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**Lodgement of 'Company Interview'**



**STRANDLINE**  
resources limited



'COMPANY INTERVIEW'-MARKET PROFESSIONALS

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**Strandline Resources Limited**

**Date of lodgement: 4/5/2015**

**TITLE: "Company Interview. Emerging Mineral Sands Powerhouse"**

**Highlights:**

- Rationale for intended acquisition of Jacana is to add valuable assets to Strandline's already impressive Tanzanian mineral sands assets.
- Outlines Jacana's assets, located nearby to Strandline's in a region providing one third of the World's mineral sands production. Assets underexplored.
- Timeline & terms of the acquisition. Feedback on deal from shareholders.
- Reiterates impressive recent exploration results on Strandline's tenements.
- How Strandline will prioritise exploration. Funding position post acquisition.
- Jacana's incentive to do deal is very sound.
- History of the East African mineral sands producing corridor.
- Vast experience in mineral sands at management & Board level.
- Reiterates capex & opex cost cutting at Coburn. Project NPV of \$306 million.
- Challenges for Strandline & exciting objectives for 2015.

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**Introduction**

Strandline Resources is an Australian Stock Exchange listed company (ASX: STA) that is focused on mineral exploration and development in Australia. Its principal assets are the Tanzania Mineral Sands Project (100% interest) in exploration stage, the production-ready Coburn Heavy Mineral Sands Project in Western Australia (100%), the Mt Gunson Copper Project in South Australia (100%) and the Fowlers Bay Nickel Project in South Australia (100% - with Western Areas earning in). STA has executed a Binding Heads of Agreement (HOA) to acquire a subsidiary of Jacana Minerals which has Tanzanian mineral sands tenements.

**Record of interview:**

**Company Interview question:**

Strandline Resources Limited (ASX code: STA, market capitalization of ~\$6 million) announced on 22 April that it has executed a Binding Heads of Agreement (HOA) to acquire a subsidiary of Jacana Minerals (Jacana) which has Tanzanian mineral sands tenements – as does Strandline. Could you give a brief

explanation of the rationale of the deal, which you believe will help Strandline emerge as a “mineral sands powerhouse of Tanzania”?

**Managing Director, Richard Hill**

The rationale for the acquisition is that the Jacana tenements represent the missing gaps for Strandline in Tanzania in terms of the highly prospective mineral sands ground holdings that we have identified along the coast. It also delivers Strandline an initial high zircon grade resource and increases our likelihood of defining multiple high quality (high unit value) resources in the short term. It will combine financial capabilities and cost savings in a single Tanzanian focused mineral sands explorer and developer in the most active minerals sands producing region in the world.

**Company Interview question:**

Can you describe Jacana’s main assets, the amount of exploration already undertaken and the proximity to Strandline’s existing mineral sands tenements?

**Managing Director, Richard Hill**

Jacana’s major assets include the rutile rich Tanga package which surrounds our own Tanga project (Kitambula). In combination this represents potential high grade, high tonnage mineralization along an 80km stretch of the coastline centred on the active port of Tanga and only 30kms from the operating mine of Kwale (across the border in Kenya). This will be drill tested as a priority to potentially define resources and discover large new orebodies.

**Company Interview question:**

What is the timeline to finalise the acquisition?

**Managing Director, Richard Hill**

We approximately expect to send the notice of meeting documentation to shareholders by 22 May with the shareholder meeting to approve the acquisition to be held on 24 June. Settlement is expected to take place on 26 June. These dates are approximate at this stage.

**Company Interview question:**

What are the main terms of the acquisition? What are the potential ‘deal breakers’? Are there any break fees involved?

**Managing Director, Richard Hill**

It is a simple acquisition of Jacana Resources Ltd’s Tanzanian entity and its remaining cash in return for the issue of approximately 500 million STA shares.

The key outstanding conditions for the deal are final due diligence and to obtain STA shareholder approval. There is a modest break fee of \$100,000.

**Company Interview question:**

What has been the feedback to the HOA from your various stakeholders, including the acquisition price of issuing 500,385,220 fully paid ordinary shares in Strandline to Jacana’s current owners?

**Managing Director, Richard Hill**

The shareholders that I have spoken to have been positive about the deal and see the logic in building a significant mineral sands player in the major Heavy Mineral Sands producing belt of SE Africa.

**Company Interview question:**

Can you reiterate recent exploration results on your existing Tanzanian mineral sands assets and their significance in the context of the World mineral sands industry?

**Managing Director, Richard Hill**

The significance of our recent results (in particular at Madimba and Mafia Island) are the relatively high zircon and/or rutile grades with high titanium ilmenite and the initial mineralogical testwork which demonstrates that a quality product could be produced from these sands.

In the current climate of cyclically low mineral sands prices, assemblages containing high percentages of zircon and rutile are crucial as their current pricing is generally a factor of 10 higher than ilmenite. Decent volumes of sand containing high percentages of zircon and rutile and low contaminants close to coastal infrastructure is what we are chasing and with both Madimba, Tanga and Mafia Island there is strong potential for this.

Likewise, the projects we are acquiring from Jacana also demonstrate these qualities. The grade and quality of world mineral sands deposits is rapidly declining due to the maturity of existing deposits and lack of quality new discoveries. That is why it is so significant finding such high unit value deposits in the middle of an active mineral sands producing region with surrounding key infrastructure.

**Company Interview question:**

How will you prioritise exploration on each of your Tanzanian mineral sands assets if the Jacana acquisition is finalized? To what extent will it improve Strandline's funding position post acquisition, what will be Strandline's overall funding position post acquisition (cash, any debt) and where broadly do you intend to spend that?

**Managing Director, Richard Hill**

The acquisition now brings together the key ground in Tanzania, the full database and the authors of that data. We are now in a very strong position to prioritise exploration and the priorities will be driven by the requirement to define resources as soon as possible and test the highest grade, best assemblage areas of mineralization. This is already underway and being planned for commencement upon completion of the acquisition.

As at 31 March 2015, Strandline had \$1.078 million in cash with no debt and will have access to an additional ~\$1.5 to \$2 million post deal including an unsecured, interest free loan (from Syrah) of \$500,000. The focus of funds in the short term will be for resource drilling in Tanzania.

**Company Interview question:**

What was Jacana's motivation to do the deal?

**Managing Director, Richard Hill**

To combine with Strandline to form a very strong mineral sands force in Tanzania. This will have multiple advantages: 1) Synergy in the exploration and development processes; 2) Critical mass to attract more fund interest; 3) As a significant exploration/development force, we may have more voice with the local governments; 4) We can quickly become a tantalizing target for major mineral sand producers and 5) In this case, one plus one equals three.

Jacana will also have an ASX-listed entity for its shareholders and they will be joining forces with the Strandline team who we believe conduct our business very well.

**Company Interview question:**

Can you give a brief description of the history of the East African mineral sands producing corridor where Strandline's and Jacana's tenements are located?

**Managing Director, Richard Hill**

This corridor now produces about a third of world supply of mineral sands with numerous major players (eg. Rio Tinto, Tronox, Kenmare, Base Resources) operating along the mainland and Madagascan coast. These producers are made up of majors and independent companies. Rio Tinto has operations in South Africa, Madagascar and Mozambique and this is their area of focus for HMS exploration and production.

Recent corporate activity has included merger discussions between Iluka and Kenmare in relation to their deposit in Mozambique and Base Resources recently launched an unsuccessful takeover bid for World Titanium Resources who have a feasibility stage project in Mozambique.

**Company Interview question:**

If the acquisition is finalized, what will be the composition of the Board and management team?

**Managing Director, Richard Hill**

Importantly, the management team of Strandline, particularly the in-country team will not change and may be bolstered by several technical members from Jacana. The Board is likely to remain the same from our side with the addition of Tom Eadie and Mark Hanlon as Non-executive Directors.

Tom Eadie is an accomplished explorer and leader with several significant discoveries to his name as founding Chairman or Executive Chairman of Syrah Resources (Balama Graphite and Vanadium in Mozambique), Discovery Metals (Boseto Copper in Botswana) and Copper Strike (Einasleigh in Queensland). Before this he was Executive General Manager of Exploration and Technology for Pasminco and Chief Geophysicist for Aberfoyle. Mark Hanlon has a broad range of senior executive experience in mining, banking, electricity distribution, electronics manufacturing, packaging and insurance. Most recently he was Finance Director of the mining company ENK Plc. He is currently a Director of Copper Strike Limited and Rusina Mining NL and Company Secretary of VU Group Pty Ltd.

**Company Interview question:**

Earlier this year, Strandline announced significant capital expenditure and operating cost reductions for the construction-ready Coburn Heavy Mineral Sands Project (STA 100%) in Western Australia. Can you reiterate the improved financials? Can these be further improved? What are the next plans at Coburn?

**Managing Director, Richard Hill**

While in the short term the focus is completing the Tanzanian acquisition and commencing exploration over there, the Company is in discussions with interested groups regarding Coburn (from a number of different angles) and Strandline will continue to work with groups to review down costs and realise value for the project. It remains as the only globally significant, undeveloped but fully permitted, zircon rich project in the world and while the market is attributing little value to it at current cyclical low mineral sands prices this will change rapidly in an improving price environment.

In that review earlier this year we managed to reduce anticipated up-front capital costs by \$29 million and operating costs by \$4.6 million per annum. Based on TZMI's independent pricing assumptions and a long mine life of at least 19 years, we have calculated an NPV of \$306 million for the project with a capital pay back of only 4.5 years.

That value of the project is obviously most inconsistent with our current market capitalisation of ~\$6 million. And plus we have the valuable Tanzanian, copper and nickel projects.

**Company Interview question:**

What are the major challenges for Strandline, in general, across the Company?

**Managing Director, Richard Hill**

As with all junior explorers and developers looking to remain in the industry the challenge is to maintain momentum (and the interest of shareholders) while keeping costs to a minimum during this cyclical low period. The key is to develop strategies that maintain value for shareholders in this very difficult market and be well positioned for a time when significant interest will return to the resources sector.

### **Company Interview question:**

How well placed are you now to become a future mineral sands producer of reasonable or significant size? Briefly, what are the major objectives for the rest of 2015?

### **Managing Director, Richard Hill**

The consolidated projects of Strandline have significant potential to deliver several high unit value deposits along a coastline that is conducive to development. It is our goal to do this as rapidly as possible.

The major objectives for 2015 in Tanzania are to define at least one significant resource and commence a scoping study. We will also look to continue our high strike rate to discover new high grade (high unit value) deposits.

We aim to realize value for the Australian assets through financial involvement of a strategic partner in Coburn, ongoing de-risking of the Mt Gunson copper project (through to feasibility) through the work of our JV partners (Torrens Mining) and potential drilling success through the joint venture with Western Areas at the Fowlers Bay Copper-nickel project.

### **Company Interview**

Thanks Richard.

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