

FINANCIAL REVIEW

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HD **Sundance hunts for Africa funds offshore**
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Sundance Resources chairman George Jones says he is looking to drum up interest in **China** and from traditional Western investors to finance the infrastructure for its flagship \$US4.6 **billion** (\$4.9 **billion**) **iron ore** project in central Africa, after being "very disappointed" by the lack of appetite from Australian quarters.

On Friday, Perth junior Sundance struck a long-awaited deal with a Portuguese **firm** for the construction of \$US3.5 **billion** in port and rail underpinning its Mbalam-Nabeba project, which straddles Cameroon and the Congo. But the financing for the infrastructure, and another \$US1.1 **billion** to bankroll the **iron ore** project, are still up in the air.

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Sundance has been inching towards construction for its project and it has been a long, emotional road, after a plane crash in the Congo in 2010 that claimed the lives of six of its executives.

Mr Jones said it had been a "very difficult" journey but he was confident the project could get up. "All the groundwork has been done and now it is about pulling it all together," he said.

Sundance has also appointed Standard Bank as financial adviser and **lead** debt arranger. It awarded Portuguese contracting giant Mota-Engil an engineering procurement and construction contract to build the project infrastructure, which will cover 580 kilometres of rail lines and a port at Lolabe in Cameroon. Mota-Engil is in the midst of building a Malawian bulk commodity railway.

But the biggest challenge is the hunt for funding. Mr Jones said North American and European pension funds and specialist infrastructure funds were interested in financing offers for the infrastructure component and were prepared to take greenfields construction risk. There had also been interest from potential **iron ore** customers in **China**. The **company** has also been in talks with export credit agencies, development funds and banks to secure debt funding. The target for close of financing is next June. Africa has risk profile

Mr Jones has been "very disappointed" at the lack of interest from Australian investors. "I appreciate there are unknowns in Africa and it has a risk profile," he said. "But it is emerging and is an area that is just going to expand." The political and economic risks associated with Africa typically deter traditional commercial "Western" infrastructure investors.

Mr Jones, who is a **mining** industry veteran, said Mbalam-Nabeba **ore** could land at between \$US45 a tonne and \$US50 a tonne, putting Sundance just behind Rio Tinto and BHP Billiton.

He said the **ore** is 62.6 per cent grade, slightly above benchmark, and claimed the project will be one of the lowest cost producing assets in the world, when it comes online in late 2019.

Sundance has secured Asian commodities trader Noble Group for all the project's offtake – a deal worth up to \$US3.5 **billion** a year assuming an **iron ore** price of \$US100 a tonne – but there is a provision in the contract that allows for Sundance to pare the deal back to cover 50 per cent of offtake.

So Sundance could use the 50 per cent as a carrot for a potential investor to take **equity** in the project. Own, operate, transfer model

Investors, however, took Friday's announcement badly, sending shares down 13 per cent, or 1.3¢, to 8.7¢ at the market close.

Mr Jones said he was disappointed with the share price reaction, and put the fall down to a small pool of speculative investors who, he suggested, had not been with the **company** for the long haul.

He said it was a source of frustration that the Sundance share price did not reflect the "true value" of the project. "The price is in no way reflective of the value of the project," he said.

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