

17 October 2023

Mr Dale Allen
ASX Listings Compliance (Perth)
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

By email
ListingsCompliancePerth@asx.com.au

Dear Dale

RESPONSE TO ASX AWARE QUERY

Strandline Resources Limited (ASX: **STA**) (**Strandline** or the **Company**) refers to your letter dated 12 October 2023 containing a request made under ASX Listing Rule (LR) 18.7. Set out below are the Company's responses:

Background

Strandline is in the process of commissioning and optimisation of the Coburn Project. The wet concentrator plant site (**Figure 1**) comprises two key circuits, being the wet concentrator plant (**WCP**) which separates out the heavy minerals from the mined ore in the form of a slurry, and the cleaning circuit which cleans the heavy minerals. The cleaning circuit comprises attritioners and also a belt filter where the attritioned heavy mineral concentrate (**HMC**) is washed then dewatered.

The HMC is then trucked to a separate site which includes the Mineral Separation Plant (MSP), to separate the HMC into final products (premium zircon, rutile, ilmenite and zircon in concentrate (**ZIC**)).



Figure 1 Wet Concentrator Plant Site

The WCP has been operating in accordance with key process design parameters in terms of mineral recoveries (ie, the recovery of heavy mineral through the spiral circuits) and heavy mineral grade (ie, the percentage of heavy minerals) contained in the final concentrate produced by the WCP. This was announced on 27 April 2023 (March Quarter Activities report) and remains correct.

The MSP has not yet produced the full suite of end products and is still being commissioned. It has however produced ilmenite, standard grade zircon and ZIC as announced, on 5 October 2023.

The recent modification to the cleaning circuit was first mentioned in Strandline's 25 September 2023 ASX Announcement and was described in more detail as part of the 5 October 2023 operational update.

It is a relatively minor modification to increase the density of feed into the attritioners which, as noted above, are part of the cleaning circuit and located at the WCP site. The modification does not impact mineral recoveries or heavy mineral grade. However, it has resulted in significant improvements in product quality (ie, cleaner HMC, which improves mineral separation efficiency downstream at the MSP).

This is one of multiple operational improvements made as part of the ongoing commissioning of processing circuits at both the WCP and MSP sites to achieve final end products.

The modification (and the impact of the modification) is not market sensitive and did not, on its own, require disclosure pursuant to LR3.1. This is part of ongoing optimisation that typically occurs throughout the life of projects such as Coburn, especially during commissioning. The matter was included as part of an operational update which also included scheduled shipments and levels of stockpiles held.

Response to specific ASX queries

Set out below are the specific queries raised by ASX in its letter dated 12 October 2023 and Strandline's responses to those queries:

1. Please describe in detail the WCP Modification Works which were completed which resulted in "significant improvements in product and quality"

Strandline's ASX announcement dated 5 October 2023 included a summary of Highlights, the first being:

- *Modifications to the Wet Concentrator Plant (WCP) completed resulting in significant improvements in product quality* (Note: not product and quality)

In the body of the announcement, this statement is explained in more detail, specifically;

"Modification works have recently been completed to the WCP on the upstream mineral cleaning circuit of the HMC (refer Figure 1). Results to date show a significant improvement in separation efficiency and further optimisation of the circuit is continuing."

A picture of the modifications was included in the 5 October 2023 announcement with a caption underneath which reads *"Modification to the mining cleaning circuit included reconfigured feed cyclones to increase feed density."*

The specific modification works are as shown in **Figure 2** in colour (un-changed equipment is in grey). Those works were limited to two main activities – raising the feed cyclones and installing cyclone discharge regulators (commonly known as "fish tails" because of their shape) in relation to the cyclones.

The references to "upstream mineral cleaning circuit" and "mining cleaning circuit" are references to the attritioners which, as mentioned above, comprise part of the cleaning circuit at the WCP site.

The total cost of the works completed was circa \$247,000. The impact of the modification was to increase the feed density into the attritioners from circa 70% to 80%. This allows more power to be

transferred into the HMC working its way through the attritioners, resulting in more effective attritioning (mineral scrubbing) with improvements in product quality.

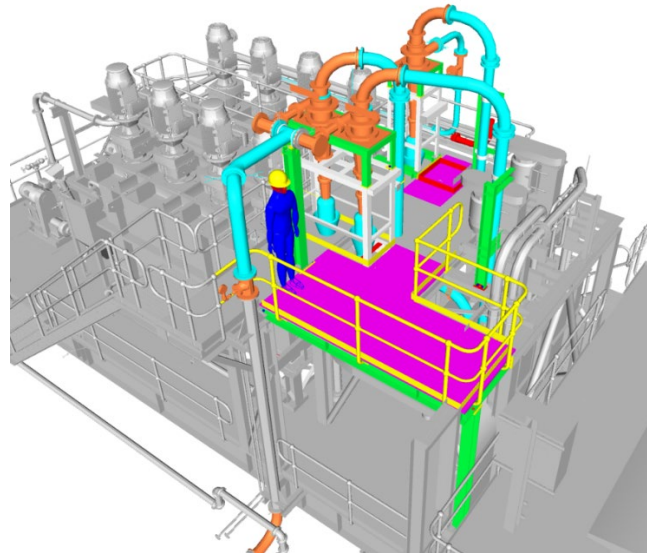


Figure 2 Cleaning Circuit modification works shown in colour (un-changed equipment is in grey).

2. What date did STA commence the WCP Modification Works?

The site work to raise the cyclones and install the fish tails adjacent to the attritioners commenced on 11 September 2023.

3. What date did STA complete the WCP modification Works?

The work to raise the cyclones and install the fish tails adjacent to the attritioners was completed on 13 September 2023.

The impact of the modification (to increase the feed density) was not known until after the work was completed and the improvements in product quality was not known until 24 September 2023, with further improvements noted prior to the 5 October 2023 Announcement. Neither of these matters on their own are material, are not required to be announced under LR3.1 and therefore there was no need for immediate disclosure.

4. What date did STA first become aware of the need for the WCP Modification Works?

Many matters have been considered by Strandline over the course of the process to commission the MSP to produce final products. The decision for Strandline to undertake the work to raise the cyclones and install the fish tails was made on 3 August 2023. Internal discussions about whether this was required and, if so, who would undertake the work (the contractor or STA) commenced in March 2023.

The intended impact of the modifications is to improve the separation efficiency of the HMC (ie to improve HMC product quality). The works completed do not impact the WCP throughput, heavy mineral recoveries from the WCP or the grade specifications, which, as has been announced by Strandline since 27 April 2023, have approached nameplate performance levels.

5. If STA first became aware of the need for the WCP Modification Works before lodging any of the Cleansing Notices on MAP, did STA rely on the provisions of Listing Rule 3.1A not to release an announcement containing the information on the WCP Modification Works before STA lodged the 25 September Announcement on MAP.

STA did not rely on the provisions of LR3.1A as none of the initial discussions regarding the modifications, the decision to make the modifications, the completion of the modifications or the results of the modifications were or are, in their own right, market sensitive.

- 6. Does STA consider the information regarding the need for the WCP Modification Works to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

No.

- 7. If the answer to question 6 is “no”, please advise the basis for that view, commenting specifically on the 76% decrease in STA’s share price over the period 27 April to 4 October 2023.**

The basis of the view is that the modification works were of a minor capital nature and had no impact on the WCP throughput, heavy mineral recoveries from the WCP or the grade specifications. Further, the modifications do not, in their own right, result in final products being produced by the MSP.

The decline in STA’s share price may be attributable to a range of factors. Aside from the recent difficult overall market conditions for mineral resources companies generally (and more specifically for minerals sands companies), various issues have arisen in the course of commissioning the Coburn Project which have resulted in slower than expected progress in the ramp-up to full production of the overall mining and production facilities. Those issues, which include tailings deposition and capacity constraints, and availability of Dozer Mining Units, have had an impact on the amount of HMC produced and the performance of the MSP to date and have been communicated to the market in multiple STA announcements.

- 8. If the answer to question 6 is “yes” and STA first became aware of the need for the Modification Works before the relevant date, did STA make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why this information was not release to the market at an earlier time, commenting specifically on when you believe STA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps STA took to ensure that the information was released promptly and without delay.**

Not applicable.

- 9. Please confirm STA is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

Confirmed.

- 10. Please confirm that STA’s responses to the questions above have been authorized and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of STA with delegated authority from the board to respond to ASX on disclosure matters.**

Confirmed.

Yours faithfully



Flavio Garofalo
Company Secretary
Strandline Resources Ltd



12 October 2023

Reference: 81855

Mr Flavio Garofalo
Company Secretary
Strandline Resources Limited

By email: flavio.garafalo@strandline.com.au

Dear Mr Garofalo

Strandline Resources Limited ('STA'): Aware Query

ASX refers to the following:

- A. STA's quarterly activities report for the quarter ended 31 March 2023, and released on the ASX Market Announcements Platform ('MAP') on 27 April 2023 ('March Quarter Activities Report'), which disclosed, amongst other things:
- (a) in respect of the Coburn Mineral Sands Project:
- (i) *"Production ramp-up of the mine and WCP is progressing to schedule with the WCP already approaching nameplate performance levels in terms of throughput, heavy metal recoveries and grade specification of HMC product. The quality of the +94% HMC being produced is in line with the design parameters of the downstream MSP"*
- B. STA's quarterly activities report for the quarter ended 30 June 2023, and released on the ASX Market Announcements Platform ('MAP') on 31 July 2023 ('June Quarter Activities Report'), which disclosed, amongst other things:
- (a) in respect of the Coburn Mineral Sands Project:
- (i) *"Wet Concentration Plant (WCP) continues to operate in accordance with key design parameters in terms of mineral recoveries and heavy mineral grade of the HMC product"*
- C. STA's announcement entitled 'Equity Raising Presentation', marked as 'price sensitive' and released on MAP on 31 July 2023, which disclosed, amongst other things:
- (a) in respect of the WCP performance:
- (i) *"WCP is operating in accordance with key process design parameters in terms of mineral recoveries and grade (~94%) of the HMC product*
Proven to be able to process ore at nameplate throughput of 3,000 tph
Assemblage of HMC produced averaging 25% zircon, 47% ilmenite, 12% rutile-leucoxene & 16% other – in line with DFS assumptions"
- (ii) *"Produced 30,000t HMC in Mar-2023 quarter (first quarter) and 28,500t in Jun-23 quarter (~55% of WCP nameplate capacity)*
Reduced production in June quarter primarily due to mining and sand tailing constraints rather than WCP performance'
- D. STA's announcement entitled "Corporate Presentation – Diggers & Dealers Mining Forum" released on MAP on 8 August 2023 which disclosed, amongst other things:

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- (i) *“WCP is operating in accordance with key design parameters in terms of heavy mineral recoveries & grade of HMC product”*
- E. STA’s announcement entitled “Annual Report” released on MAP on 6 September 2023 which disclosed, amongst other things the following in respect of the performance of the WCP:
- “In recent months, the WCP has shown the ability to operate on or near key design parameters in terms of heavy mineral recoveries and grade of the HMC product, as well as the capacity to process ore at the nameplate design throughput of 3,000 tph.”*
- F. STA’s announcement entitled “Appointment of Jozsef Patarica as CEO and Managing Director” released on MAP on 25 September 2023 (‘25 September Announcement’) which disclosed, amongst other things the following:
- (i) statement in respect of the WCP:
- “Capital modification works have recently been completed to the Wet Concentration Plant (WCP) on the upstream mineral cleaning circuit of the HMC”*
- (‘WCP Modification Works’) (‘Information’) &
- (ii) the resignation of STA’s managing director, Luke Graham after approximately seven years as a director of STA.
- G. The decrease in the trading price of STA’s securities from an intraday high of \$0.12 on Tuesday, 3 October 2023 to an intraday low of \$0.0835 on 4 October 2023 together with a significant increase in volume traded in STA’s securities on 4 October 2023.
- H. STA’s announcement entitled “Coburn Project Update”, marked as ‘price sensitive’ and released on MAP on 5 October 2023 (‘Coburn Update Announcement’) which disclosed, amongst other things, in respect of the WCP, the following:
- ‘modifications to the Wet Concentrator Plant (WCP) completed resulting in significant improvements in product quality’*
- (‘5 October Information’)
- I. The decrease in trading price of STA’s securities from \$0.36 at the close of trading on 27 April 2023 to a low of \$0.085 at the close of trading on 4 October 2023.
- J. The notices pursuant to Section 708A of the Corporations Act 2001 (the ‘Act’) released by STA on MAP, each of which sought to ‘cleanse’ ordinary shares for secondary sale purposes, and stated that there was no excluded information, as defined in section 708A(5)(e), 708A(7) and 708A(8) of the Act as of the date of the notice, on the following dates:
- (a) 7 August 2023 (in relation to a placement); and
- (b) 15 August 2023 (in relation to the vesting of performance rights).
- K. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- L. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:
- “an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”*

M. Listing Rule 12.2 which states:

12.2 *“An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.”*

N. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

O. Section 4.15 of Guidance Note 8 which includes the following:

(a) “...Wherever possible, an announcement under Listing Rule 3.1 should contain sufficient detail for investors or their professional advisers to understand its ramifications and to assess its impact on the price or value of the entity’s securities.”; [footnotes omitted]

(b) “An announcement under Listing Rule 3.1 must be accurate, complete¹¹⁷ and not misleading.”; and

(c) ¹¹⁷ “Complete” in this context means not omitting material information.”

P. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for information

Having regard to the above, ASX asks STA to respond separately to each of the following questions and requests for information:

1. Please describe in detail the WCP Modification Works which were completed which resulted in '*significant improvements in product and quality*'
2. What date did STA commence the WCP Modification Works?
3. What date did STA complete the WCP Modification Works?
4. What date did STA first become aware of the need for the WCP Modification Works?
5. If STA first became aware of the need for the WCP Modification Works before lodging any of the Cleansing Notices on MAP, did STA rely on the provisions of Listing Rule 3.1A not to release an announcement containing the information on the WCP Modification Works before STA lodged the 25 September Announcement on MAP?
6. Does STA consider the Information regarding the need for the WCP Modification Works to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
7. If the answer to question 6 is "no", please advise the basis for that view, commenting specifically on the 76% decrease in STA's share price over the period 27 April to 4 October 2023?
8. If the answer to question 6 is "yes" and STA first became aware of the need for the Modification Works before the relevant date, did STA make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why this information was not release to the market at an earlier time, commenting specifically on when you believe STA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps STA took to ensure that the information was released promptly and without delay.
9. Please confirm STA is complying with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that STA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of WSI with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3.00pm WST on Tuesday, 17 October 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, STA's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require STA to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in STA's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in STA's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to STA's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that STA's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Dale Allen
Manager, Listings Compliance