

# ASX ANNOUNCEMENT

6 July 2017



**STRANDLINE**  
resources limited

## TANZANIAN NATURAL RESOURCES LEGISLATIVE CHANGES

Mineral Sands developer, Strandline Resources Limited (“Strandline” or the “Company”) (ASX: STA), notes the passing of three bills of legislation containing changes to the legal framework governing the natural resources sector in Tanzania.

Special Bill Supplement No.2 (Bill No.2), Special Bill Supplement No.3 (Bill No.3) and Special Bill Supplement No.4 (Bill No.4) have been approved by the Tanzanian Parliament and are awaiting Presidential approval. In addition, Parliament has approved the new Finance Act, which will impose a 1% clearing fee on the value of all minerals exported from the country from 1 July 2017. Full details are available at: <http://www.parliament.go.tz/bills-list>

Strandline’s Managing Director Luke Graham said: “We acknowledge the Bills of Legislation provide for transparency and additional clarity. Based on the information currently available to Strandline, we do not believe the legislation will have a major impact on the Company’s strategy or its ability to achieve its exploration and project development goals.

We look forward to continuing to work with the Government of Tanzania to progress the development of our heavy mineral sands projects in a manner which delivers significant benefits to both the people of Tanzania and Strandline shareholders.”

Strandline has reviewed the bills of legislation and provides the following initial guidance on the potential impact on the Company:

### **Power to Review Agreements**

Bill No.2 provides that all arrangements or agreements made by the Government must be reported to the National Assembly within six sitting days of the National Assembly next following the making of such arrangements or agreements, in effect requiring all arrangements or agreements entered into with the Government to be ratified by the National Assembly.

Where the National Assembly finds that the arrangement or agreement contains unconscionable terms, it may by resolution direct the Government to initiate re-negotiation of the arrangement or agreement with a view to rectifying the terms.

The Government shall, within 30 days of the resolution of the National Assembly, serve notice to investors of the intention to re-negotiate terms. The period for re-negotiation shall be 90 days unless extended by mutual agreement. After completion of the re-negotiation, the Government shall report the outcome to the National Assembly. Where there is no agreement on the re-negotiation of the unconscionable terms, such terms will be deemed to have been expunged.

#### *Comment:*

*Strandline understands that until such time as the National Assembly has considered and approved any arrangements or agreements with the Government, such arrangements or agreements cannot be considered as finalised. Strandline will comply with these requirements when entering into any arrangements or agreements with the Government.*

Bill No.2 allows the National Assembly to review any pre-existing arrangements or agreements with the Government in the manner mentioned above.

#### *Comment:*

*Strandline has no pre-existing mining development agreements in place and therefore is not impacted by this change.*

## **Guarantee of Returns from Natural Resources**

Bill No.3 provides that there shall be guaranteed returns into the Tanzanian economy from the earnings derived from mining projects. Bill No.4 provides that mineral right holders are required to demonstrate how returns from mining projects have been invested into the economy.

*Comment:*

*Strandline is committed to operating its business responsibly and with the utmost integrity. Strandline encourages initiatives which generate local employment, training, development, environmental protection and pro-active community engagement.*

*The new Act ensures benefits from the development of Tanzania's natural resources are shared more than what has occurred under previous legislation. This has manifested itself, amongst other initiatives, in a 16% free carried interest (see below).*

## **Participation of the People and the Government**

Bill No.3 provides that the Government will obtain an equitable stake in mining projects. Bill No.4 provides that the Government will have a 16% non-dilutable free carried interest in the capital of a mining company. Bill No.4 also provides that the Government shall be entitled to acquire a further 34% dilutable interest commensurate with the value of tax concessions granted by the Government.

*Comment:*

*Strandline notes that mining jurisdictions in many countries require Governments to hold a free-carried interest in either resource projects or the entities which own them. The level of that participation varies from country to country. Having the Government as a shareholder means the mining company and the Government will be more closely aligned, helping to ensure projects are successfully developed to their mutual benefit. Strandline intends to seek clarification as to how the 16% free carry interest will in practice affect its class of proposed mining license.*

*The Government has an option to acquire a further 34% interest in a mining company in return for tax concessions afforded to that company. Strandline has not been granted any tax concessions and does not intend to request any such concessions for future project developments. Therefore, Strandline believes this measure will have no impact on the Company.*

## **Requirement of Beneficiation**

Bill No.3 provides that no raw materials shall be exported for beneficiation outside the country and there shall be a commitment to establish beneficiation facilities within Tanzania.

*Comment:*

*Strandline is currently undertaking a Feasibility Study on the Fungoni Heavy Mineral Sands Project, which will involve the advanced process beneficiation and separation of mineral sands (referred to as beach sands in Tanzania) at facilities in Tanzania, producing high quality saleable industrial mineral products for the global market. This means Strandline will not export raw, unprocessed materials from Tanzania and as a result, the Company believes this measure will have no impact on its operations.*

## **Retention of Earnings**

Bill No.3 provides that earnings from mining projects be retained in financial institutions established in Tanzania. It shall be unlawful to keep such earnings outside of the country except where distributed profits are repatriated in accordance with the laws of Tanzania.

*Comment:*

*The retention of earnings is a measure to prevent mining companies channelling earnings offshore. It is understood that this provision does not impact on the right to pay costs (capital and operating) nor the right to repatriate dividends/profits. Strandline does not believe that this will have a material impact on the Company, but will seek further guidance as required on future project financing structures.*

## **Miscellaneous Amendments Act**

Bill No.4 amends the existing Mining Act 2010 and it introduces the following key measures, not already addressed above, that may impact the operations of the Company's business in Tanzania:

- For the calculation of royalties payable, the Government shall be entitled to reject the valuation if such value is low on account of deep negative volatility, and the Government shall have the option to buy the minerals at the low value ascertained. One-third of the royalty payable shall be paid to the Government by depositing refined minerals equivalent to the ascertained royalty into the National Gold and Gemstone Reserve.

*Comment:*

*Strandline is a developer of heavy mineral sands projects with the aim to produce industrial mineral products such as zircon, rutile and ilmenite. Strandline understands that industrial minerals will fall outside of the above mentioned regime and it will not be required to deposit one-third of the royalty payable to the Government in the form of refined minerals. Strandline will seek further guidance from the Government on this matter, but on our initial review of the Act we do not see that the Company will be impacted.*

- Establishment of the Government Minerals Warehouse which shall be the central custodian of all the metallic minerals and gemstones produced in Tanzania. The Minister will set regulations for the transfer and deposit of minerals.

*Comment:*

*Strandline will work in accordance with the regulations set by the Government as relevant to industrial minerals. Strandline is not a current producer of metallic minerals or gemstones.*

- A mineral right holder shall give preference to goods and services which are produced or available in Tanzania. Where goods and services are not available in Tanzania, such goods and services shall be provided by a company which has entered into a joint venture with a local company, with the local company holding at least 25% of the joint venture.

*Comment:*

*Strandline will seek further guidance from the Government on this matter to understand the extent to which this requirement impacts the Company's proposed contracting and procurement strategies relating to the Fungoni Feasibility Study. It is the intention of the Company to utilise Tanzanian goods and services to the fullest extent practicable.*

Strandline will continue to seek advice on the changes to the legal framework governing the natural resources sector in Tanzania and will provide further updates as appropriate.

---

For further enquiries, please contact:

**Luke Graham**

CEO and Managing Director

Strandline Resources Limited

T: +61 8 9226 3130

E: [enquiries@strandline.com.au](mailto:enquiries@strandline.com.au)

For media and broker enquiries:

**Paul Armstrong**

Read Corporate

T: +61 8 9388 1474

E: [paul@readcorporate.com.au](mailto:paul@readcorporate.com.au)