



## Strandline Resources Ltd (STA.ASX)

Debt package completed, equity and FID next

### Event:

- Completion of Coburn debt funding via bond issue.

### Investment Highlights:

- US\$60M bond completes debt financing.** STA yesterday announced it had secured US\$60M (A\$80M @ US\$0.75) debt via a senior secured bond issue. The bond will rank pari passu with NAIF's \$150M facility (first tranche \$130M specifically for Coburn), providing total debt package of A\$210M for Coburn, which will fund most of the \$260M forecast capex. The combined package was higher than what we had estimated (A\$185M).
- Bond amortisation begins about 15 months after first cash flow.** Assuming project construction commences mid-CY2021, and an 18 months construction time as per DFS, first cash flows should be generated beginning CY2023, which provides runway of 15 months cash flow before first debt amortisation is due (US\$4.25M in March 2024). Progressive quarterly amortisation thereafter (US\$4.25M March 2024 to June 2025; US\$2.25M September and December 2025), with a 50% bullet on maturity in March 2026.
- Attractive financing when blended with lower cost NAIF.** Interest on the bond was not disclosed. Given bond will be drawn simultaneously with the lower cost NAIF debt on pro-rata basis, we assume a weighted average cost of debt 8%. Once bond is repaid and only NAIF remains, we assume 5% interest cost.
- We estimate ca. \$90M equity to complete total funding.** This amount would bring total funds for Coburn to A\$300M. \$260M would fund capex, with the balance (\$40M) and current cash (\$17M) funding corporate, exploration, working capital, and financing costs, while providing STA with an adequate cash reserve buffer. Our estimate of \$90M new equity is less than the \$100M we previously assumed, due to the greater than anticipated debt size the company secured.
- We retain assumption of construction start mid-CY2021.** Bond settlement is expected end March. We expect two other key milestones prior to construction start and completion of equity funding and FID. We believe a mid-CY2021 construction start is still achievable.

### Earnings and Valuation:

- We make changes to earnings, mostly due to timing of debt and interest costs.** We forecast NPAT of -\$13M, -\$12M, and -\$11M in FY21e, FY22e, and FY23e vs -\$9M, -\$17M, and -\$2M previously.
- Our risked share valuation of STA rises to \$0.56 from \$0.54, mostly due to lower dilution.** We now assume \$90M equity to be raised vs \$100M previously. Our valuation is risked 0.75x NPV<sub>10</sub> nominal.

### Recommendation:

- We maintain our Buy and lift our 12-month share PT to \$0.56 from \$0.54, in-line with our risked valuation.**
- Catalysts for the share price include:** 1) Equity funding for Coburn; 2) Coburn FID; 3) Commencement of Coburn construction; 4) Coburn commissioning; and 5) Progress on Fungoni and other Tanzania assets.

### Disclosures

The analyst owns 265,500 STA shares.  
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 265,500 STA shares.  
Cranport Pty Ltd owns 8,451,675 STA shares.  
Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.56
Previous	\$0.54
Share price (A\$)	\$ 0.250
ASX code	STA
52 week low-high	\$0.067-\$0.29
Valuation - risked (A\$/share)	\$ 0.54
Methodology	risked NPV

### Capital structure

Shares on Issue (M)	523
Market cap (A\$M)	131
Net cash (debt) (A\$M)	17
Performance rights (M)	14
Options (M)	11
Diluted EV (A\$M)	120
Ave daily volume ('000)	1,042

Earnings Y/e Jun A\$M	FY20a	FY21e	FY22e	FY23e
Sales	0	0	0	44
EBITDA adj	-8	-9	-10	11
NPAT reported	-8	-9	-17	-2
NPAT adj	-8	-9	-17	-2
EPS adj. \$*	-0.02	-0.02	-0.02	0.00
PE x	nm	nm	nm	nm
EV/EBITDA x	nm	nm	nm	nm

\* Adj = underlying

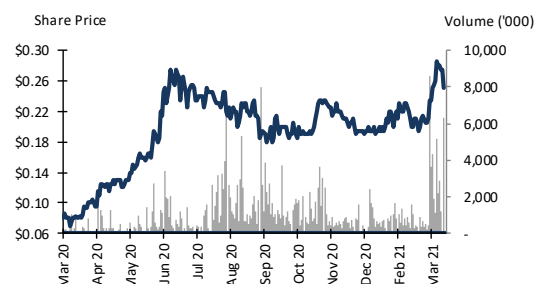
### Substantial shareholders

Ndovu Capital VII BV & Tembo Capital Mining Fund IILP	31%
C&H International Investment Ltd	8%

### Board

Didier Murcia	Non-Executive Chairman
Luke Graham	CEO and Managing Director
Peter Watson	Executive Director
John Hodder	Non-Executive Director
Mark Hancock	Non-Executive Director
Tom Eadie	Non-Executive Director

### Share price graph



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## Strandline Resources (STA)

Full Year Ended 30 June

Profit and Loss A\$M	2020a	2021e	2022e	2023e
Revenue	0	0	0	44
Operating Costs adj.	8	13	14	37
<b>EBITDA adj.</b>	<b>-8</b>	<b>-13</b>	<b>-14</b>	<b>7</b>
D&A	0	0	0	3
<b>EBIT adj.</b>	<b>-8</b>	<b>-13</b>	<b>-14</b>	<b>4</b>
Net Interest exp / (income)	0	0	-2	14
<b>PBT adj.</b>	<b>-8</b>	<b>-13</b>	<b>-12</b>	<b>-11</b>
Tax exp / (benefit) adj.	0	0	0	0
<b>NPAT adj.</b>	<b>-8</b>	<b>-13</b>	<b>-12</b>	<b>-11</b>
Non-recurring items	0	0	0	0
<b>NPAT reported</b>	<b>-8</b>	<b>-13</b>	<b>-12</b>	<b>-11</b>

<b>EPS diluted (\$)</b> adj.	<b>-0.02</b>	<b>-0.02</b>	<b>-0.01</b>	<b>-0.01</b>
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Cashflow A\$M	2020a	2021e	2022e	2023e
EBITDA adj.	-8	-13	-14	7
Change in WC	0	1	0	-2
Tax paid	0	0	0	0
Other	0	0	0	0
Net interest	0	0	2	-14
Share based payments	1	1	1	1
<b>Operating Cashflow</b>	<b>-7</b>	<b>-11</b>	<b>-11</b>	<b>-8</b>

Purchase of PP&E	0	0	0	0
Acquisitions	0	0	0	0
Capitalised expenses	0	0	-171	-89
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>0</b>	<b>0</b>	<b>-171</b>	<b>-89</b>

Equity issue	6	109	0	0
Debt proceeds	0	0	210	0
Debt repayments	0	0	0	0
Other	0	-1	0	0
<b>Financing Cashflow</b>	<b>6</b>	<b>108</b>	<b>210</b>	<b>0</b>

<b>Net Cashflow</b>	<b>-1</b>	<b>97</b>	<b>28</b>	<b>-97</b>
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Balance Sheet A\$M	2020a	2021e	2022e	2023e
Cash	5	102	130	33
Receivables	0	0	0	4
PPE	0	0	0	260
Capitalised exploration	8	8	179	0
Intangibles	0	0	0	0
Other	0	0	0	4
<b>Total Assets</b>	<b>13</b>	<b>110</b>	<b>309</b>	<b>301</b>

Accounts payable	0	1	1	3
Provisions	0	1	1	3
Debt	0	0	210	210
Other	0	-1	1	-1
<b>Total Liabilities</b>	<b>1</b>	<b>2</b>	<b>213</b>	<b>215</b>

Reserves and capital	86	195	195	195
Retained earnings	-74	-87	-99	-110
<b>Total Equity</b>	<b>13</b>	<b>108</b>	<b>96</b>	<b>85</b>

Capital structure	M
Ordinary shares	522.9
Performance rights	13.8
Options	10.5
<b>Fully diluted</b>	<b>547.2</b>

Financial Metrics	2020a	2021e	2022e	2023e
Sales growth %	nm	nm	nm	nm
EPS growth %	nm	nm	nm	nm
EBITDA margin	nm	nm	nm	15%
EBIT margin	nm	nm	nm	8%
Gearing (ND/ND+E)	nm	nm	46%	68%
Interest Cover (EBIT/net int)	nm	nm	nm	0x
Average ROE %	nm	nm	nm	-12%
Average ROA %	nm	nm	nm	1%
Wtd ave shares (M)	387	549	924	924
Wtd ave share diluted (M)	417	574	948	948

Valuation multiples	2020a	2021e	2022e	2023e
P/E x	nm	nm	nm	nm
EV/EBITDA x	nm	nm	nm	nm

### Company Valuation

DCF, WACC 10% nominal

Segment	Unrisked		Risky	
	A\$M	A\$/sh	A\$M	A\$/sh
Coburn Reserves	320	\$0.36	288	\$0.33
Coburn Expansion	90	\$0.10	63	\$0.07
Fungoni (84%)	24	\$0.03	16	\$0.02
Tajiri (84%)	127	\$0.14	63	\$0.07
Corporate	-49	-\$0.06	-44	-\$0.05
Other Tanzania exploration	15	\$0.02	5	\$0.01
Net cash (debt)	17	\$0.02	17	\$0.02
Cash from in money options	2	\$0.00	2	\$0.00
Cash from future equity	90	\$0.10	81	\$0.09
<b>Total</b>	<b>636</b>	<b>\$0.72</b>	<b>490</b>	<b>\$0.56</b>

Shares now M	523
Performance rights M	14
Options-in-money at valuation M	11
Shares future issue M	333
<b>Full diluted shares M</b>	<b>881</b>

Commodity Assumptions	2020a	2021e	2022e	2023e
<b>Prices (US\$/t)</b>				
Zircon	1,500	1,448	1,459	1,469
Ilmenite - chloride grade	220	223	225	225
Rutile/HiTi	1,133	1,149	1,171	1,183
Monazite	1,430	1,427	1,456	1,485
A\$/U\$	0.69	0.70	0.75	0.75

Shipments (kt)	2020a	2021e	2022e	2023e
Zircon	0	0	0	9
Zircon concentrate	0	0	0	14
HiTi90	0	0	0	6
Ilmenite	0	0	0	28
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56</b>

<b>Revenue to cost ratio</b>	0.0	0.0	0.0	2.0
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Segment Contribution	2020a	2021e	2022e	2023e
Coburn	0	0	0	44
Tanzania	0	0	0	0
<b>Sales</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44</b>
Coburn	0	0	0	0
Tanzania	0	0	0	0
Corporate & expl'n	-8	-8	-13	-14
<b>Group EBIT</b>	<b>-8</b>	<b>-8</b>	<b>-13</b>	<b>-14</b>

Source: Company; Foster Stockbroking estimates



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**Disclosure review.** All the disclosures in the report have been reviewed and checked by Keith Quinn, Compliance.