

FOREIGN INVESTMENT REVIEW BOARD MINUTE

Minute No.

20 June 2012

File: F2012/04548

Deputy Prime Minister and Treasurer

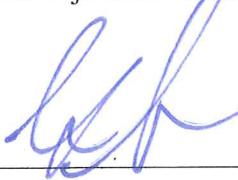
cc: Assistant Treasurer and Minister
Assisting for Deregulation

SICHUAN HANLONG (GROUP) LIMITED – ACQUISITION OF UP TO A 100 PER CENT INTEREST IN SUNDANCE RESOURCES LIMITED

Timing: The statutory deadline is Thursday, 19 July 2012. Section 45

Recommendation: That you raise no objection to:

- the acquisition by Sichuan Hanlong (Group) Limited (**Hanlong**), through Hanlong (Africa) Mining Investment Limited, of up to a 100 per cent interest in Sundance Resources Limited (**Sundance**); and
- that unless you indicate any concerns, the applicant will be advised in writing that the Government has raised no objections to the acquisition.


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Noted


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KEY POINTS

Overview of the Proposal

- Hanlong, a large privately-owned Chinese company, proposes to acquire through a scheme of arrangement 100 per cent of Sundance, an ASX-listed Africa-based iron ore company, for Section 45. Hanlong currently owns 18.6 per cent of Sundance.
 - Sundance has no operations or significant assets in Australia.
 - Section 47C

ASIC Investigation into Alleged Insider Trading

Section 47C

COMMERCIAL-IN-CONFIDENCE

Section 47C

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• Section 45

• Section 47C

Section 47C & 47E

Progress of Scheme of Arrangement

- The scheme of arrangement (for Hanlong to acquire 100 per cent of Sundance) was conditional on a number of other regulatory approvals, which has delayed its implementation. This included Hanlong and Sundance receiving mining approval from the governments of the Republic of Congo (granted on 20 April 2012) and Cameroon (granted 5 June 2012).

Other National Interest Concerns

- Section 47C

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- Section 47C & 47E

Parties

Acquiring Party

- Hanlong, incorporated in China, is ultimately owned by four Chinese individuals. Hanlong first invested in Australia in 2009 when it acquired a controlling stake in molybdenum hopeful Moly Mines for \$US200 million with the intention of funding the Spinifex Ridge molybdenum/copper/iron ore project near Marble Bar, Western Australia.
- Hanlong is one of China's largest private enterprises with more than 12,000 staff and 30 subsidiary companies. Section 45
- Section 45

Target Company

- Sundance (market capitalisation \$1.3 billion, total assets \$220 million) is advancing a significant exploration program and feasibility studies on the Mbalam project, based on production of 35Mtpa of hematite iron ore for 10 years and a further 35Mtpa of hematite concentrate for an additional 15 years. It aims to commence operations in 2014, with a view to forming the basis for developing a global iron ore business.

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- The Mbalam project is based around a group of large scale iron ore deposits approximately 485 km east of the coastal city of Kribi in southwest Cameroon. It comprises an exploration permit in Cameroon and mining research permits in the Republic of Congo held by local Sundance subsidiaries.
- Hanlong acquired its 18.6 per cent shareholding in Sundance from Talbot Group Investment Pty Ltd, a company of the late Ken Talbot, a former director of Sundance. Sundance's entire Board and two of its executives were killed in an air-crash in west Africa on 19 June 2010. The company has since appointed new directors and recommenced operations.

Foreign Acquisitions and Takeovers Act 1975

- The acquisition is subject to the *Foreign Acquisitions and Takeovers Act 1975* as a foreign company (Hanlong) proposes to increase a substantial shareholding (above 15 per cent) in an Australian company (Sundance) that is valued at more than \$244 million.

Recommendation

- Section 47C & 47E

Section 22

Section 22
Executive Member
Foreign Investment Review Board

Contact Officer: Section 22
EL2: Section 22

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ADDITIONAL INFORMATION

CONSULTATIONS

Section 47C & 47E

FOREIGN INVESTMENT POLICY

The proposal is subject to the *Foreign Acquisitions and Takeovers Act 1975* as a foreign person is proposing to acquire a substantial shareholding in an Australian corporation valued at more than \$244 million. If the applicant would be in a position to determine the control of the target company and it was decided to be contrary to the national interest, action to either prohibit the proposal or attach ameliorating conditions would be available under the *Foreign Acquisitions and Takeovers Act 1975*. The concept of national interest is not defined by the *Foreign Acquisitions and Takeovers Act 1975* and embodies a number of elements, including considerations of national security matters, community interests, economic development, environmental issues and Australia's international obligations.

A notification of no objection under the foreign investment policy is normally only issued for a specific transaction which is expected to be completed in a timely manner. If such a transaction does not proceed at that time and/or the parties enter into new agreements at a later date, or if a transaction is not completed within 12 months, further notification must be provided.

Section 47C & 47E

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Section 45 & 47C

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