

Strandline close to putting the foot down at Coburn

A DECADE in the wilderness will end in the next few weeks for one of the world's best undeveloped deposits of titanium minerals when Strandline Resources releases an updated feasibility study into its Coburn project in Western Australia.

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Tim Treadgold

Older investors might remember Coburn as the key asset inside a company called Gunson Resources, though those memories are probably not positive because a combination of factors consigned the project to a period in limbo.

A lot has changed in the past 10 years, including Gunson adopting the new name of Strandline, and the more recent recovery in prices for zircon, ilmenite and rutile, the primary minerals found in Coburn.

Getting Coburn to the point where a fresh start can be made in development planning has not been easy for Strandline, and it will not be the company's first mineral sands mine with that title almost certainly going to a small project on the other side of the Indian Ocean.

It's in Tanzania that Strandline is expected to make the transition from explorer to producer through the development of small but potentially very profitable mineral sands mine called Fungoni which should provide some of the internal capital for the much bigger Coburn development.

Fungoni could also be the precursor to several mines along the Tanzanian coast where Strandline has made a series of discoveries, as well as having a potentially significant joint venture covering other assets with one of the world's biggest titanium minerals miners, Rio Tinto.

For investors with an eye on an emerging mining story, Strandline is likely to generate a series of news events in Tanzania and Australia over the course of the next 12 months. Fungoni is arguably the most important at this stage of Strandline's evolution because it will be the early-stage money-maker with most of the moving parts of the project rapidly coming together.

Financing negotiations are being led by South Africa's Nedbank. Life-of-mine sales contracts have been secured. A construction contract and government approvals have been obtained, with the approvals perhaps the most important issue in a country which developed a bad reputation in the mining industry but is back on the road back to redemption with a welcome mat now out for miners.

Strandline chief executive Luke Graham acknowledges Fungoni is a starter mine, but even if small there is a world of difference between a business relying on capital top-ups from investors and one generating its own cash.

"Fungoni is a first step in our multi-tiered and staged growth strategy which has the primary aim of maximising shareholders value," Graham said.

With an estimated capital cost of US\$32 million Fungoni is expected to produce about two million tonnes of ore a year over an initial 6.2-year campaign, with mineral sales generating US\$81.7 million in cash during its lifetime, with payback of the initial capital achieved in 2.7 years.

It's what Strandline does with the cash from Fungoni which is the most interesting part of the company's business plan because once it proves that it can run a mine, however small, the future wave of projects should be easier to fund and develop.

In Tanzania, the most highly rated of the second crop is a potential development named Tajiri which is located in the broader Tanga project area. The resource at is at least 12-times bigger than Fungoni and could grow further as exploration continues. After Fungoni and Tajiri there is a conga-line of exploration targets and a series of prospect on the southern coastline of Tanzania with Rio Tinto.

The immediate future, however, is a combination of Fungoni as a small but reasonably profitable development, almost certainly followed by a commitment to the long-delayed Coburn project on the Australian west coast.

Big by almost any measure in the mineral sands world Coburn is roughly 10-times bigger than Tajiri when measured as a resource in the ground and widely seen as the company-maker for Strandline.

Patersons Securities described Coburn as "the key driver" in Strandline's basket of assets with development expected to follow Fungoni by between six-and-12 months.

Details of what Coburn might look like will be contained in the definitive feasibility study scheduled for release later this month, but with an increase from earlier studies of 12.3

million tonnes of contained heavy minerals to 19.6Mt in the latest analysis Coburn will be a substantial mine.

Critical to all of Strandline's projects, especially Coburn, is the market for mineral sands, a family of material which is notoriously cyclical as demand fluctuates and established producers oscillate between over-and-under production.

Right now, zircon and titanium minerals are in a sweet spot best measured by the strong financial results of big producers such as Iluka Resource which three weeks ago reported a 67% increase in underlying pre-tax earnings to A\$600 million thanks largely to a 41% increase in zircon prices and a 21% increase in the price of rutile.

Significantly, Iluka reckons the zircon price will remain strong at about US\$1580/t while contract rutile prices for the year ahead have risen by between 9%-and-11% to more than \$1100/t.

It's into that buoyant market, aided by reasonable demand and producer discipline in limiting output to try and avoid a price slump, that Strandline is entering the mineral sands market - after many years of trying.