

ASX ANNOUNCEMENT

Coburn Mineral Sands Project



STRANDLINE
resources limited

20 April 2020

Strandline signs major zircon concentrate sales contract for Coburn mineral sands project

Pivotal zircon concentrate offtake agreement underpins 22-26% of forecast revenue for seven years, putting Strandline well on the way to securing project funding

HIGHLIGHTS

- Strandline secures binding offtake agreement for Coburn's zircon concentrate product
- The agreement is with Sanxiang Advanced Materials Co., Ltd and Nanjing Rzisources International Trading Co., Ltd operating in strategic partnership (collectively, the Buyer)
- Under the agreement, the Buyer will purchase 100% of the zircon concentrate produced at Coburn for the first seven years, accounting for between 22-26% of Coburn's revenue based on TZMI's commodity price forecast
- The pricing formulae under the agreement exceeds the pricing assumptions contained in the DFS, further enhancing project fundamentals:
 - Zircon contained within the concentrate will be price-referenced against the prevailing \$US market price for premium zircon, recognising the desirable specification of Coburn's mineral
 - Titanium and monazite mineral (containing rare earth oxides) credits contained within the concentrate will be based on prevailing \$US market price for these co-products
- Favourable per-shipment payment arrangements via letter of credit will ensure regular and timely cashflow to Strandline
- Agreement also provides for sale of Coburn's heavy mineral concentrate (HMC) to be produced from the Wet Concentration Plant during the project ramp-up phase prior to full commissioning of the Mineral Separation Plant, which accelerates cashflow and further de-risks ramp-up
- Offtake negotiations for Coburn's remaining revenue streams are advancing well, including 24,000 tonnes pa of rutile and the balance of premium finished zircon

Strandline Resources (**ASX: STA**) (**Strandline** or the **Company**) is pleased to announce that it has taken a pivotal step towards bringing its Coburn mineral sands project (**Coburn** or the **Project**) into production, securing a binding offtake agreement (**Agreement**) for 100% of the zircon concentrate product for the first seven years of production.

The Agreement is with Sanxiang Advanced Materials Co., Ltd (**Sanxiang**) and Nanjing Rzisources International Trading Co. Ltd (**Nanjing**), operating in strategic partnership (collectively, the **Buyer**).

Coburn Mineral Sands Project – Binding Offtake Signed for Zircon Concentrate

The zircon concentrate sales are expected to generate circa US\$200 million revenue over the seven-year term, accounting for between 22-26 per cent of Coburn’s revenue, based on the pricing formulae contained in the Agreement and TZMI’s commodity price assumptions contained in the Coburn DFS (see ASX release April 2019).

With the chloride ilmenite and premium finished zircon sales agreements also announced today (see separate ASX releases), Strandline now has ~66 per cent of Coburn’s forecast revenue secured via binding offtake contracts.

The remaining Project revenue is expected to be from the balance of premium finished zircon and rutile product (representing ~34% of forecast revenue). Offtake agreements for these remaining products are advancing well.

Coburn’s forecast average annual production of zircon concentrate product is 54,000 tonnes (refer ASX announcement 14 Jan-2020) and contains payable zircon, titanium and rare earth monazite minerals. The zircon mineral is suitable for a range of applications including ceramics, zirconium chemicals and foundry uses. The titanium minerals are well suited for production of TiO₂ pigment and monazite is suitable for the extraction of rare earths.

Strategically, the Agreement also provides for sale on favourable terms of 100 per cent of the heavy mineral concentrate (**HMC**) to be produced from the Wet Concentration Plant (**WCP**) during the project ramp-up phase and while the longer-lead time Mineral Separation Plant (**MSP**) (through which the zircon-concentrate product will ultimately be produced) is being constructed. This strategy accelerates cashflows and therefore further de-risks the project ramp-up phase.

As outlined in the Definitive Feasibility Study (**DFS**) (released Apr-2019), Coburn’s high unit value orebody assemblage and low costs underpin strong financial returns for Strandline, with a rapid payback period of 2.2 years from the start of production and a first quartile revenue-to-cost ratio of 2.2.

Strandline Managing Director Luke Graham said the seven-year offtake agreement with a well-established customer in Sanxiang and Nanjing is a strong endorsement of Coburn and the high quality of its concentrate product.

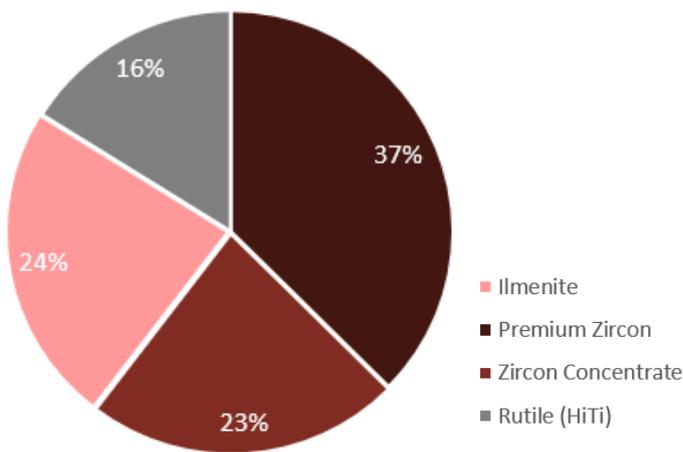


Figure 1 Coburn DFS-2019 Average Revenue Per Final Product (%)

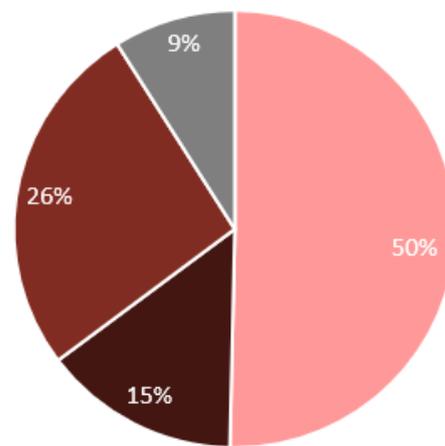


Figure 2 Coburn DFS-2019 Average Production Per Final Product (%)

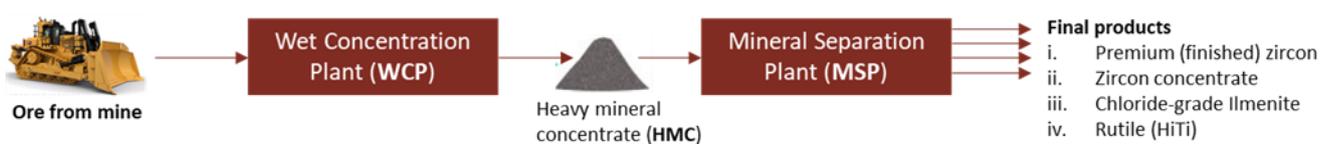


Figure 3 Coburn Project’s Basic WCP-MSP Block Diagram

COBURN PROJECT SNAPSHOT

Strandline is advancing towards a development decision for its 100%-owned Coburn mineral sands project in Western Australia.

Mineral Sands is a mature global industrial mineral market with increasing demand driven by urbanisation, rising living standards, global growth and extensive array of applications. New development projects are required to satisfy the emerging supply deficit.

The Coburn DFS and subsequent technical and commercial optimisation work demonstrates a compelling project development option. High margins and strong, long-term cash flows are the result of low operating costs and an exceptional, high-value zircon and titanium product suite.

The DFS financial evaluation shows Coburn generates A\$1.9 billion of earnings (EBITDA) over the first 22.5 years (of the potential 38-year mine life), with a rapid payback of 2.2 years from the start of production.

- Coburn DFS Pre-Tax NPV₈ of A\$551m and IRR of 32% for the first 22.5 years; Best-quartile revenue-to-opex ratio of 2.2
- Coburn to provide significant regional, community benefits and indigenous opportunities
- Construction-ready with key development approvals in place, incl mining lease, environmental approval, native title agreement and pastoral lease ownership
- Annual production of 34kt premium zircon, 54kt of zircon concentrate, 110kt chloride ilmenite and 24kt rutile; to supply ~5% of global zircon market and a strong foothold in the chloride feedstock market
- Capital-efficient development compared with industry peers; A\$257m Capex for Final Products Case which includes MSP infrastructure (excludes financing costs)
- Large homogenous JORC-compliant Reserve of 523Mt @ 1.11% THM underpins an initial 22.5 year LOM, with opportunity to grow Reserves to +38 years through evaluation of resources extending north
- Conventional open pit dry mining in free-dig sand with in-pit tailings deposition and progressive backfill and full rehabilitation
- Low waste-to-ore strip ratio averaging 0.7; extremely low slimes and oversize; coarse mineral particle size
- Proven processing technology capable of high efficiencies and mineral recoveries
- Large global customers supportive of Coburn production and long-term offtakes agreements
- First production of HMC within 18 months from project commencement



Figure 4 Image of proposed Wet Concentration Plant (WCP)



Figure 5 Image of propose Mineral separation plant (MSP)

For more information on the Coburn mineral sands project, refer to the ASX Announcement dated 16 April 2019 on details of the material assumptions underpinning the production target and financial results for the Coburn Project DFS, Ore Reserve and Mine Life Extension Case Scoping Study.

Coburn Mineral Sands Project – Binding Offtake Signed for Zircon Concentrate

The Company confirms that all the material assumptions underpinning the production target and financial results continue to apply and have not materially changed.

This announcement is authorised for release by Luke Graham, Managing Director and CEO.

ABOUT STRANDLINE

Strandline Resources Limited (**ASX: STA**) is an emerging heavy mineral sands (**HMS**) developer with a growing portfolio of 100%-owned development assets located in Western Australia and within the world's major zircon and titanium producing corridor in South East Africa.

Strandline's strategy is to develop and operate high margin, expandable mining assets with market differentiation and global relevance.

Strandline's project portfolio contains high quality assets which offer a range of development options and timelines, geographic diversity and scalability. They include two zircon-titanium rich, 'development ready' projects, being the Fungoni Project in Tanzania and the large Coburn Project in Western Australia, as well as a series of titanium dominated exploration targets spread along the highly prospective Tanzanian coastline, including the advanced and large scale Tajiri Project in northern Tanzania.

Authorised for release by:

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FORWARD LOOKING STATEMENTS

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