



6 April 2020

## Strandline signs US\$26m Project Finance Facility Agreement for Fungoni mineral sands project

### HIGHLIGHTS

- Strandline and Nedbank CIB have signed a US\$26m Project Finance Facility Agreement (Facility), a component of the finance documents required to fund the Fungoni project development
- Fungoni has an estimated capital cost of US\$35 million (excluding financing costs), meaning the Facility would meet most of the project's capital requirement once Financial Close is achieved
- The Facility remains subject to finalisation of all finance documents and conditions precedent
- In view of the current evolving COVID-19 pandemic, the parties will also continue to evaluate the potential impact of the pandemic on the project fundamentals
- The outcome of this evaluation will lead into Strandline and Nedbank's final investment/credit decision to proceed with the construction of the project prior to Financial Close
- Fungoni is a highly robust project that is forecast to generate strong financial returns for Strandline based on low capital and operating costs and a high-value product suite
- Short lead time means Fungoni is expected to be in production within just 12 months of construction starting
- Strategic partnering discussions aimed at securing the balance of Fungoni funding are advancing
- Government of Tanzania continues to show its full support for the commercialisation of Fungoni

Strandline Resources (ASX: STA) is pleased to announce that it has achieved another important step towards the development of the Fungoni mineral sands project in Tanzania by signing a US\$26 million Project Finance Facility Agreement (Facility) with Nedbank CIB.

The Facility would account for the majority of Fungoni's total estimated capital cost of US\$35 million, including taxes, levies and excluding financing costs (see ASX releases dated 1 November 2018 and 17 June 2019). During 2019 Nedbank conducted detailed due diligence of technical, financial, market, legal, environmental and social fundamentals and has since progressed compilation of documentation for the Facility. Key terms for the Facility are described in Schedule 1.

All parties are now working towards satisfaction of conditions precedent to Financial Close and first draw down. This includes finalising the additional finance documents with Nedbank, obtaining the remaining government-related approvals (including completing documentation for the Tanzanian Government's 16% free-carried interest in the project company, compensation and resettlement agreements and access arrangements in relation to the project site), as well as satisfying the equity shortfall.

Strandline Managing Director Luke Graham said signing of the Nedbank Facility Agreement is an important achievement and enables Strandline to continue to advance Fungoni towards a development decision.

## Fungoni Mineral Sands Project – Nedbank Project Finance Facility Signed

“Once concluded, this Facility will account for a large portion of Fungoni’s funding requirement and discussions about sourcing of remainder of the capital are progressing,” Mr Graham said.

“Nedbank is a highly experienced lender to African mining projects (including mineral sands projects) and it has conducted extensive due diligence on Fungoni, so to sign this Facility Agreement with them is a strong endorsement of the project.”

As part of this equity raising process, Strandline is in discussions with international finance institutions about strategic equity investment in Fungoni and/or Strandline.

With key mining and environment licences in place, the DFS completed, offtake contracts secured for 100% of forecast product revenue, major construction contracts executed and the Nedbank debt Facility agreement now signed, Strandline remains on track to develop its first project in Tanzania and capitalise on the forecasted strong mineral sands market.

The Fungoni project, as confirmed in the DFS, is an exceptional “starter” project for Strandline in the emerging mineral sands province of Tanzania. The project will deliver strong financial returns, including EBITDA of US\$115 million, from the production of premium-quality zircon and titanium products.

Fungoni is expected to pave the way for development and value appreciation of Strandline’s other mineral sands projects in Tanzania, including the large-scale Tajiri project in Tanzania.

### SCHEDULE 1 – KEY TERMS OF NEDBANK’S PROJECT FINANCE FACILITY

<b>Mandated Lead Arranger:</b>	Nedbank Limited - acting through its Nedbank Corporate and Investment Banking division (“Nedbank CIB”).
<b>Facility Amount:</b>	US\$26 million
<b>Tenor:</b>	5 years
<b>Security:</b>	Comprehensive security package over assets and rights of Fungoni project
<b>Conditions Precedent: to Financial Close (FC):</b>	As are customary for a facility of this nature, including but not limited to completion of secondary-level government approvals, land access and evidence of equity raised for the balance of project development capital.
<b>Additional finance documents as part of the Facility to be finalised prior to FC</b>	The balance of finance documents to be signed by the parties, including (but not limited to) the completion guarantee, security documents, account bank agreements, hedging agreement, intercreditor agreement, direct agreements with material project parties (incl. lessor(s), offtakers and major contractor partners), equity contribution agreement, insurance letter, technical completion tests letter and land lease agreements.
<b>Repayment Schedule</b>	Quarterly capital repayments are to be made from the date falling 21 months after Financial Close plus additional sweep of available cashflow under certain circumstances.

For more information on the Fungoni mineral sands project, refer to the ASX Announcement dated 06 October 2017 (Original DFS) and subsequent update on 01 November 2018 (Updated DFS) for details of the material assumptions underpinning the production target and financial results.

The Company confirms that, subject to an ongoing evaluation of the potential impact of the current COVID-19 pandemic on project fundamentals, 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.

## SNAPSHOT OF FUNGONI MINERAL SANDS PROJECT

Fungoni is Strandline’s 100%-owned high-margin project situated 25km from the port of Dar es Salaam in Tanzania. The project is based on a capital efficient and proven execution strategy, with a fixed price EPC contract signed with GR Engineering Services that underpins a twelve month build phase to first production (see ASX announcement dated 22 Oct-2018).

High margins and strong cash flows are the result of low operating costs and an exceptional high-value zircon and titanium product suite.

Following the completion of the Fungoni DFS (refer ASX announcement 01 Nov-2018), Strandline has advanced financing with Nedbank CIB and pre-execution readiness activities.

The key project highlights include:

- Project pre-tax NPV of US\$48.7m (A\$64.9m at USD:AUD 0.75, 10% discount rate)
- Project pre-tax IRR of 61% with a first quartile revenue-to-operating cost ratio of 2.8
- Life of Mine (**LOM**) EBITDA of US\$115m (avg annual US\$18.5m), based on TZMI forecast
- Low project capex of US\$35m excluding financing costs
- Binding facility agreement in place with Nedbank CIB to underwrite a US\$26m debt facility, able to be drawn after finalisation of finance documents and conditions precedent (CPs) to Financial Close
- Mining Licence granted by the new Tanzanian Mining Commission
- Binding sales contracts secured for 100% of forecast revenue
- EPC Contract executed with GR Engineering Services for Fungoni’s process infrastructure; other major non-process infrastructure contracts also advanced in accordance with the project execution schedule
- Conventional dry mining and beneficiation producing premium quality zircon sand, chloride ilmenite, rutile and monazite containing rare earths
- Modular relocatable mine infrastructure
- Progressive mine backfill, land recontouring and rehabilitation
- Close to port, road and services infrastructure of Dar es Salaam
- Host of socio-economic benefits, incl capital inflows to Tanzania, high local content, jobs, knowledge transfer and community development programs
- Confidence to expand Fungoni Ore Reserves and add mine life over time



Figure 1 Fungoni mineral sands project - preliminary 3D model

## Fungoni Mineral Sands Project – Nedbank Project Finance Facility Signed

The key financial results and underlying assumptions used are outlined in the following tables:

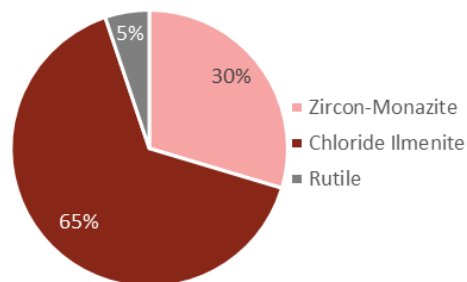
**Table 1** DFS Key Financial Metrics

Description	Updated DFS Result (Oct-18)
NPV (10% WACC, Real, Pre Tax, no debt)	US\$48.7m
IRR	61.1%
NPV (10% WACC, Real, Post Tax, no debt)	US\$30.8m
IRR	42.1%
NPV (8% WACC, Real, Post Tax, no debt)	US\$34.8m
Operational Cashflow Payback Period of Initial Capital	2.67 years
LOM Revenue	US\$184.2m
LOM EBITDA	US\$114.8m
LOM OPEX C1 Costs inc transport	US\$66.1m
LOM All-in Sustaining Costs (AISC)	US\$74.9m
Revenue to C1 Cost Ratio	2.8
Annual Average Operating Margin	US\$391/t
LOM Project Cash Flow	US\$81.7m

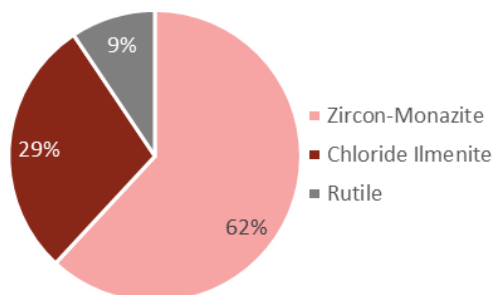
**Table 2** DFS Key Assumptions

Description	Updated DFS Result (Oct-18)
Annual Production Rate (Steady State)	2.0Mt
LOM Production	12.3Mt
Mine Life (Initial)	6.2 Years
Exchange Rate (A\$/US\$)	0.75
Capital Expenditure (Pre-production)	US\$32.1m
Product Price Zircon (FOB) Avg. LOM	US\$1,229/t
Product Price Rutile (FOB) Avg. LOM	US\$1,129/t
Product Price Ilmenite (FOB) Avg. LOM	US\$266/t
Product Price Monazite (FOB) Avg. LOM	US\$1,804/t

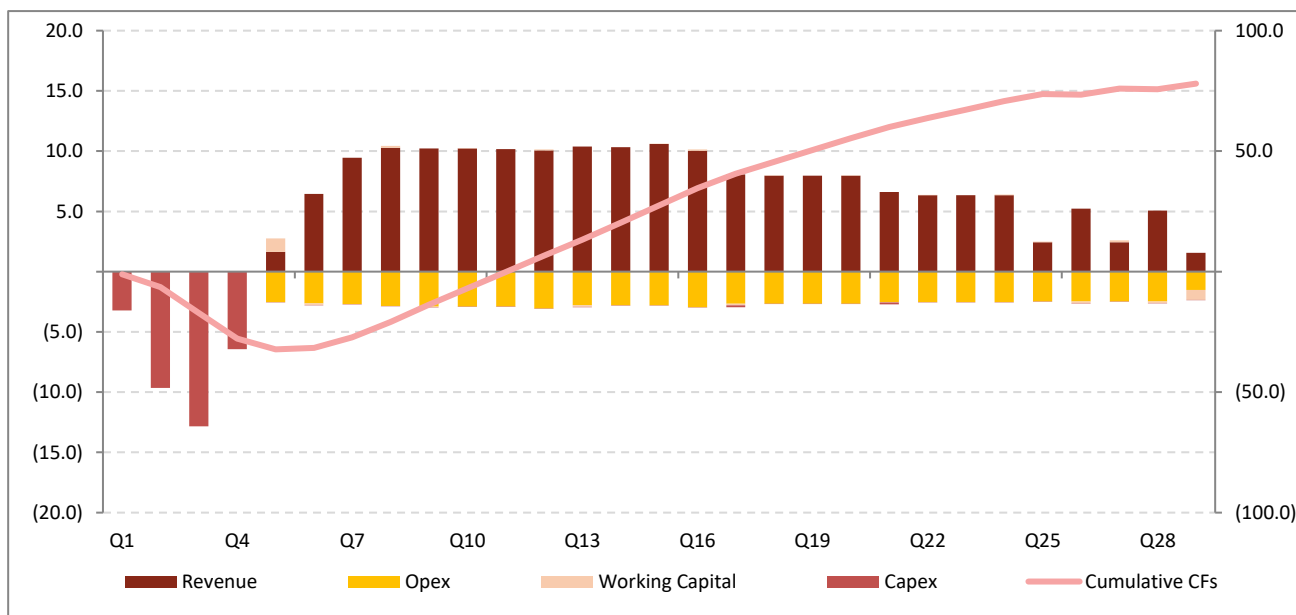
### Fungoni paves the way for a succession of larger projects in Tanzania



**Figure 2** Fungoni Production by Product



**Figure 3** Fungoni Revenue by Product (US\$m)



**Figure 4** Fungoni Quarterly Net Operating Cash Flow (excluding Corporate Overheads) (US\$m)



# Fungoni Mineral Sands Project – Nedbank Project Finance Facility Signed



**Figure 5** Fungoni Project Images

**Top Left:** Fungoni geological block model    **Middle Left:** Geological sample of Heavy Mineral from Fungoni ore body  
**Bottom Left and Right:** Fungoni Project to host significant socio-economic and community benefits  
**Top Right:** Typical container truck export of product    **Middle Right:** Image of near-by Dar es Salaam port and typical mobile stacker

## 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:

**Luke Graham**

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## FORWARD LOOKING STATEMENTS

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