

24 May 2016



STRANDLINE

resources limited

ABN 32 090 603 642

NEW CORNERSTONE INVESTOR UNDERPINS TANZANIAN STRATEGY

Highlights

- Strategic Relationship and Subscription Agreement (“**SRSA**”) signed with Developing Market - focussed private equity fund group, Tembo Capital (“**Tembo**”), by which Tembo will become a significant shareholder.
- Under the SRSA, Tembo will cornerstone a funding package comprising:
 - Up-front firm investment of **\$2.3 million** by way of placement of ordinary shares at an issue price of 0.7c per share (a **17% premium** to the last closing price of Strandline shares); and
 - A fully underwritten pro-rata renounceable rights issue to all eligible Strandline shareholders to raise up to **\$4.3 million** at 0.5c per share.
- The aggregate cash injection of approximately **\$6.6 million** (“**Initial Funding**”) will ensure that Strandline is fully funded to advance its portfolio of high value Tanzanian mineral sands projects over the next two years.
- Strategic, long term relationship with Tembo includes:
 - Appointment of John Hodder of Tembo as a non-Executive Director of Strandline;
 - Access to Tembo’s strategic & financing networks within Emerging Markets; and
 - Potential access to future development funding of up to a further \$US15m over the medium to longer term.
- The Initial Funding and Tembo’s long term commitment gives Strandline the capacity to:
 - Fast track development of the high grade Fungoni deposit;
 - Undertake extensional drilling and feasibility studies of the high grade Resources at Tajiri; and
 - Continue exploration and discovery drilling across Strandline’s high value Tanzanian mineral sands portfolio.

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Tanzanian focussed mineral sands developer, Strandline Resources Limited ("**Strandline**", "**STA**", or "**the Company**") is pleased to announce the execution of a Strategic Relationship and Subscription Agreement ("**SRSA**") with Tembo, the mining-focussed private equity fund group that specialises in investment into Developing Countries and has a strong track record of identifying and supporting emerging resource companies.

Pursuant to the SRSA and utilising authorities available under ASX Listing Rule 7.1 and 7.1A, the Company has resolved to undertake a placement to Tembo of 332,943,363 new Ordinary Strandline shares at 0.7c each (being a **17% premium** to the last market price of 0.6c), resulting in the receipt by the Company of approximately \$2.3 million in equity funding ("**Placement**").

Following the completion of the Placement, the Company will undertake a fully underwritten pro-rata renounceable rights issue offered to all eligible shareholders ("**Rights Issue**") to raise up to a further \$4.3 million at 0.5c per share. Details of the Rights Issue are contained below.

Strandline's Managing Director, Tom Eadie, said, "*The Board of Strandline is delighted to welcome Tembo as a supportive major shareholder, which also has the capacity to provide valuable technical and strategic support. Tembo's investment and ongoing support strongly endorses the high potential of Strandline's mineral sands projects and our highly capable team. The Company is very excited about having the financial capacity to progress these high potential projects in the manner that they deserve.*"

"We encourage all eligible shareholders to consider participation in the Rights Issue. Following its completion, Strandline will be well funded for significant activity over the coming 24 months to unlock the value of our Tanzanian portfolio."

Initial Funding

Strandline is undertaking the Placement and Rights Issue to financially position the Company to unlock the value from its Tanzanian Mineral Sands portfolio.

The \$6.6 million raised from the Initial Funding (before expenses) will be used to progress Strandline's mineral sands properties in Tanzania, including:

1. Moving towards development at the 100% owned, zircon-rich **Fungoni** deposit (see ASX Release 23 February 2016).
2. Extending high-grade, rutile-rich mineralisation at **Tajiri** where only 5 kilometres of the 20 kilometre trend has been drilled, already outlining two Indicated Resources, the best of which is 19 million tonnes @ 5.1% Total Heavy Minerals (THM) with a valuable assemblage of 12% rutile, 6% leucoxene, 6% zircon and 65% ilmenite at a cut-off grade of 1.7% THM (see ASX Release 4 April 2016).

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3. Exploration drilling totalling 30,000 metres of aircore drilling at:
- Tanga North** - rutile-rich assemblage in a huge dune system;
 - Madimba** - continuous mineralised zone extending over 2000m of strike, up to 250m wide, 9m thick and 5.4% THM;
 - Tongani and Mafia** - zones of untested high-grade mineralisation at surface, and
 - Sudi Bay, Kiswere and Bagamoyo** - huge zones of unexplored highly anomalous mineralisation.

Placement

Strandline has resolved to undertake a Placement with Tembo to place 332,943,363 fully paid Ordinary Strandline shares, at an issue price of 0.7 cents per share, to raise approximately \$2.3 million before expenses. Tembo will be paid a 3% fee in connection with the Placement, which covers expenses incurred by it in undertaking due diligence on Strandline and in connection with the preparation and negotiation of the SRSA. The Placement issue price represents a premium of 17% to the last closing price of Strandline shares on ASX, being 0.6 cents per share.

Following the Placement, Tembo will have an interest in the Company of 19.4%. The Placement forms the cornerstone of an overall funding strategy that will raise approximately \$6.6 million before expenses.

The Placement will be completed utilising the Company's existing capacity pursuant to ASX Listing Rules 7.1 and 7.1A.

Fully Underwritten Rights Issue

Following completion of the Placement, Strandline will undertake a fully underwritten renounceable Rights Issue on the basis of one new share ("**Rights Issue Share**") for every two shares held at the record date at a price of 0.5 cents per Rights Issue Share, to raise up to \$4.3 million.

The offer price of 0.5 cents for each Rights Issue Share represents a **17%** discount to the last closing price of Strandline shares on ASX, being 0.6 cents per share. Additionally, for every two Rights Issue Shares issued, participants will also receive:

- One free attaching unlisted option exercisable at 1 cent per share with an expiry date of 30 June 2018; and
- One free attaching unlisted option exercisable at 1.5 cents per share with an expiry date of 30 June 2019.

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Strandline has agreed a mandate with Hartleys Limited to act as Underwriter and Lead Manager in relation to the Rights Issue (subject to execution of formal underwriting and sub-underwriting agreements, which are currently being finalised and are expected to be executed imminently). Tembo has agreed to fully sub-underwrite the Rights Issue, subject to execution of the relevant formal sub-underwriting documentation.

Strandline will announce the Rights Issue timetable (including timing for trading of entitlements) and despatch the associated offer documentation to eligible shareholders in the near future.

Strategic Relationship

Strandline believes that Tembo can add strategic, technical and financial value to the Company and its projects, to the benefit of all Strandline shareholders. Accordingly, the SRSA contemplates that a strategic relationship committee will be established, comprising representatives of both parties, to provide non-binding advice and guidance to the Board on major work programmes proposed by Strandline.

Following completion of the Placement and consistent with its position as a significant shareholder in Strandline, Tembo will have the right to appoint one director to the Company's Board for so long as it holds 12.5% or more (subject to the provisions of the Corporations Act, ASX Listing Rules and the Company's Constitution). It is expected that Mr John Hodder of Tembo will be added to the Strandline Board as a non-Executive Director in that regard.

Mr Hodder is a Geologist by background with a B.Sc. in Geological Sciences and a B.Com. in Finance and Commerce from the University of Queensland. He spent ten years in the mining and oil and gas industries before completing a M.B.A. at London Business School. John established the Commonwealth Development Corporation (CDC) mining, oil and gas investment department in 1995 and was responsible for its investment activities for some eight years. He has served as a director of a number of junior mining companies and has significant experience of operating and investing in Africa. John also worked at Suncorp and Solaris as a Fund Manager focusing on the resources sector managing an index-linked natural resource portfolio of ~AUD\$1.25bn.

Tembo has indicated that it has a long-term investment strategy and intends to be supportive of Strandline in its development of the Company's mineral sands portfolio.

About Tembo

Tembo is a mining-focussed private equity fund group, which specialises in developing countries such as Tanzania and has a strong track record of identifying and supporting emerging resource companies. Tembo has a team of experienced private equity investment and mining finance professionals, with a long history of association with Africa and other developing regions and countries.

For further enquiries, please contact:

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to mineral exploration is based upon information compiled by Mr Tom Eadie, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Eadie, who is Managing Director of Strandline Resources, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Eadie consents to the inclusion in this release of the matters based on the information in the form and context in which they appear.

FORWARD LOOKING STATEMENTS

This report contains certain forward looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside of the control of Strandline. These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay, approvals and cost estimates. Actual values, results or events may be materially different to those contained in this announcement. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward looking statements in this announcement reflect the views of Strandline only at the date of this announcement. Subject to any continuing obligations under applicable laws and ASX Listing Rules, Strandline does not undertake any obligation to update or revise any information or any of the forward looking statements in this announcement to reflect changes in events, conditions or circumstances on which any forward looking statements is based.