

# Strandline Resources Limited

## Ready for a mineral sands break out

Strandline Resources Limited (ASX:STA) is an ASX-listed mineral exploration and development play with highly progressed mineral sands opportunities in Western Australia and Tanzania. The 100%-owned Coburn Project (WA) is in construction, reported as 85% complete at 31-July, with first concentrate delivery expected before end-2022. The Fungoni Project (Tanzania, STA 84%) is ready for construction pending completion of financing and the remaining regulatory approvals. Importantly, the project portfolio is scalable, particularly in Tanzania where Fungoni is likely to represent the first development in a series of projects. To the north, the Tajiri Project contains an estimated resource of 268Mt @ 3.3% total heavy minerals (THM) along a 30km mineralised corridor. Tajiri is considered to somewhat open-ended with material upside potential. The post-COVID industry outlook is robust with a significant rebound in product prices already evident and expected to be maintained into the medium-term supported by global supply constraints. On low capital and operating costs as projected, we suggest both the Coburn and Fungoni projects could represent excess rate-of-return outcomes with material expansion and new asset growth options.

### Coburn on the cusp

The Coburn project is on the cusp of production, being some 85% through the construction phase, targeting first concentrate before end-2022, which underpins a strong investment story, particularly with open pit development running ahead of schedule as we understand. The deposit is located 240km north of the port of Geraldton and in close proximity to key infrastructure. The Detailed Feasibility Study (DFS) supports the view that Coburn is a world-class, long-life mineral sands project with forecast average EBITDA of A\$104mn pa over a 22.5-year mine life. The project is underpinned by binding offtake contracts over 100% of the project's production at ~US\$140mn pa. The ore reserves stand at 523Mt @ 1.11% THM. A project extension scoping study based on resources north and adjacent to the mining licences could add up to 15 years to the operational life of the project. The development is fully funded through to production via a combination of long-tenor debt provided by the Northern Australian Infrastructure Facility, a US\$60mn bond tranche and cash reserves. Cash stands at A\$119.6mn as at 30-June.

### A string of mineral sands pearls in Tanzania

As described, the company holds a suite of tenements stretching to some 350km of potential mineralisation along strike. The key assets are the Fungoni and Tajiri projects where feasibility study results indicate more than US\$1bn of EBITDA over ~30 years on the contained assumptions. We interpret the Fungoni Project as the foundation asset that could enable the company to piggy-back a series of operations along the coastline tenement portfolio. We note Fungoni still needs to secure final approvals and financing. In December 2022 Strandline signed a strategic JV with the Government of Tanzania for the development of Fungoni and Tajiri projects. With Fungoni's ore reserve of 12.3Mt @ 3.9% THM and an estimated capital cost of only US\$35mn (excluding financing costs), the project looks to be an ideal, low-cost 'starter' operation. The transformational upside lies with the Tajiri Project holding an estimated resource of 268Mt @ 3.3% THM...importantly the company has also reported additional discoveries at its Bagamoyo and Sudi Projects. Tanzania is unlikely to be a one-trick play.

### Undersupplied markets support product pricing

Forecast product demand in a COVID-recovery world is forecast to remain strong and supportive of robust project economics. The timing to first production at Coburn is advantageous with the potential to fast-track additional, low-cost growth at Fungoni.

#### Share Details

|                          |          |
|--------------------------|----------|
| ASX code                 | STA      |
| Share price              | \$0.44   |
| Market capitalisation    | \$545.6M |
| Number of shares         | 1,240.2M |
| Total options on issue   | 13.0M    |
| Net cash at 30-June-2022 | \$119.6M |

#### Share Price Performance (12 months)



#### Upside Case

- Global demand remains strong, supporting mineral sands product prices
- Delivery of Coburn first concentrate ahead of schedule and finalising Fungoni approvals and financing
- Commercial definition of expansion potential

#### Downside Case

- Delays to first concentrate production through cost increases or supply chain impacts
- Inflation and rising interest rates materially impact demand and put downward pressure on prices
- Delays in finalising growth options

#### Catalysts

- First Coburn concentrate
- Successful project financing

#### Comparative Companies (Australia & NZ)

ATR, BSE, ILU, IMA, SFX

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## FINANCIAL SERVICES GUIDE

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- **how we transact with you**
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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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