

ASX ANNOUNCEMENT

Fungoni Project – Rutile Offtake Signed



03 October 2018

STRANDLINE
resources limited

Fungoni production now fully covered by binding offtake agreements following sales contract for the project's rutile

Fungoni on track to generate strong financial returns based on high grades, low costs and premium products that are in high market demand

HIGHLIGHTS

- **Binding sales contract signed with IMMCO (Industrial Minerals and Metals) Limited covering all the rutile to be produced at Fungoni for the life of the mine**
- **Strandline now has binding take-or-pay contracts covering 100% of Fungoni's forecast production**
- **Sale price for the rutile is based on the prevailing US-dollar market price for premium "welding grade" rutile; This is expected to exceed the pricing assumptions contained in the DFS**
- **Fungoni is ideally positioned to capitalise on the growing mineral sands market, producing a premium quality product suite, including zircon-monazite, chloride grade ilmenite and rutile**
- **Favourable per-shipment payment arrangements will ensure reliable and timely cashflow to Strandline**

Strandline Resources (**ASX: STA**) is pleased to announce that it has taken another significant step towards bringing its first mineral sands project into production, securing a binding offtake agreement (**Agreement**) for the rutile product which will be produced at its Fungoni mineral sands project in Tanzania.

The Agreement is with IMMCO (Industrial Minerals and Metals) Limited (**IMMCO**), an experienced commodity trader and consumer of mineral sands based in Europe and Asia. The Fungoni rutile is expected to achieve a premium specification making it suitable for high-end titanium applications.

Based on the pricing formulae contained in the Agreement and the assumptions contained in the Fungoni DFS (see ASX release dated 6 October 2017), the rutile production is expected to generate ~10% of Fungoni's total revenue.

Importantly, this means that 100% of the forecast revenue is now secured under binding take-or-pay contracts for the entire life of the Fungoni mine. The other project revenue is forecast to be from existing offtake agreements for zircon-monazite (over 62% of project revenue – see ASX announcement dated 22 January 2018) and ilmenite (~28% of project revenue - see ASX announcement dated 02 May 2018).

Fungoni's high unit value orebody assemblage and low costs will underpin strong financial returns for Strandline, with a fast payback period and a first quartile revenue-to-cost ratio of 2.7.

Strandline Managing Director Luke Graham said: “Establishing this important offtake relationship with IMMCO achieves another key milestone for Strandline, ensuring the Company remains on track to commercialise what is the first in its pipeline of outstanding mineral sands assets in Tanzania.

“Having all products covered by binding contracts for the entire life of mine provides a strong endorsement of the Fungoni project and the high quality of zircon and titanium minerals to be produced.

“With the mining licence already received for the project, Strandline is now advancing project funding and finalising negotiations for key contracts necessary to execute the project.”

FUNGONI PROJECT SNAPSHOT

The Fungoni project is favourably located ~25km from the Dar es Salaam port in Tanzania. The DFS¹, which was completed in October 2017 (refer ASX announcement 06 October 2017), confirms the Fungoni project will deliver strong financial returns, is capital-efficient and produces premium-quality titanium and zircon products, ideally positioned to capitalise from the growing mineral sands market.

Key highlights of the Fungoni project include:

- Low development capital cost of ~USD 30 million, including mine infrastructure, port facilities, working capital, land access, pre-production mining, owner’s costs and project contingencies of 10%;
- Outstanding Internal Rate of Return and first quartile revenue-to-operating cost ratio of 2.7;
- Binding offtake Agreements signed for 100% of products to be produced for the Life of Mine, based on “take-or-pay” arrangement;
- Key project approvals in place, including the Mining Licence and Environmental Certificate;
- Maiden ore reserve of 12.3 Mt @ 3.9% Total Heavy Mineral (THM), with opportunities to grow reserves and mine life, further increasing financial returns;
- Project Pre-Tax NPV of USD 42.9 million (AUD 57.2 million at USD/AUD 0.75) based on a 10% discount rate and TZMI’s September-2017 commodity price forecast;
- Life of Mine (LOM) Revenue of USD 168 million (AUD 224 million) and LOM EBITDA of USD 98 million;
- Nominal 12-month design, construction and commissioning period and 2.7 year payback period from start of construction;
- Modular relocatable infrastructure with state-of-the-art processing technology which can be re-used at Strandline’s other mineral sands assets in Tanzania;
- “Low impact” mining philosophy with progressive backfill and rehabilitation of the mined area; returning the land to pre-mining state; and
- Fungoni will generate a host of key social and economic benefits including capital inflows to Tanzania, significant job creation, training and job diversity, transferable skills development as well as community engagement programmes.

For further enquiries, please contact:

Luke Graham

CEO and Managing Director
Strandline Resources Limited
T: +61 8 9226 3130
E: enquiries@strandline.com.au

For media and broker enquiries:

Paul Armstrong

Read Corporate
T: +61 8 9388 1474
E: nicholas@readcorporate.com.au

¹ Strandline confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning Resource Estimates, Production Targets and Feasibility Studies, continues to apply and have not materially changed.

ABOUT STRANDLINE – CAPITALISING ON THE GROWING MINERAL SANDS MARKET

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 quality, high margin, expandable mining assets with market differentiation and global relevance.

Strandline's project portfolio comprises development optionality, geographic diversity and scalability. This includes two zircon-rich, 'development ready' projects, 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 350km of highly prospective Tanzanian coastline, including the advanced Tanga South Project and highly prospective Bagamoyo and Sudi projects.

The Company's focus is to continue its aggressive exploration and development strategy and execute its multi-tiered and staged growth strategy to maximise shareholder value.

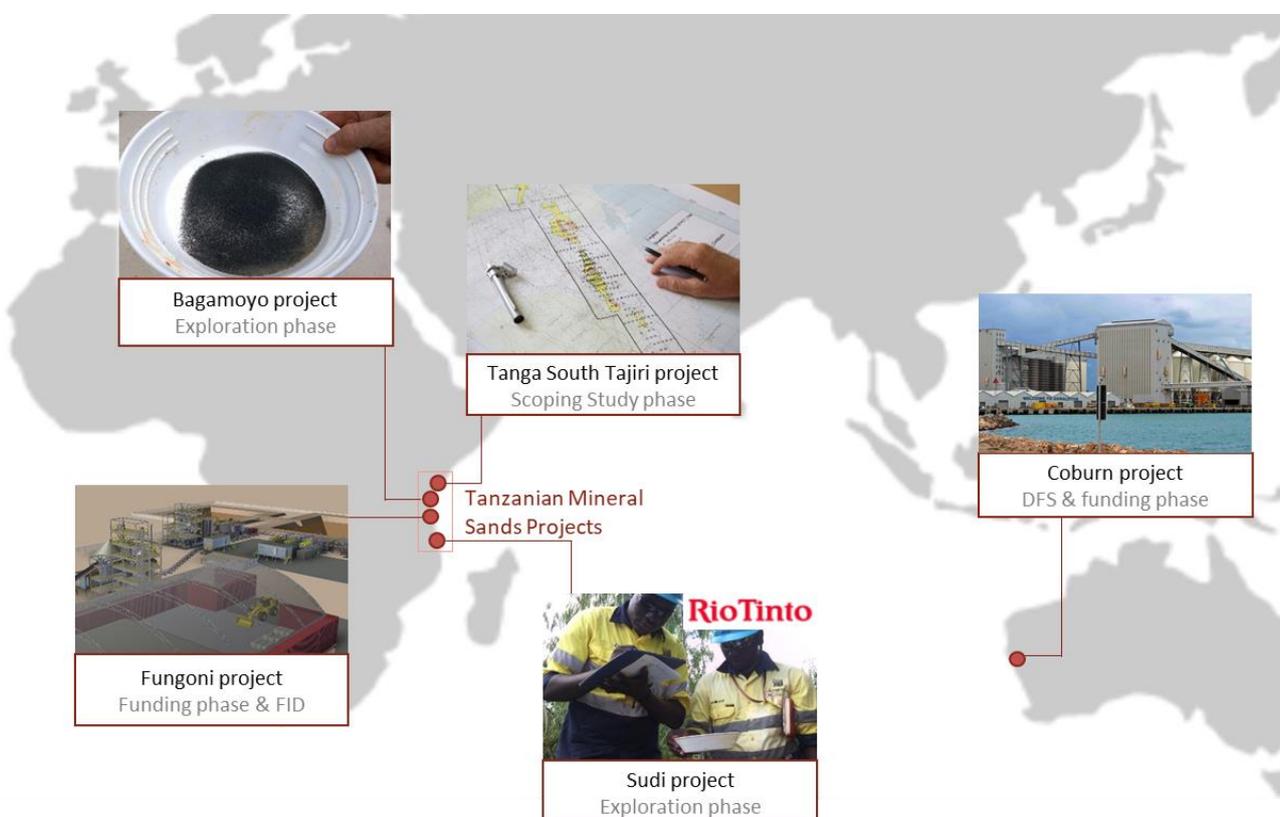


Figure 1 Strandline's world-wide mineral sands exploration & development projects