



## Strandline Resources Ltd (STA.ASX)

Construction progresses as commission date reaffirmed

### Event:

- June 2021 quarterly.

### Investment Highlights:

- Coburn construction ramps up.** Following the \$338M equity and debt funding secured in March and April and FID, the June quarter was the first in which STA began construction in earnest on Coburn. Activities in the period included installation of camp, main access road build, bulk earthworks clearing, and water bores commissioning. Major contracts have been secured (including mining, earthworks, power), and order and manufacturing of key equipment (processing and mining) progressed.
- 4QCY22 target for production reiterated.** STA reiterated its December CY22 quarter target for first HMC production, signaling that the early days so far on construction, orders, and contracting are progressing to budget.
- Tanzanian commentary and environment more positive.** We noted STA commented on progress of its Framework Agreement with the Tanzania Government, occurring against a backdrop of Special Mining Licenses (SMLs) being recently awarded to other parties. This bodes well both for finalising Fungoni agreement and securing a SML for Tajiri.
- Regulatory ticks prelude to commercialisation and strategic partnering.** STA noted it has been in discussions with strategic partners concerning project equity interest, offtake, and/or funding for its Tanzania assets. We believe these can accelerate to a successful conclusions once the Framework Agreement is finalised.
- Strong mineral sands environment providing tailwind for commissioning.** Iluka Resources (ILU) quarterly noted zircon price increase of US\$125/t (ca. +10%) in July, while China tile manufacturing had returned to pre-pandemic levels. Meanwhile, uncertainty over Sierra Rutile production, Richards Bay force majeure, and delay in Toliara FID has squeezed current and future supply. STA stands to benefit from commissioning Coburn in positive market environment, while potentially facilitating realising value for Tanzania.
- 100% of offtake secured.** Following the agreement with Mario Pilato BLAT, STA has now secured diverse binding offtakes for 100% of its Coburn products across Europe, USA, and China.
- Cash of \$116M end quarter and fully funded to production.** STA ended the quarter with \$116M (including \$6M escrowed). Undrawn debt comprised \$150M NAIF and \$77M bond. Capex spend on Coburn was \$11M, with balance of ca. \$250M well covered by cash and debt facilities.

### Earnings and Valuation:

- No changes to our forecast earnings or valuation of \$0.52/share (0.8 x NPV<sub>10</sub>).

### Recommendation:

- We maintain our Buy and 12-month PT of \$0.52, in-line with our risked share valuation.
- Catalysts for the share price include: 1) Rising mineral sand prices; 2) Coburn construction progress; 3) First HMC production; 4) Progress on Tanzanian assets; and 5) Coburn extension PFS.

### Disclosures

The analyst owns 265,500 STA shares.  
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,765,500 STA shares.  
Cranport Pty Ltd owns 6,933,617 STA shares.  
Refer details end of report.

**Foster Stockbroking acted as Co-Manager and Sub-Underwriter to the \$122M placement and entitlement offer of 593M STA shares at \$0.205 in March 2021, for which it received fees.**

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$ 0.52			
Previous	\$0.52			
Share price (A\$)	\$ 0.205			
ASX code	STA			
52 week low-high	\$0.168-\$0.298			
Valuation - risked (A\$/share)	\$ 0.52			
Methodology	risked NPV			
Capital structure				
Shares on Issue (M)	1,116			
Market cap (A\$M)	229			
Net cash (debt) (A\$M)	114			
Performance rights (M)	14			
Options (M)	11			
Diluted EV (A\$M)	120			
Ave daily volume ('000)	2,135			
Earnings Y/e Jun A\$M	FY20a	FY21e	FY22e	FY23e
Sales	0	0	0	45
EBITDA adj	-8	-13	-14	7
NPAT reported	-8	-13	-12	-10
NPAT adj	-8	-13	-12	-10
EPS adj. \$*	-0.02	-0.02	-0.01	-0.01
PE x	nm	nm	nm	nm
EV/EBITDA x	nm	nm	nm	nm

\* Adj =underlying

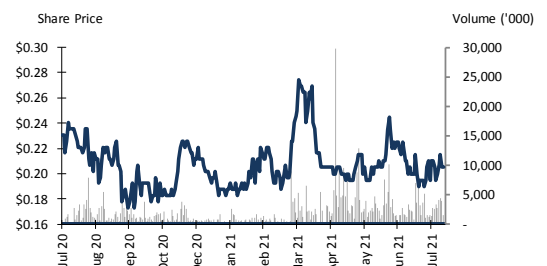
### Substantial shareholders

Ndovu Capital VII BV (Tembo)	21%
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### Board

Didier Murcia	Non-Executive Chairman
Luke Graham	CEO and Managing Director
Peter Watson	Executive Director
John Hodder	Non-Executive Director
Mark Hancock	Non-Executive Director
Alexandra Atkins	Non-Executive Director
Tom Eadie	Non-Executive Director

### Share price graph



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