



Strandline Resources Ltd (STA.ASX)

Tajiri environmental approval, SML to follow

Event:

- Tajiri environmental approval.

Investment Highlights:

- STA's Tajiri yesterday received the Environmental Certificate** from the Tanzania government. This means now the Special Mining Licence (SML) is the major outstanding regulatory approval required, given the Framework Agreement for all of STA's Tanzanian assets (including Tajiri and Fungoni) had been signed in December 2021, which allows STA to clearly commercialise its assets with defined operating and ownership terms via the 84:16 Nyati JV with the Government. We expect the Tajiri SML to be granted some time in CY22e.
- Tajiri - STA's second most valuable asset after Coburn.** We value Tajiri at \$205M unrisked (\$0.18/share), ranking it only behind Coburn (\$473M, or \$0.50/sh) as the company's most valuable asset. While Fungoni is more advanced – completed DFS, granted Mining License – it is relatively smaller in Resource size and value (FSB: \$32M or \$0.03/sh) than Tajiri. Increasingly, we see Fungoni as more of a starter project with Tajiri later becoming the flagship Tanzanian asset.
- Recap on Tajiri.** The 2020 Scoping Study on Tajiri contemplated a 23-year mine life yielding pre-tax NPV₁₀ of US\$205M (A\$277M) and IRR of 26%. This included an attractive revenue/C1 cost ratio of 2.4x and production of 16ktpa HiTi, 150ktpa ilmenite, and 61ktpa zircon concentrate. The project encompasses 268Mt JORC Resource at 3.3% THM.
- We expect STA will complete a DFS on Tajiri some time in CY23,** with the project to follow Coburn and Fungoni into development, providing an attractive staggered project growth pipeline for the company.
- Meanwhile we anticipate that completion of the Nyati JV,** including reassigning of STA's Tanzanian licences and assets into the JV in the 2QCY22. We also expect STA is progressing its plans for commercialising its Tanzanian assets, including potentially examining strategic alliances as an option.

Earnings and Valuation:

- No changes to earnings.**
- Unchanged risked share valuation of \$0.65, based on 0.8x NPV₁₀.**

Recommendation:

- We maintain both our Buy recommendation and 12-month PT of \$0.65,** in-line with our risked share valuation.
- Upside to P/E based on peers supports our PT.** We note that when Coburn is commissioned, the market will start to price STA at FY24e earnings. Currently STA is on FY24e PE of 7x vs Resource producers forward PE of 11x. This represents ca. 50% upside to current share price, which is also in-line with our 12-month PT of \$0.65.
- Catalysts for the share price include:** 1) Coburn progress; 2) Resource and Reserves upgrades; 3) Coburn commissioning; 4) Completion of Nyati JV; 5) Commercialisation of Tanzanian assets; 6) Tajiri SML; and 7) Higher mineral sands prices.

Disclosures

The analyst owns 265,500 STA shares.
 Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 2,015,500 STA shares.
 Cranport Pty Ltd owns 1,757,618 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	\$0.65			
Share price (A\$)	\$ 0.395			
ASX code	STA			
52 week low-high	\$0.165-\$0.41			
Valuation - risked (A\$/share)	\$ 0.65			
Methodology	risked NPV			
Capital structure				
Shares on Issue (M)	1,124			
Market cap (A\$M)	444			
Net cash (debt) (A\$M)	2			
Performance rights (M)	15			
Options (M)	10			
Diluted EV (A\$M)	452			
Ave daily volume ('000)	4,182			
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	7.1x
EV/EBITDA x	nm	nm	23.8x	5.1x

* Adj =underlying

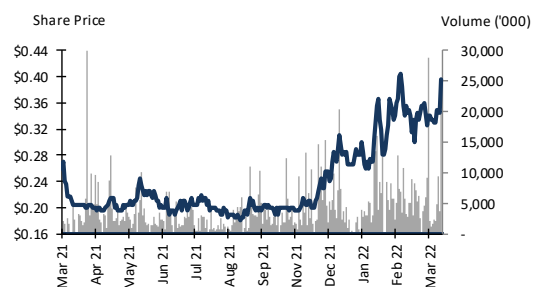
Substantial shareholders

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



Analyst: Mark Fichera
mark.fichera@fostock.com.au

+612 9993 8162