit Application. An affirmative decision will lead to a full mining operating permit being issued, whereas a negative decision would see the loss of rights attached to it. The Recoverable amount of the Mine Development Assets as at 30 June 2019 was determined as a single cash generating unit of the Mbalam-Nabeba Iron Ore Project which was subject to certain assumptions as disclosed in The annual financial statements. As a result of the loss of Cameroon tenure, the project has been impaired in full on the basis that the cash flow of the project are interdependent as one cash generating unit, notwithstanding valid tenure still exists in Congo. The consolidated entity continues to pursue the grant of the mining licence based on the mining permit application or entering into a new convention and consequently has not prepared a separate plan or financial model in respect of the standalone Congo asset.

Even though the Board has confidence that the Mbalam Convention will be reinstated and that the New Agreement with AustSino will bring about development of the Project it has been decided to fully impair the asset in the prior period. This will be re-evaluated as further clarity is developed regarding the Mbalam Convention and the development plans that will eventuate from the agreements made with AustSino and the potential project consortium.

#### **Impairment of long-lived assets excluding goodwill**

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. NON FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

*Note 6(d) Employee Benefits Provisions*

	2020	2019
	\$	\$
CURRENT		
Employee benefits provision	139,533	140,578
	139,533	140,578
NON CURRENT		
Employee benefits provision	66,794	14,226
	66,794	14,226
	<b>206,327</b>	<b>154,804</b>

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2020



**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7. EQUITY**

**Note 7(a) Contributed Equity**

9,450,021,556 fully paid ordinary shares  
(2019: 8,945,846,952)

2020	2019
\$	\$
432,049,810	429,979,810
<b>432,049,810</b>	<b>429,979,810</b>

**Balance as at 30 June 2018**

55,000,000 shares issued 26 June 2018<sup>(i)</sup>  
187,500,000 shares issued @ \$0.004 6 August 2018<sup>(ii)</sup>  
62,500,000 shares issued @ \$0.004 16 October 2018<sup>(ii)</sup>  
25,000,000 shares issued @ \$0.004 9 January 2019<sup>(iii)</sup>  
30,000,000 shares issued @ \$0.004 9 January 2019<sup>(ii)</sup>  
200,000,000 shares issued @ \$0.004 14 February 2019<sup>(iii)</sup>  
15,000,000 shares issued @ \$0.004 22 February 2019<sup>(iii)</sup>  
300,000,000 shares issued @ \$0.005 9 April 2019<sup>(iv)</sup>  
Effects of movements in exchange rates

Number of shares	Share capital \$
<b>8,125,846,952</b>	<b>426,181,131</b>
-	220,000
187,500,000	750,000
62,500,000	250,000
25,000,000	100,000
30,000,000	120,000
200,000,000	800,000
15,000,000	60,000
300,000,000	1,500,000
-	(1,321)
<b>8,945,846,952</b>	<b>429,979,810</b>

**Balance as at 30 June 2019**

53,333,333 shares issued @ \$0.00375 12 July 2019<sup>(ii)</sup>  
26,666,667 shares issued @ \$0.00375 6 August 2019<sup>(ii)</sup>  
26,666,667 shares issued @ \$0.00375 5 September 2019<sup>(ii)</sup>  
26,666,667 shares issued @ \$0.00375 5 September 2019<sup>(iii)</sup>  
22,666,667 shares issued @ \$0.00375 24 September 2019<sup>(iii)</sup>  
26,666,667 shares issued @ \$0.00375 14 October 2019<sup>(ii)</sup>  
26,666,667 shares issued @ \$0.00375 16 December 2019<sup>(ii)</sup>  
66,666,667 shares issued @ \$0.0045 16 December 2019<sup>(ii)</sup>  
65,000,000 shares issued @ \$0.005 14 January 2020<sup>(i)</sup>  
74,285,714 shares issued @ \$0.0035 31 January 2020<sup>(v)</sup>  
22,222,222 shares issued @ \$0.0045 10 March 2020<sup>(ii)</sup>  
22,222,222 shares issued @ \$0.0045 2 April 2020<sup>(ii)</sup>  
22,222,222 shares issued @ \$0.0045 12 June 2020<sup>(ii)</sup>  
22,222,222 shares issued @ \$0.0045 30 June 2020<sup>(ii)</sup>

**Balance as at 30 June 2020**

53,333,333	200,000
26,666,667	100,000
26,666,667	100,000
26,666,667	100,000
22,666,667	85,000
26,666,667	100,000
26,666,667	100,000
66,666,667	300,000
65,000,000	325,000
74,285,714	260,000
22,222,222	100,000
22,222,222	100,000
22,222,222	100,000
22,222,222	100,000
<b>9,450,021,556</b>	<b>432,049,810</b>

Notes:

- (i) Issue of shares to senior staff under Employee Share Option Plan
- (ii) Issue of shares to AustSino via a placement.
- (iii) Issue of shares to sophisticated investors via a placement.
- (iv) Issue of shares to Western Australian Port Rail Construction (Shanghai) Ltd ("WAPRC") to further extend the end date of their agreement.
- (v) Issue of shares on conversion of Convertible Notes

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 7. EQUITY (CONTINUED)**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

#### **OPTIONS OVER ORDINARY SHARES**

##### *Unlisted Options*

At 30 June 2020 there were 789,333,334 (2019:1,460,000) unissued ordinary shares for which options were outstanding which were subject to vesting conditions. These comprise the following:

- 100,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.30 cents per share vesting on 1 December 2017 and expiring on 1 December 2022.
- 100,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.60 cents per share vesting on 1 December 2018 and expiring on 1 December 2023.
- 110,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.60 cents per share expiring on 8 January 2024.
- 400,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.60 cents per share expiring on 13 February 2024.
- 30,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.60 cents per share expiring on 21 February 2024.
- 26,666,667 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.60 cents per share expiring on 28 August 2024.
- 22,666,667 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 0.60 cents per share expiring on 29 August 2024.

##### *Listed Options*

As at 30 June 2020 there were no (2019: nil) options outstanding which entitled the holder to subscribe for one ordinary share in the parent entity.

#### **PERFORMANCE RIGHTS OVER ORDINARY SHARES**

At 30 June 2020 there were no (2019: nil) performance rights on issue over ordinary shares.

#### **TERMS AND CONDITIONS OF CONTRIBUTED EQUITY**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.

#### **RESERVES**

The share based payment reserve and option premium reserve relate to share options granted by the Company to its employees under its employee share option plan. Further information about share based payments to employees is set out in Note 17.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

AustSino has provided \$1.4m in funding to Sundance which is repayable in cash or equity only on the condition that the Sundance Agreement completes by 30 November. The issue price of the shares is \$0.0045 per share and is held pending in an Equity Reserve. If the agreement does not complete this funding will be recognised as revenue to Sundance.

**ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2020



**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. CASH FLOW INFORMATION**

	2020	2019
	\$	\$
<b>Reconciliation of cash flow from operations with loss after income tax</b>		
Loss after tax	(6,616,407)	(205,800,856)
<b>Non-cash items in loss after tax</b>		
Cost of share based payments	325,000	236,133
Shares in other entity acquired at nil consideration	(1,400,000)	-
Extension of WAPRC agreement settled by issue of shares	-	1,500,000
Project impairment	-	187,542,141
Finance charge – convertible note	5,729,880	17,544,057
Gain on revaluation of derivative – convertible notes	(368,136)	(3,883,864)
Total foreign exchange impact on operating cash flows	(39,373)	348,132
<b>Changes in assets and liabilities</b>		
(Decrease)/Increase in accruals and provisions	90,992	(293,604)
(Decrease)/Increase in creditors	(25,764)	347,027
(Increase)/decrease in inventories	(590)	37,797
(Increase)/decrease in other debtors and prepayments	33,454	22,099
Net cash used in operating activities	<b>(2,270,944)</b>	<b>(2,400,938)</b>
<b>Cash and cash equivalents at the end of the year is shown in the accounts as:</b>		
Cash and cash equivalents	753,385	139,095
<b>Cash and cash equivalents at the end of the financial year</b>	<b>753,385</b>	<b>139,095</b>
<b>Non-cash investing and financing activity</b>		
\$1.5M shares issued to WAPRC	-	1,500,000

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 9. INCOME TAX**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current Tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax asset not brought to account will only be of benefit to the Group if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the entities in the Group are able to meet the continuity of ownership and/or continuity of business tests.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 9. INCOME TAX (CONTINUED)

#### Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

	2020 \$	2019 \$
<b>The components of tax expense comprise:</b>		
<i>Current Income Tax</i>		
- Current income charge (benefit)	(324,101)	(1,030,403)
<i>Deferred Income Tax</i>		
- Relating to origination and reversal of temporary differences	605,513	(23,435,209)
- Tax losses not brought to account	324,101	1,030,403
- Timing differences not brought to account	(605,513)	23,435,209
<b>Income tax expense reported in the statement of comprehensive income</b>	-	-
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Loss before tax from ordinary activities	(6,616,407)	(205,800,859)
Prima facie tax receivable on loss from ordinary activities before income tax at 30% (2019: 30%)		
- consolidated group	(1,984,922)	(61,740,258)
Add:		
Tax effect of:		
- Impairment of project & utility expense	195,566	56,094,781
- Share based payment expense	97,500	520,840
- Other non-allowable items	1,368,467	5,247,600
- Losses not brought to account	324,101	1,030,403
- Timing differences not brought to account	(712)	(1,153,366)
<b>Income tax attributable to entity</b>	-	-
<b>Unrecognised deferred tax balances</b>		
Unrecognised deferred tax asset – losses	47,134,690	47,336,202
Unrecognised deferred tax assets – other	2,711,249	1,904,224
<b>Deferred tax asset not brought to account</b>	<b>49,845,939</b>	<b>49,240,426</b>

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 10. FINANCIAL AND CAPITAL RISK MANAGEMENT**

#### **Financial risk management objectives and policies**

The Group's principal financial instruments comprise cash and short-term deposits. The Group has various other financial assets and liabilities such as trade receivables, trade payables and convertible notes, which arise directly from its operating and financing activities. The Group's policy is that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, capital risk, liquidity risk and foreign currency risk. The Board reviews each of these risks on a regular basis.

#### **Interest rate risk**

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group and the Company are exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest. Neither the Group nor the Company have any interest bearing liabilities subject to interest rate fluctuations. The Group and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit exposure is controlled by counterparty limits. The counterparty limits approved during the year are that an individual counterparty does not exceed: 40% where gross monetary assets are in excess of \$50 million; 50% where gross monetary assets are between \$10 million \$50 million; and 100% where gross monetary assets are below \$10 million. Concentration of credit risk related to any counterparty did not exceed these limits during the year; the maximum counterparty risk recorded during the year amounted to 70%. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### **Capital risk**

The Group and Company endeavour to manage their capital to ensure the Group and the Company will be able to continue as going concerns while maximising the development outcomes from its exploration expenditure.

The capital structure of the Group and the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves, carried forward losses and non-controlling interests. At 30 June 2020 the Group and the Company have convertible note facilities with Wafin, Noble, the Investor Consortium, and 2015 Investor Consortium.

#### **Liquidity risk**

The Group manages liquidity risk by maintaining adequate reserves through the monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### **Liquidity and interest rate risk tables**

The tables below have been drawn up based on the undiscounted cash flows (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group and the Company can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated the cash flow will occur in a different period. In addition to the below cash flows, please refer to Note 14 Expenditure Commitments.

#### **Foreign currency risk**

As a result of significant investment operations in Africa, the Group's balance sheet can be affected significantly by movements in the XAF/A\$ exchange rates. The Group does not currently hedge this exposure.

**ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2020



**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)**

2020	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 to 12 months	Greater than 12 months	Total
<b>Financial assets</b>						
Trade Receivables	0.00%	39,572	-	-	-	39,572
Variable interest rate	0.08%	753,385	-	-	-	753,385
		<b>792,957</b>	-	-	-	<b>792,957</b>
<b>Financial liabilities</b>						
Trade Payables	0.00%	934,123	-	-	-	934,123
Derivative Liability	0.00%	-	-	-	-	-
Debt Liability	64.50%	132,556,198	-	-	-	132,556,198
		<b>133,490,321</b>	-	-	-	<b>133,490,321</b>
<b>2019</b>						
<b>Financial assets</b>						
Variable interest rate	0.40%	139,095	-	-	-	139,095
		<b>139,095</b>	-	-	-	<b>139,095</b>
<b>Financial liabilities</b>						
Trade Payables	0.00%	925,862	-	-	-	925,862
Derivative Liability	0.00%	-	316,136	-	-	316,136
Debt Liability	61.16%	-	132,543,633	-	-	132,543,633
		<b>925,862</b>	<b>132,859,769</b>	-	-	<b>133,785,631</b>

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2020 \$	2019 \$	2020 \$	2019 \$
US Dollars (USD)	-	-	6	7,559
Central African Franc (XAF)	65,646	48,108	50,393	26,292

The Group has assessed that any movements in the Australian Dollar against the relevant foreign current and the interest rate will not have a material impact on the entity and accordingly, no additional disclosure on the possible change in rates have been made.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### Fair values

The aggregate fair values of the Group's financial assets and financial liabilities both recognised and unrecognised are as follows:

	2020		2019	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
<b>Consolidated</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	753,385	753,385	139,095	139,095
Receivables	39,572	39,572	45,624	45,624
<b>Financial Liabilities</b>				
Payables	934,123	934,123	925,862	925,862
Convertible notes	132,556,198	132,556,198	127,138,321	127,150,443

The following methods and assumptions are used to determine the fair value of financial assets and liabilities:

- Cash assets and financial assets are carried at amounts approximating fair value because of their short term to maturity. Receivables and payables are carried at amounts approximating fair value.
- The fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. For other assets and other liabilities the fair value approximates their carrying value. Please refer to Note 5(c) for further details on the fair value of convertible notes.

No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Group intends to hold these assets.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11. CONTROLLED ENTITIES

	Principal Activity	Country of Incorporation	Proportion of ownership interest and voting power held by the Group (%)	
			2020	2019
<i>Parent Entity:</i>				
- Sundance Resources Limited	Corporate	Australia	—	—
<i>Subsidiaries of Sundance Resources Limited:</i>				
- Cam Iron S.A.	Iron ore exploration	Cameroon	90	90
- Sundance Minerals Pty Ltd	Holding	Australia	100	100
- Sundance Exploration Pty Ltd	Holding	Australia	100	100
- Sundance Mining Pty Ltd	Holding	Australia	100	100
- Congo Iron S.A.	Iron ore exploration	Congo	85	85
- Sangha Resources S.A.	Dormant	Congo	80	80
<i>Subsidiaries of Cam Iron S.A.:</i>				
- Mbarga Mine Co S.A.	Holding	Cameroon	90	90
- CI RailCo S.A.	Holding	Cameroon	90	90
- CI PortCo S.A.	Holding	Cameroon	90	90
<i>Subsidiary of CI Rail Co S.A. and CI PortCo S.A.:</i>				
Mineral Terminal and Rail Operations Company S.A	Dormant	Cameroon	90	90

### NOTE 12. CONTINGENT LIABILITIES

The Group is aware of the following contingencies as at 30 June 2020:

#### Hold Co Production Based Compensation

- Sundance is required to pay ongoing production based compensation to Hold Co SARL, Cam Iron's minority shareholder, pursuant to a compensation deed. The obligation to pay this compensation is based on iron ore sold by Congo Iron and is calculated at the rate of US\$0.10 per tonne for iron ore sold at the price of US\$80 per tonne and is subject to a rise and fall of US\$0.005 per tonne for every US\$10 movement in the price (i.e. at US\$90 per tonne the rate is US\$0.105).

#### Use of the Quantm System on the Mbalam Rail Corridor

- In July 2007, Sundance entered into an agreement with Quantm Pty Ltd for the application of the Quantm System on the Mbalam Rail Corridor. This agreement provided for a success fee of US\$1,850,000 which is only payable upon the completion of Financial Close as interpreted under the agreement. The timetable and certainty to achieve Financial Close is not known. As a result, no amount has been recognised as a liability in the financial statements.

#### Fiscal Compliance

- The Group, including its subsidiaries in Cameroon and Congo are engaged in ongoing discussions with the financial administrations on customs, indirect taxes and other fiscal administrative matters. The ongoing discussions may or may not lead to further costs being incurred by the Group.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## NOTES TO THE FINANCIAL STATEMENTS



SUNDANCE  
RESOURCES LTD

### NOTE 13. CAPITAL AND LEASING COMMITMENTS

#### Operating Lease Commitments

The Company has a licence agreement to rent premises at 45 Ventnor Avenue West Perth which expired on 31st October 2018. Under the agreement, Sundance continues to occupy the premises as a periodic tenant and is required to give at least 2 months' prior written notice to vacate the premises.

Cam Iron leases office premises which is leased on a periodic basis.

Congo Iron provides one premises for a residential employee that also serves as office premises. This property is leased on a periodic basis.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### NOTE 14. EXPENDITURE COMMITMENTS

#### Exploration Permit – Republic of Cameroon

- With the expiry of EP92 no further minimum expenditure is required.

#### Exploration Permits and Mining Permit – Republic of Congo

- On 6 February 2013, by Presidential Decree 2013-45, Congo Iron obtained a Mining Permit over the Nabeba –Bamegod exploration permit area for a period of 25 years. No minimum expenditure is required.
- On 9 August 2013 by Presidential Decree 2013-405, the Ministry granted a second 2 year extension of the Ibanga Exploration Permit. Congo Iron made application for a new permit, the Bethel Exploration Permit covering only part of the previous Ibanga permit area containing the most prospective area in August 2015. Congo Iron is awaiting a determination on this permit. No expenditure requirements have been set.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than as set out below or elsewhere in this Annual Financial Report, no matters or circumstances have arisen since the end of the financial year:

#### A) Extension of AustSino Agreement

On 2 July 2020, Sundance announced it was in negotiations with AustSino with a view to agreeing a further extension to the New Agreement.

On the 6 July 2020, Sundance announced that its negotiations with AustSino had progressed to the signing of a new extension letter agreement between AustSino and Sundance to extend the New Agreement to 30 September 2020 ("**Further Extension Letter**"). This Further Extension Letter was circulated among the Noteholders for their execution by 17 July 2020 in order for the further extension to be effective.

The Further Extension Letter had a number of conditions:

1. The Agreement was to be extended to 30 September 2020 subject to:
  - (a) by July 10 AustSino must lodge a draft Notice of Meeting to the Australian Securities Exchange for review; and
  - (b) by July 17 AustSino needs to demonstrate to the reasonable satisfaction of Sundance that they have progressed the funding (e.g. \$29M) for completion of the Sundance Agreement.
2. AustSino to provide a further \$450,000 in funding to Sundance (this will be repayable in cash or equity only if the Sundance Agreement completes otherwise it will be revenue to Sundance). The first payment of \$50,000 being payable on 17 July should:
  - (i) all Noteholders have consented to the further extension, and
  - (ii) AustSino have satisfied the conditions in (a) and (b) above.

This Further Extension Letter and the key dates in it permitted Sundance to take further action and allow Sundance to seek an alternative course if sufficient progress to their satisfaction is not achieved.

On 10 July 2020 AustSino announced that it had submitted its draft Notice of Meeting to the ASX satisfying the first condition.

On 21 July 2020, Sundance announced that it received consent from all Noteholders as required by 17 July 2020.

Sundance also announced that it had met with AustSino on 17 July 2020 and was presented with a number of documents to support that progress was being made in funding the Sundance Agreement. The Board of Sundance was pleased to view the documents but did not believe there was sufficient progress to enable it to say that the condition precedent had been satisfied.

Sundance agreed to waive this condition but not otherwise release AustSino and gave AustSino another five business days (i.e. to 24 July 2020) for AustSino to provide further evidence that the required bank processes, which needed to be undertaken in order for the funding under the Sundance Agreement to be available, are being advanced.

On 27 July 2020 Sundance announced that the bank processes had commenced but were not advanced far enough for Sundance to provide AustSino with the agreed release. Sundance continues to monitor progress and update shareholders as the situation evolves. This outcome does not affect the implementation of the Sundance Agreement which requires the satisfaction of various conditions precedent.

The Sundance shareholders' Extraordinary General Meeting, which was adjourned on 29 June 2020, was reconvened on 29 July 2020 and all resolutions were passed.

#### B) Further Funding

- On 20 and 31 July 2020, Sundance received \$50,000 and \$100,000 respectively from AustSino under the further extension of the AustSino agreement.
- On 31 August 2020, Sundance received \$300,000 from AustSino under the further extension of the AustSino agreement.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

#### C) Final Extension of the New Agreement

Progress by AustSino and Midwest continued to secure funding for the New Agreement but, as of 30 September 2020, the funds had yet to be secured. It became evident that further time was required to complete the New Agreement.

Sundance and AustSino signed a conditional extension of the end date of the New Agreement from 30 September to 30 November 2020 ("**Final Extension Letter**").

The Final Extension Letter is conditional on approval being received for the extension from the Noteholders. Once Noteholder approval has been received, AustSino will provide a further \$300,000 in funding to Sundance (this will be repayable in cash or equity only if the New Agreement completes).

The Final Extension Letter also allows Sundance to cancel the Sundance Agreement with five business days' notice from 2 November 2020 if AustSino, by that date, has not convened a shareholders meeting to approve the transactions contemplated under the Sundance Agreement.

AustSino has also been working on finalising its Notice of Meeting ("NoM") to allow its shareholders to approve the MidWest placement. The NoM is unlikely to be released to AustSino's shareholders until the Midwest funds have been fully secured.

### NOTE 16. RELATED PARTY TRANSACTIONS

The Company is the parent and ultimate controlling party of the Group. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Sundance has adopted a policy to specify the circumstances in which it is deemed appropriate for Management to contract the services of a Director-Related Entity. This Policy provides that Sundance is only to enter into a transaction with a Director-Related entity in the following circumstances:

- B) Where any proposed transaction is at arm's length and on normal commercial terms; and
- C) Where it is believed that the Director-Related entity is the best equipped to undertake the work after taking into account:
  - a. Experience;
  - b. Expertise;
  - c. Knowledge of the group; and
  - d. Value for money.

#### **Equity Holdings**

At 30 June 2020, Directors and their related entities held directly, indirectly or beneficially in the Company 1,750,492,986 ordinary shares (2019:1,676,207,272), 200,000,000 options over ordinary shares (2019: 200,000,000), and nil performance rights over ordinary shares (2019: nil).

### NOTE 17. SHARE BASED PAYMENTS

#### **Share-based Payment Transactions of the Company**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out below.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.



# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17. SHARE BASED PAYMENTS (CONTINUED)

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

#### **Ordinary Share Based Payments**

During the financial year the Group did not issue (2019: nil) any ordinary shares in Sundance Resources Ltd to Executive Management under new salary structuring arrangements.

#### **Employee Share Based Payment Plan**

The Group has an ownership-based remuneration plan for executives and senior employees. Historically an option based plan was used and in 2011 this was changed to a performance rights based plan. The Employee Share Option Plan was reintroduced in 2017.

Each employee share option or performance right converts into one ordinary share of Sundance upon exercise. No amounts are paid or payable by the recipient upon receipt of the performance right or option, and only upon exercise for option holders. The performance rights and options carry neither rights to dividends nor voting rights. Performance rights or options may be exercised at any time from the date of vesting to the date of their expiry. The number of performance rights and options vested is calculated in accordance with the performance criteria approved by the Nomination and Remuneration Committee. The performance criteria reward executives and senior management to the extent of the Group's and the individuals' achievement judged against achievement of corporate and operational objectives. The performance conditions are derived from the following performance areas: achieving funding (equity and debt) commitment for Stage 1 of the Project; delivery of Total Shareholder Returns ('TSR') over a three or four year period; and increasing the Net Present Value ('NPV') of the Project.

Options issued in previous periods under the Employee Share Option Plan have varying performance conditions derived from key organisational objectives and are conditional on the holder remaining an employee at vesting date.

There were no outstanding performance rights at the end of the financial year.

#### **Share Based Payments – Options**

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	1,460,000,000	\$0.006	920,000,000	\$0.056
Issued during the year	49,333,334	\$0.006	540,000,000	\$0.006
Forfeited or expired during the year	(720,000,000)	\$0.070	-	-
Outstanding at year-end	<b>789,333,334</b>	<b>\$0.006</b>	<b>1,460,000,000</b>	<b>\$0.037</b>
Vested and Exercisable at year-end	<b>789,333,334</b>	<b>\$0.006</b>	<b>1,460,000,000</b>	<b>\$0.037</b>

The options outstanding at 30 June 2020 had a weighted average remaining contractual life of 3.3 years (2019: 2.29 years).

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17. SHARE BASED PAYMENTS (CONTINUED)

Option	Grant Date	Grant	Vesting	Expiry	Exercise	As at 30 June	
						2020 Number of	2019 Number of
1	Issued 23 September 2014 <sup>(i)</sup>	\$ 0.034	23-Sept-19	23-Sept-19	\$ 0.1200	-	50,000,000
2	Issued 28 November 2014 <sup>(i)</sup>	\$ 0.011	28-Nov-19	28-Nov-19	\$ 0.1200	-	210,000,000
3	Issued 1 December 2015 <sup>(ii)</sup>	\$ 0.002	23-Sept-19	23-Sept-19	\$ 0.0695	-	200,000,000
4	Issued 1 December 2015 <sup>(iii)</sup>	\$ 0.002	23-Sept-19	23-Sept-19	\$ 0.0695	-	260,000,000
5	Issued 10 April 2017 <sup>(iv)</sup>	\$ 0.009	1-Dec-2017	07-Apr-22	\$ 0.0030	100,000,000	100,000,000
6	Issued 10 April 2017 <sup>(iv)</sup>	\$ 0.009	1-Dec-2018	07-Apr-23	\$ 0.0060	100,000,000	100,000,000
7	Issued 8 January 2019 <sup>(v)</sup>	\$ 0.005	8-Jan-2019	08-Jan-24	\$ 0.0060	50,000,000	50,000,000
8	Issued 8 January 2019 <sup>(vi)</sup>	\$ 0.005	8-Jan-2019	08-Jan-24	\$ 0.0060	60,000,000	60,000,000
9	Issued 13 February 2019 <sup>(v)</sup>	\$ 0.005	13-Jan-2019	13-Feb-24	\$ 0.0060	400,000,000	400,000,000
10	Issued 21 February 2019 <sup>(v)</sup>	\$ 0.005	21-Jan-2019	21-Feb-24	\$ 0.0060	30,000,000	30,000,000
11	Issued 28 August 2019 <sup>(v)</sup>	\$ 0.005	28-Aug-2019	28-Aug-24	\$ 0.0060	26,666,667	-
12	Issued 29 August 2019 <sup>(v)</sup>	\$ 0.005	29-Aug-2019	29-Aug-24	\$ 0.0060	22,666,667	-
	Total					<b>789,333,334</b>	<b>1,460,000,000</b>

Notes:

- (i) Issued to Wafin under the convertible note funding agreement.
- (ii) Issued to Noble under the replacement convertible note deed.
- (iii) Issued to Investor Consortium under the replacement convertible note deed.
- (iv) Issued to MD/CEO under the Employee Share Option Plan.
- (v) Issued to sophisticated investors under share placement plans to advance the Mbalam-Nabeba Iron Ore Project.
- (vi) Issued to AustSino under binding agreement with AustSino and the Noteholders.

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Inputs into the model

Option Series

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6
Grant date share price	\$0.070	\$0.034	\$0.016	\$0.016	\$0.010	\$0.010
Exercise price	\$0.120	\$0.120	\$0.070	\$0.070	\$0.003	\$0.006
Expected volatility	70%	70%	80%	80%	130%	130%
Option life	5.0 years	5.01 years	3.91 years	3.91 years	5.14 years	6.14 years
Risk-free interest rate	2.97%	2.62%	2.10%	2.10%	2.29%	2.29%

Inputs into the model

Option Series

	Series 7	Series 8	Series 8	Series 10	Series 11	Series 12
Grant date share price	\$ 0.005	\$ 0.005	\$ 0.005	\$ 0.005	\$ 0.005	\$ 0.005
Exercise price	\$ 0.006	\$ 0.006	\$ 0.006	\$ 0.006	\$ 0.006	\$ 0.006
Expected volatility					171.5%	171.5%
Option life	5.0 years	5.0 years	5.0 years	5.0 years	5.0 years	5.0 years
Risk-free interest rate					0.25%	0.25%

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17. SHARE BASED PAYMENTS (CONTINUED)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with the corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### NOTE 18. KEY MANAGEMENT PERSONNEL REMUNERATION

The aggregate remuneration paid to directors and other members of key management personnel of the company and the Group is set out below:

	2020	2019
	\$	\$
Short-term employee benefits	515,740	359,463
Post-employment benefits	33,733	30,364
Share-based benefits	-	236,133
	549,473	625,960

### NOTE 19. AUDITORS REMUNERATION

	2020	2019
	\$	\$
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	54,800	59,409
	54,800	59,409
Remuneration of auditor network firms of the company for:		
- auditing or reviewing the financial report of foreign subsidiaries	30,014	31,602
	30,014	31,602

Bentleys perform the audit of the Company and its subsidiaries.

The Company has a policy to specify the circumstances in which it is deemed appropriate for Management to contract the services of Bentleys for non-audit work.

This policy provides that the Company is only to enter into a non-audit contract or transaction with the external audit firm in the following circumstances:

- A) Where any proposed transaction will not compromise the independence of the external auditors; and
- B) Where it is believed that the external auditor is best equipped to undertake the work after taking into account:
  - a. Experience;
  - b. Expertise, particularly in Cameroon and Republic of Congo where Deloitte have permanent representation;
  - c. Knowledge of the group;
  - d. Synergies of having the auditor perform the work; and
  - e. Value for money.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 20. LOSS PER SHARE

	2020 \$	2019 \$
a) Reconciliation of earnings to profit or loss from continuing operations		
Loss from continuing operations	(6,616,407)	(205,800,856)
Less: loss attributable to non-controlling interest	2,498,797	30,039,954
Earnings used to calculate basic loss per share	(4,117,610)	(175,760,902)
	No.	No.
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share.	9,225,128,764	8,511,442,842

As the Consolidated entity is in a loss position, the presentation of diluted earnings per share is not relevant.

### NOTE 21. DIVIDENDS

No dividends have been paid or proposed during the year (2019: nil).

### NOTE 22. PARENT ENTITY FINANCIAL INFORMATION

<b><u>Financial Position (as at 30 June)</u></b>	2020 \$	2019 \$
<i>Current assets</i>	811,169	217,488
<i>Non-current assets</i>	(46,540,878)	(259,943)
Total assets	(45,729,709)	(42,455)
<i>Current liabilities</i>	133,335,698	128,128,551
<i>Non-current liabilities</i>	66,794	14,226
Total liabilities	133,402,492	128,142,777
Net assets	(179,132,201)	(128,185,232)
<i>Shareholders' equity</i>		
Issued Capital	432,100,658	430,030,658
Capital pending issue	1,400,000	-
Share based payments premium reserve	29,521,836	29,521,836
Transactions with non-controlling interests reserve	13,512,500	13,512,500
Accumulated losses	(655,667,195)	(601,250,226)
Total equity	(179,132,201)	(128,185,232)
<b><u>Financial Performance (for the year ended 30 June)</u></b>		
Loss for the year	(54,416,969)	(199,145,941)
<b>Total comprehensive income</b>	(54,416,969)	(199,145,941)

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 23. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

#### Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, beginning on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the company/consolidated entity included:

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 Leases
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

#### AASB 16 Leases

In the current year, the Group has applied AASB 16 Leases, which is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 January 2019.

#### a) *Impact of the new definition of a lease*

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

#### b) *Impact on lease accounting*

##### (i) *Former operating leases*

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 23. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

#### (ii) *Former finance leases*

The main differences between AASB 16 and AASB 117 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group's consolidated financial statements.

#### c) *Impact on lessor accounting*

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, AASB 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

Because of this change, the Group has reclassified certain of its sub-lease agreements as finance leases. As required by AASB 9 Financial Instruments, an allowance for expected credit losses has been recognised on the finance lease receivables.

#### d) *Financial impact of the initial application of AASB 16*

The Group currently do not have any leases so there is no impact on the financial statements in the current or prior year.

The application of AASB 16 has no impact on the consolidated statement of cash flows of the Group.

#### **Other pronouncements adopted for the first time in the current period**

In the current year, the Group has applied a number of amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### *AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*

The Group has adopted the amendments to AASB 9 Financial Instruments for the first time in the current year. The amendments clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

#### *AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*

The Group has adopted the amendments included in AASB 2018-1 for the first time in the current year. The Standard include amendments to four Standards:

- AASB 112 Income Taxes – The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits
- AASB 123 Borrowing Costs – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings
- AASB 3 Business Combinations – The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



SUNDANCE  
RESOURCES LTD

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 23. NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- AASB 11 Joint Arrangements - The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its previously held interest in the joint operation.

#### AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments to AASB 119 Employee Benefits for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). AASB 119 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under AASB 119:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

#### AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

AASB 2018-3 establishes the disclosure requirements of AASB 16 Leases in financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (RDR). These disclosure requirements have been applied by the Group in presenting and disclosing information in these financial statements.

#### Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

## Independent Auditor's Report

### To the Members of Sundance Resources Limited

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of Sundance Resources Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

##### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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# Independent Auditor's Report

To the Members of Sundance Resources Limited (Continued)



## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a net loss of \$6.62 million and had a working capital deficiency of \$132.6 million during the year ended 30 June 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Convertible Notes</b></p> <p>As disclosed in Note 5(c) to the financial report, the carrying value of the debt component of convertible notes is \$132,556,198, which was extended post year-end and is now set to expire on 30 June 2021.</p> <p>In addition to the agreements made with the noteholders to convert to equity and a royalty on the future production of the project, a new agreement was entered into in conjunction with the AustSino transaction, with the latest variation of this agreement announced on the Australian Securities Exchange on 1 October 2020 which would buy out the convertible notes and leave Sundance debt free by 30 November 2020. At the date of the report this was subject to noteholder approval.</p> <p>Convertible Notes are considered to be a key audit matter due to:</p> <ul style="list-style-type: none"><li>▶ the value of the balance; and</li><li>▶ the complexities involved in the recognition and measurement of convertible financial instruments and associated transaction costs.</li></ul>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"><li>▶ analysing if there are agreements in existence which will alter the treatment of the notes as at 30 June 2020;</li><li>▶ assessing the key inputs into the valuation models and determining their continued appropriateness;</li><li>▶ recalculating the movement during the year; and</li><li>▶ assessing the adequacy of the disclosures in Note 5(c) to the financial report.</li></ul>

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# Independent Auditor's Report

To the Members of Sundance Resources Limited (Continued)



## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that

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## Independent Auditor's Report

To the Members of Sundance Resources Limited (Continued)



are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

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# Independent Auditor's Report

To the Members of Sundance Resources Limited *(Continued)*



## Auditor's Opinion

In our opinion, the Remuneration Report of Sundance Resources Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**  
Chartered Accountants

**MARK DELAURENTIS CA**  
Partner

Dated at Perth this 7<sup>th</sup> day of October 2020

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