



## Strandline Resources Ltd (STA.ASX)

*High quality offtake agreements pave way for financing*

### Event:

- **Binding offtake agreements for Coburn announced.**

### Investment Highlights:

- **Strandline Resources (STA) announced signed binding offtake agreements for three of its four products to be produced from Coburn**, or 66% of forecast revenue in the first five years. The agreements have a forecast combined value US\$400M, in-line with our own prior model estimate of US\$396M.
- **100% of Ilmenite in first five years to be sold to US listed Chemours Company FC, the world's leading producer of high quality TiO<sub>2</sub>**. Pricing is fixed with annual PPI adjustments. The value is equal to 20%-24% of Coburn's total.
- **Substantial portion (we estimate 50%) of premium zircon in first five years sold to Industrie Bitossi**, one of the world's leading zircon consumers and producer of ceramics headquartered in Italy. The contracted price references prevailing US\$ market price for premium ceramic grade zircon. Value is 18% of Coburn's forecast total.
- **100% of zircon concentrate in first seven years sold to Sanxiang Advanced Materials Co and Nanjing Rzisources International Trading (both China) collectively under a strategic partnership**. Sanxiang will recover the contained zircon, titanium, and monazite from the concentrate while on-selling the latter two products to Nanjing. All prices are referenced to the prevailing market. Value is equivalent to 22%-26% of Coburn's forecast revenues.
- **HMC monetisation derisks Coburn via additional cash flow**. STA also has binding agreements with Sanxiang and Nanjing for Coburn's intermediate heavy mineral concentrate (HMC). This provides STA with cash flow during construction, commissioning, and ramp-up of the mineral separation plant.
- **Offtake sufficient to satisfy debt financiers**. The quantum of offtake signed, and the quality and diversification of customers are likely to be viewed favourably by financiers, providing impetus for debt progressing to finalisation. We expect STA to secure agreements for the balance of premium zircon and rutile product soon, with discussions well advanced.
- **Offtakers may provide equity**. We believe that one or more of the offtakers may potentially contribute equity funding of Coburn, either via the project or company level, to ensure development and enhance strategic relationships.
- **Agreements highlight long-life mine and product quality**. Overall we are impressed with the quality and geographic diversification of customers signed. Coburn's long-life, product quality, and low impurities were key in attracting the offtakers and the pricing negotiated.

### Earnings and Valuation:

- **We make no material changes to earnings forecasts, while our valuation increases to \$0.33 from \$0.32 via 6-month roll forward of our Coburn model.**

### Recommendation:

- **We maintain our Buy and increase 12-month PT to \$0.33, based on 1.0x risked NPV<sub>10</sub>**. Catalysts for the share price include: 1) Remaining Coburn offtake agreements; 2) Finalising financing and FID for Coburn; 3) Completion of financing and FID for Funconi; and 4) Increased JORC Resources or Reserves.

### Disclosures

The analyst does not own STA securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 500,000 STA shares. Cranport Pty Ltd owns 8,138,115 STA shares. Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.33
Previous	\$0.32
Share price (A\$)	\$ 0.125
ASX code	STA
52 week low-high	\$0.067-\$0.16
Valuation (A\$/share)	\$ 0.33
Methodology	risked NPV
Capital structure	
Shares on Issue (M)	427
Market cap (A\$M)	53
Net cash (debt) (A\$M)	10
Performance rights (M)	19
Options (M)	11
Diluted EV (A\$M)	48
Ave daily volume ('000)	242

Earnings Y/e Jun A\$M	FY19a	FY20e	FY21e	FY22e
Sales	0	0	0	43
EBITDA adj	-8	-8	-9	12
NPAT reported	-7	-7	-8	1
<b>NPAT adj</b>	<b>-8</b>	<b>-7</b>	<b>-8</b>	<b>1</b>
<b>EPS adj. \$*</b>	<b>-0.03</b>	<b>-0.02</b>	<b>-0.01</b>	<b>0.00</b>
<b>PE x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
<b>EV/EBITDA x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>4.6</b>

\* Adj = underlying

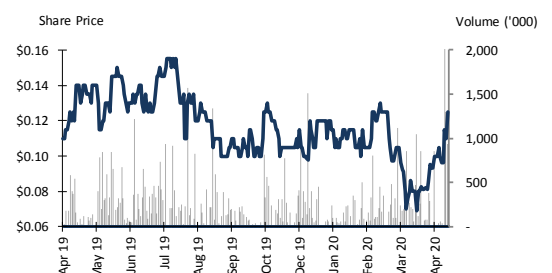
### Substantial shareholders

Ndovu Capital VII BV & Tembo Capital Mining Fund II LP	37%
C&H International Investment Ltd	8%

### Board

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

### Share price graph



Analyst: Mark Fichera  
[mark.fichera@fostock.com.au](mailto:mark.fichera@fostock.com.au)

+612 9993 8162