



Binding offtake agreement signed for Fungoni project's ilmenite

More than 90% of Fungoni's forecast sales now covered by take-or-pay contracts

HIGHLIGHTS

- Binding sales contract signed with China's Maoming Ubridge Group Mineral Industry Company covering 100% of the ilmenite to be produced at Fungoni for the Life of Mine
- Ilmenite sales are expected to generate ~28% of forecast revenue from Fungoni
- With the previously announced zircon-monzite sales agreement with Hainan Wensheng High-Tech Materials Company, Strandline now has 90% of Fungoni's forecast revenue secured via binding offtake contracts
- Sale price for Fungoni's ilmenite product is based on the prevailing \$US market price for "chloride grade" ilmenite; This is expected to be in line with the pricing assumptions contained in the DFS
- Favourable per-shipment payment arrangements via a letter of credit will ensure reliable and timely cashflow to Strandline
- Conditions precedent include positive final investment decision for Fungoni

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 100% of the ilmenite which will be produced at its Fungoni mineral sands project in Tanzania (**Fungoni**).

The Agreement is with China's Maoming Ubridge Group Mineral Industry Company (**Maoming**).

Based on the pricing formulae contained in the Agreement and otherwise using the assumptions contained in the Fungoni DFS (see ASX release dated 6 October, 2017), the ilmenite production is expected to generate 28% of Fungoni's total revenue.

The remaining project revenue is expected to be from zircon-monzite (over 62%, offtake already secured – see ASX announcement dated 22 January 2018) and rutile (~10%), for which sales discussions are well underway.

Fungoni's high unit value orebody assemblage and low costs underpin strong 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.

Strandline Managing Director Luke Graham said: "Establishing this strategic offtake relationship with Maoming represents another important 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.

"The Agreement provides a strong endorsement of the Fungoni project and the high quality of the chloride ilmenite which will be produced over the life of the mine.

“With the environment certificate already received for the project, Strandline is now awaiting approval of its Mining Licence from the Tanzanian Mining Commission, at which time project funding can be finalised.”

FUNGONI PROJECT SNAPSHOT

The Fungoni DFS, which was completed in October 2017 (refer ASX announcement 6 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.

The project is favourably located ~25km from the Dar es Salaam port in a growing commercial/industrial district and will benefit from existing infrastructure in the region.

Key highlights of the Fungoni DFS 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%;
- 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;
- Outstanding Internal Rate of Return and revenue-to-operating cost ratio of 2.7 (first quartile);
- 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;
- Binding offtake Agreements signed for 100% of zircon-monzonite and ilmenite products for the Life of Mine, based on “take-or-pay” arrangement with letter of credit, representing ~90% of projected project revenue;
- Environmental Certificate granted and Mining Licence Application submitted and awaiting adjudication from the Tanzania Mining Commission;
- 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.

Furthermore, the Fungoni Project is ideally positioned to benefit from an improving mineral sands outlook and in particular, the emerging zircon structural supply gap forecast to emerge this year. The zircon and ilmenite pricing formulae is leveraged to the improving market conditions.

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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 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.