



Strandline Resources Ltd (STA.ASX)

Coburn on track while Tanzania de-risked

Event:

- December quarterly review; PT change.

Investment Highlights:

- Coburn still on-time and on-budget.** Coburn project reached 50% completion on 17 January 2022, the company stating that it remains on-budget and on-time, with first commissioning of HMC still targeted for December quarter 2022. All major construction contracts either have been awarded or committed, representing 96% of project scope by value.
- We understand the critical path has now shifted to the process plant EPC** from bulk earthworks. This remains ahead of schedule, with engineering design 95% complete, concrete installation 70% complete, and steel fabrication underway with first steel installation this month.
- Well funded to first HMC sales.** Cash end quarter was \$61M and debt of \$59M was drawn down, for net cash of \$2M. Available undrawn debt for the project was \$153M, bringing total available funds to \$215M. \$73M of capex was spent during the December quarter, bringing our estimate of capex to date being \$127M, with \$137M remaining. Including our forecast working capital, finance costs, corporate, and exploration costs, we estimate the \$215M in funds can cover these costs and \$29M in contingency until first cash flow from HMC.
- STA and the Tanzanian Government signed a Framework Agreement (FWA)** to finalise the 16% free-carry interest of the Government in the company's projects. This will allow STA to progress commercialization of the projects, the FWA clearly defining operating and ownership terms. Establishment of a JV between the STA and Tanzania Government (Nyati) in which ownership will be 84%:16% respectively, will cover all STA's Tanzanian assets.
- Fungoni first project to be developed, being the most advanced,** small in size but fully permitted. It should pave the way for the larger and higher-value Tajiri to follow. The company flagged a modular relocatable plant design to move between Fungoni and Tajiri. We expect completion of Nyati JV, including reassigning of licenses and assets, which we anticipate by end 1QCY22.
- Larger tiles add to zircon demand.** Minerals sands markets remain strong, with spot zircon US\$2,415/t. Iluka Resources have noted the trend to larger tiles, which have approximate double the intensity of zircon use, enhancing demand.

Earnings and Valuation:

- We mark-to-market mineral sand prices and make a slight NPAT upgrade in FY23e to \$3M from \$1M on higher zircon and rutile prices.** Otherwise our earnings are unchanged.
- Risked share valuation (0.8x NPV₁₀) increases to \$0.65 from \$0.62,** on derisking of the Tanzanian assets via the FWA. Our unrisked valuation is unchanged at \$0.78 (1.0x NPV).

Recommendation:

- We maintain our Buy and raise our 12-month PT to \$0.65 (prior \$0.62), in-line with our risked share valuation.** Catalysts for the share price include: 1) Further Coburn progress; 2) Resource and Reserves upgrades; 3) Coburn commissioning; 4) Completion of Nyati JV; and 5) higher mineral sands prices.

Disclosures

The analyst owns 265,500 STA shares. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 2,415,500 STA shares. Cranport Pty Ltd owns 3,378,372 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	\$ 0.65			
Previous	\$0.62			
Share price (A\$)	\$ 0.310			
ASX code	STA			
52 week low-high	\$0.165-\$0.38			
Valuation - risked (A\$/share)	\$ 0.65			
Methodology	risked NPV			
Capital structure				
Shares on Issue (M)	1,124			
Market cap (A\$M)	348			
Net cash (debt) (A\$M)	2			
Performance rights (M)	15			
Options (M)	10			
Diluted EV (A\$M)	354			
Ave daily volume ('000)	3,516			
Earnings Y/e Jun A\$M	FY21a	FY22e	FY23e	FY24e
Sales	0	0	53	204
EBITDA adj	-12	-7	31	102
NPAT reported	-13	-15	3	63
NPAT adj	-13	-15	3	63
EPS adj. \$*	-0.02	-0.01	0.00	0.06
PE x	nm	nm	nm	56.x
EV/EBITDA x	nm	nm	19.4x	4.1x

* Adj = underlying

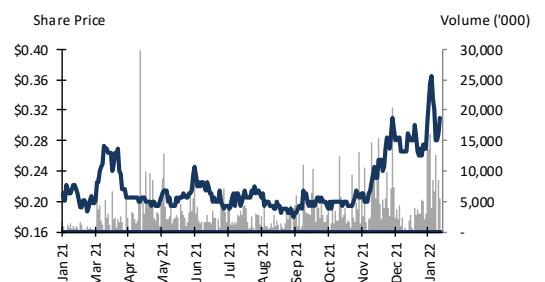
Substantial shareholders

Ndovu Capital VII BV (Tembo)	21%
Regal Funds Management Pty Ltd	5%

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
James Chialo	Non-Executive Director
Tom Eadie	Non-Executive Director

Share price graph



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