



22 January 2018

**STRANDLINE**  
resources limited

## Binding Offtake Agreement Signed for 100% of Fungoni project's Zircon Product

**“Take-or-pay” agreement with China’s largest mineral sands processor paves the way for Strandline to move towards production**

### HIGHLIGHTS

- China’s Hainan Wensheng High-Tech Materials Company to purchase 100% of the zircon and monazite product produced from Strandline’s Fungoni mineral sands project for the Life of Mine
- The zircon-monazite sales are expected to generate over 62% of forecast revenue from Fungoni
- Sale prices for Fungoni’s zircon-monazite product are expected to exceed the pricing assumptions contained in the DFS, further enhancing project fundamentals:
  - Zircon pricing will be based on prevailing \$US market price for premium-grade zircon, recognising the highly desirable specification of Fungoni’s zircon product
  - Monazite pricing will be based on a premium to today’s market price and fixed for the Life of Mine
- Favourable per-shipment payment arrangements via letter of credit will ensure regular and timely cashflow to Strandline
- Conditions precedent include positive final investment decision for Fungoni
- **“Importantly, this Agreement paves the way for Strandline to finalise project funding, ensuring the company remains on track to unlock the significant value of what is the first in its pipeline of mineral sands assets.” – Strandline MD Luke Graham**

Strandline Resources (ASX: STA) (Strandline or the Company) is pleased to announce that it has taken a major step towards bringing its first mineral sands project into production, securing a binding offtake agreement (Agreement) for 100% of the zircon-monazite product which will be produced at its Fungoni mineral sands project in Tanzania (Fungoni).

The Agreement is with China’s highly-respected, industry-leading zircon sand and rare earth consumer, Hainan Wensheng High-Tech Materials Company Limited (Wensheng).

Based on the pricing formulae contained in the Agreement and otherwise using the assumptions contained in the Fungoni DFS (announced to the market on 06 October 2017), the zircon and monazite production is expected to generate over 62% of Fungoni’s total revenue. The remaining Project revenue is expected to be from chloride ilmenite (~28%) and rutile (~10%), for which offtake agreements are well advanced.

Fungoni’s high unit value orebody assemblage and low costs underpin outstanding financial returns for Strandline, with a fast payback period of 2.7 years from the start of construction and a first quartile revenue-to-cost ratio of 2.7.

Speaking in relation to the signing of the Agreement, Strandline's Managing Director Luke Graham said:

"Establishing this strategic offtake relationship with Wensheng, the largest integrated mineral sands processor in China, is a significant milestone for Strandline.

"The Agreement provides a strong endorsement of the Fungoni project and the premium quality of the zircon and monazite which will be produced over the life of the mine.

"Importantly, it also paves the way for Strandline to finalise project funding, ensuring the Company remains on track to unlock the substantial value of what is the first in its pipeline of exciting and prospective mineral sands assets."

## **FUNGONI PROJECT SNAPSHOT**

The Fungoni DFS completed in October 2017 (refer ASX announcement 06 October 2017) confirms the Project will deliver strong financial returns, has a high unit value product suite, is capital-efficient, and demonstrates the strategic potential of the Company's portfolio of mineral sands assets in Tanzania.

Key highlights of the Fungoni DFS include:

- **Low development capital cost of US\$30 million, including mine infrastructure, port facilities, working capital, land access, pre-production mining, owners costs and project contingencies of 10%**
- **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**
- **2.7 year payback period from start of construction**
- **Outstanding Internal Rate of Return and revenue-to-operating cost ratio of 2.7 (first quartile)**
- **Project Pre-Tax NPV of US\$42.9 million (A\$57.2 million at USD:AUD 0.75, 10% discount rate) based on TZMI's September-2017 commodity price forecast**
- **Life of Mine (LOM) Revenue of US\$168 million (A\$224 million) and LOM EBITDA of US\$98 million**
- **Binding offtake Agreement signed for 100% of zircon-monazite product based on "take-or-pay"**
- **Environmental Certificate granted and Mining Licence Application submitted**
- **Nominal 12 month design, construction and commissioning period**
- **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 ready for future development or farming; 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.**

Furthermore, the Fungoni Project is positioned extremely well to benefit from an improving mineral sands commodity outlook and in particular, the emerging zircon structural supply gap forecasted for the market from 2018. The zircon pricing formulae is leveraged to the improving market conditions.

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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 and Nicholas Read**

Read Corporate

T: +61 8 9388 1474

E: nicholas@readcorporate.com.au

## ABOUT STRANDLINE - THE BROADER STRATEGY

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 Project.

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.