

20 April 2020

Research Flash

Strandline Resources (STA) – Share Price: A\$0.11ps

Valuation: A\$0.38p Target Price: A\$0.35ps

Binding offtake agreements underpin Coburn mineral sands development,

- **Strandline now has ~66% of Coburn’s forecast revenue secured via offtake contracts**
- **The agreements cover 100% of ilmenite, 100% of zircon concentrate and the substantial portion of the premium finished zircon product to be produced at Coburn for the first five years – with 22 years of reserves and resources for extended years of production**
- **The agreements are with 3 of the world’s 6 leading consumers in their respective industries and provide geographical spread across Europe, America and China**
 - 5 year agreement with leading US processor The Chemours Company FC, for 100% of the ilmenite product worth 20-24% of estimated annual revenue.
 - 5 year agreement leading European zircon consumer Bitossi s.p.a. for the premium (ceramic grade) zircon expected to be approx. 18% of annual revenue.
 - 7 year agreement with China-listed Sanxiang Advanced Materials in partnership with Nanjing Rzisources International Trading for zircon concentrate with an agreement to take 100% of non-premium zircon product including monazite during the ramp-up period.
- **The agreements have a forecast combined value of circa US\$400m (A\$615m at A\$/US\$ exchange rate of 0.65) over five years, based on the pricing structures contained in the agreements and TZMI’s commodity price forecast assumptions contained in the Coburn DFS**
- **Offtake negotiations for Coburn’s remaining revenue streams are advancing well, including 24,000 tonnes per year of rutile and the rest of the premium finished zircon**

Coburn Mineral Sands project – the basics from the Definitive Feasibility Study

The A\$257m Capex for the Final Products Case which includes Mineral Separation Plant and infrastructure – to produce separate ilmenite, rutile, ceramic-grade zircon and a zircon-monazite concentrate - but excludes financing costs, is attractive in comparison with other projects.

Projected annual production of 34kt premium zircon, 54kt of zircon concentrate, 110kt chloride ilmenite and 24kt rutile would supply ~5% of the global zircon market and provide a strong foothold in the chloride feedstock market.

The homogenous Reserve of 523Mt @ 1.11% THM to JORC Code (2012) standards underpins an initial 22.5 year LOM, with the opportunity to extend production to +38 years, through evaluation of resources(also to JORC Code (2012) standards extending north.

Our View and comment

The agreement for offtake of the Zircon concentrate including monazite during the ramp-up period is a strong positive for ensuring cashflow during the ramp-up.

Strandline has yet to complete binding offtake agreements for its rutile product, and for the balance of its premium zircon.

The quality of the offtakers confirms the quality - and long life – of Coburn.

NAIF funding is typically on commercially attractive terms, in terms of the coupon, repayment schedules (commonly after commercial debt repayment) and subordination. Finalisation of this will enable a more accurate – enhanced - valuation of what is an already robust project.

Disclosure:

Morgans Corporate Limited was a Lead Manager to the placement of shares in Strandline Resources Limited in May 2019 and received fees in this regard.

The Consultant involved in the preparation of this report holds shares in Strandline Resources (ASX:STA)

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