STRANDLINE
resources limited

# STRANDLINE RESOURCES LTD

ABN 32 090 603 642

# Interim Financial Report

for the half year ended 31 December 2019

# CORPORATE DIRECTORY

## Board of Directors

| | |
|---|---|
| Didier Murcia | Non-Executive Chairman |
| Luke Edward Graham | Managing Director |
| Peter Richard Watson | Executive Director |
| Ernest Thomas Eadie | Non-Executive Director |
| John Russell Hodder | Non-Executive Director |

## Company Secretary

Mr Flavio Lino Garofalo

## Registered and Principal Office

35 Richardson Street
West Perth, Western Australia 6005

Tel: (61 8) 9226 3130
Fax: (61 8) 9485 2070
Email: enquiries@strandline.com.au

## Postal Address

PO Box 1217
West Perth, Western Australia 6872

## Website

www.strandline.com.au

## Country of Incorporation

Strandline Resources Limited is domiciled and incorporated in Australia

## Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

## **Share Registry**

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth, Western Australia 6000
Tel: (61 8) 9323 2000
Fax: (61 8) 9323 2033

## Home Stock Exchange

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
Perth, Western Australia 6000

ASX Code: STA

# DIRECTORS' REPORT

The Directors of Strandline Resources Limited ("**Strandline**" or "the **Company**") submit the Financial Report on the Consolidated Entity ("the **Group**") consisting of Strandline Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

## DIRECTORS

The names of the Company's directors in office during the or since the end of the half year are:

**Didier Murcia AM**
Independent Non-Executive Chairman, B.Juris, LL.B, appointed 1 March 2016

**Luke Edward Graham**
Managing Director & Chief Executive Officer, A.Dip (Hons) (Elec Eng), MAICD, appointed 19 September 2016

**Peter Richard Watson**
Executive Director, BEng (Hons) (Chem), GAICD, FIEAust, Dip (Acct), appointed 10 September 2018

**Ernest Thomas Eadie**
Non-Executive Director, B.Sc (Hons), M.Sc., F.AusIMM. appointed 9 October 2015

**John Russell Hodder**
Non-Executive Director, B.Sc, B.Com, MBA, appointed 8 June 2016

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the half-year was mineral exploration and evaluation in Australia and Tanzania, with a focus on mineral sands.

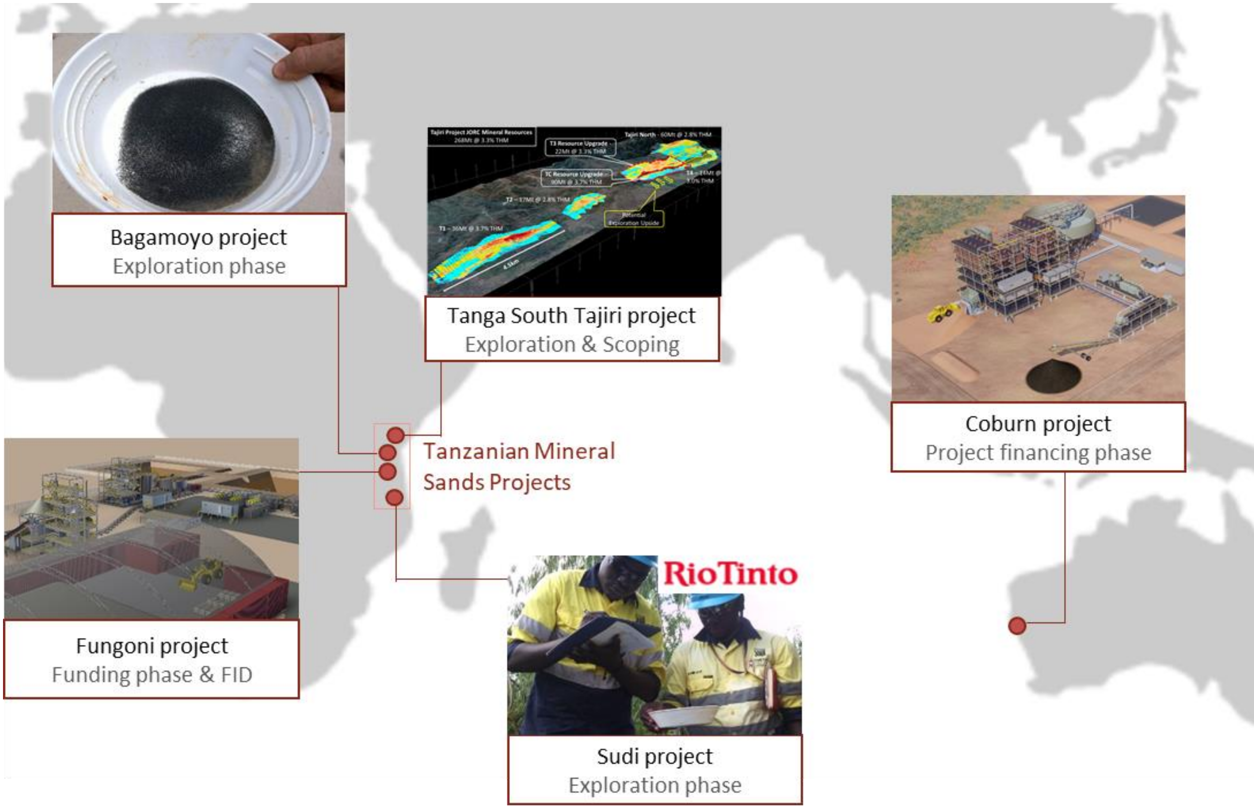


Figure 1: Strandline's world-wide mineral sands exploration & development projects

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## REVIEW OF OPERATIONS

The focus during the half year was advancing the Company's two zircon-titanium rich, 'development-ready' projects: the Fungoni Project in Tanzania and the large Coburn Project in Western Australia.

In parallel, Strandline progressed exploration and evaluation activities across a series of high-grade targets spread along the highly prospective Tanzanian coastline, including the large-scale Tanga South Tajiri Project in northern Tanzania.

### Mineral Sands Projects – Australia

#### Coburn Project

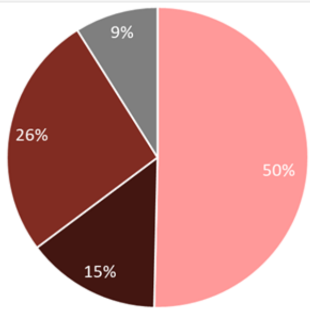
Coburn is one of the largest, most advanced and capital-efficient undeveloped mineral sands projects in the world, with an exceptional zircon-titanium product suite and best-quartile revenue-to-operating cost ratio of 2.3. The project is situated in the well-established mining jurisdiction of Western Australia, close to key infrastructure and the dominant mineral sands market of Asia.

The Coburn DFS shows the Project will generate strong financial returns over an initial 22.5 year life of mine (LOM), with a pre-tax NPV of A$551m (USD:AUD 0.72, 8% discount rate), an IRR of 32%, LOM revenue of A$3.9b and EBITDA of A$1.9b (average annual EBITDA of A$86 million). Coburn's JORC-compliant Ore Reserves underpin an initial 22.5-year mine life, with a further 15 years of potential production targets identified (titled "Mine Life Extension Case" with an expected total 38-year LOM). The Mine Life Extension Case financial metrics include pre-tax NPV of A$710m (USD:AUD 0.72, 8% discount rate), with revenue of A$6.98b and EBITDA of A$3.67b over 38 years.

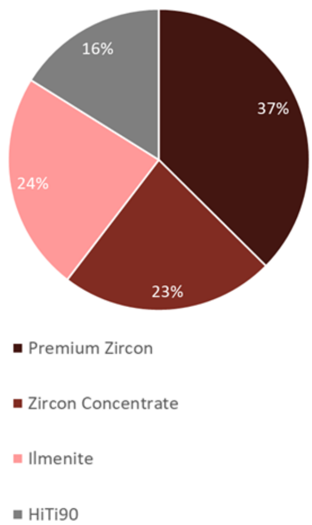
Table 1 DFS Key Financial Metrics and Assumptions

| Description | DFS Final Product Case | DFS HMC Case |
|---|---|---|
| NPV (8% WACC, Real, Pre Tax, no debt) | $551M | $481M |
| IRR | 32.3% | 36.4% |
| Capital Expenditure (Pre-production) | A$257M | A$207M |
| Payback of Capital from start of production | 2.3 years | 2.2 years |
| LOM Revenue | A$3,906M | A3,417M |
| LOM OPEX C1 Costs inc. transport | A$1,778M | A$1,622M |
| LOM All-in Sustaining Costs (AISC) | A$1,973M | A$1,793M |
| Revenue to C1 Cost Ratio | 2.2 | 2.1 |
| Annual Average Operating Margin | A$364/t | A$305/t |
| LOM EBITDA | A$1,933M | A$1,625M |
| Annual Average EBITDA | A$86M | A$69M |
| LOM Free Cash Flow (FCF) pre-tax | A$1,610M | A$1,357M |
| **Key Assumptions** | | |
| Annual Production Rate (Steady State) | 23.4Mt | 23.4Mt |
| LOM Production (Ore Mined) | 523.4Mt | 523.4Mt |
| Mine Life | 22.5 Years | 22.5 Years |
| Annual Avg HMC Produced (from WCP) | 229 kt/year | 229 kt/year |
| Annual Avg Premium Zircon Production | 32 kt/year | - |
| Annual Avg Zircon Concentrate Production | 58 kt/year | - |
| Annual Avg HiTi90 Production | 20 kt/year | - |
| Annual Avg Ilmenite Production | 110 kt/year | - |
| Exchange Rate (A$/US$) | 0.72 | 0.72 |
| **Product Price** | | |
| LOM Avg HMC Price (FOB) | - | US$479/t |
| LOM Avg Premium Zircon (FOB) | US$1,480/t | - |
| LOM Avg Zircon Concentrate (FOB) | US$495/t | - |
| LOM Avg HiTi90 (FOB) | US$1,014/t | - |
| LOM Avg Ilmenite (FOB) | US$267/t | - |

**Production by Product (tonnes)**




**Revenue by Product (US$m)**



Since the release of the Coburn Definitive Feasibility Study (DFS) in mid-2019, the Company has made strong progress towards project financing and construction readiness activities. During the Half year, Strandline announced that the Federal Government's Northern Australia Infrastructure Facility (NAIF) had completed its strategic assessment of Coburn and has advanced into the detailed due diligence phase for debt finance. NAIF provides access to up to $5 billion of debt finance, which may be lent on concessional terms to support infrastructure development that generates public benefit for northern Australia. It also seeks to encourage and complement private sector investment to further that objective.

During the half-year, the Company also announced the selection of Woodside and EDL to provide a fully integrated energy solution to Coburn. A non-binding proposal was signed for the development of a 27MW integrated trucked LNG, storage and power station facility, comprising gas and diesel back-up generators combined with state-of-the-art renewable generation and battery technology.

Subsequent to the half-year, the Company announced more outstanding metallurgical test results which further strengthen the financial outlook, product offtake negotiations and funding strategy for the project. The latest tests included optimisation of equipment settings (no change to equipment selection from the DFS design) and attritioning of the feed material and have further validated that Coburn can efficiently deliver premium-quality mineral sands products using conventional processing technology.

It also demonstrates the scope to further increase recoveries and therefore production of the higher-value zircon and rutile final product streams. The process enhancements are expected to increase average annual project revenues relative to the Coburn DFS and support current offtake and funding activities. An updated financial evaluation will be released in due course as part of the current financing process.

For more information on the Coburn mineral sands project, refer to the ASX Announcement dated 16 April 2019 on details of the material assumptions underpinning the production target and financial results for the Coburn Project DFS, Ore Reserve and Mine Life Extension Case Scoping Study. The Company confirms that all the material assumptions underpinning the production target and financial results continue to apply and have not materially changed.

## Mineral Sands Project - Tanzania

### Fungoni HMS Project

Fungoni is Strandline's 100%-owned, high-margin "starter" project in Tanzania, situated 25km from the port of Dar es Salaam. Development of Fungoni will pave the way for a succession of major mineral sands projects along the coastline of Tanzania, as well as establish a new industry in Tanzania. The project is based on a capital efficient and proven execution strategy, with a fixed price EPC contract signed with international contractor, GR Engineering Services, that underpins a 12-month build phase to first production.

The Fungoni DFS demonstrates strong financial metrics including project pre-tax NPV10 of US$48.7m (real, no debt), an IRR of 61% and LOM EBITDA of US$115m (avg annual US$18.5m), based on TZMI price forecast. The mining licence and environmental certificate have been granted by the Tanzanian authorities and there are a host of socio-economic benefits recognised with the project, including capital inflows to Tanzania, high local content, significant job creation, knowledge transfer and community engagement programs.

With key development approvals in place, 100 per cent of the product pre-sold via offtake, strong government support, major implementation contracts signed and project financing nearing completion, Strandline is well positioned to commercialise its first project in Tanzania and capitalise on the growing mineral sands market.

Following the receipt of credit approval from Nedbank CIB for a five-year US$26 million Project Finance Facility for the project, documentation of the Facility is nearing completion. The Facility accounts for the majority of Fungoni's total estimated capital cost of US$35 million including taxes, levies and excluding financing costs.

The main areas of focus now rest with the finalisation of land access compensation and resettlement agreements, secondary-level government approvals (including, conforming documentation for the Tanzanian Government's 16% free carried interest in the project) and satisfying the equity shortfall. As part of this process, Strandline is engaging with international finance institutions interested in strategic equity investment (at Project and/or Company level).

Subsequent to the Quarter end, the Tanzanian Government signed a landmark settlement agreement with Barrick Gold Limited which will assist in finalising the remaining government approvals required for the project.

For more information on the Fungoni mineral sands project, refer to the ASX Announcement dated 06 October 2017 (Original DFS) and subsequent update on 01 November 2018 (Updated DFS) for details of the material assumptions underpinning the production target and financial results. The Company confirms that all the material assumptions continue to apply and have not materially changed.

### Tanga South Tajiri Project

Strandline's 100%-owned Tajiri mineral sands project comprises a series of higher-grade mineral sands deposits stretching along 30kms of coastline in northern Tanzania, near the port city of Tanga. During the half year, the Company announced JORC-compliant Mineral Resource of 268Mt at 3.3% THM, containing 8.8Mt of Heavy Mineral, which includes in-situ rutile (580,000t), zircon (335,000t), ilmenite (5,206,000t) and almandine garnet (1,477,000t).

All Tajiri resources start from surface, with no overburden and contain large coherent high-grade domains comprising mostly high-value titanium-dominated mineral assemblage. The project is likely to continue to grow further over time with resources remaining open and Strandline has recently identified several highly prospective targets close to Tajiri (including the Sukura deposit situated some 10km south along strike).

Tajiri now has the geological critical mass, robustness and market appeal to advance project feasibility, development approvals and partnering activities. Strandline has initiated strategic project reviews and partnering discussions and is now preparing to commence scoping feasibility study work.

### Bagamoyo Project

The Bagamoyo tenements are located approximately 40km north of Dar es Salaam and close to the proposed Bagamoyo port development in Tanzania. Outstanding assays received from the maiden drilling program during the September 2018 Quarter confirm Bagamoyo as a major mineral sands discovery.

The Company has estimated a maiden Exploration Target at Bagamoyo comprising 78 to 156Mt at 3% to 4.5% THM (see ASX release dated 17 September 2018). Minor field activity was performed during the quarter and a further drill program is required to test the veracity of the Exploration Target.

Strandline would caution the reader that the potential quantity and grade of the combined Exploration Target is conceptual in nature and there has been insufficient exploration to define a JORC compliant Mineral Resource. It is also uncertain if further exploration and resource development work will result in the determination of a Mineral Resource.

### Sudi Project

The Sudi Project forms part of the Earn-in and Joint Venture Agreement with Rio Tinto Mining & Exploration Limited (Rio Tinto) across the Company's suite of HMS tenements located in the southern region of Tanzania. The Joint Venture has enabled Strandline to accelerate exploration activities on the Project Area, with Rio Tinto contributing expertise and funding.

The Agreement with Rio Tinto is worth up to US$10.75 million (~A$14.5 million) consisting of a two-stage earn-in plus cash payments. The Stage 1 earn-in commenced in June 2017 with Rio Tinto having the option to sole fund US$5 million of exploration within 3.5 years to earn a 51% interest in the joint venture, including a minimum JV commitment of US$2 million.

Stage 2 involves an option to incur a further US$4 million expenditure within 2 years to earn an aggregated 75% interest (see ASX announcement 26 June 2017 and 26 April 2017). At the end of the period, US$2.19 million development expenditure had been incurred and a Joint Venture review of exploration results received to date continues.

### Fowlers Bay Nickel-Gold Project

Exploration activities are being funded by Western Areas Limited (Western Areas), which covers Strandline's 700km2 Fowlers Bay Project in the Western Gawler region of South Australia. Western Areas have earned a 90% interest in the Farm-in and Joint Venture Project. No material work was completed during the half year.

**Financial**

### Financial Results

The Group incurred a loss after tax for the half-year of $4.33 million (31 December 2018: $4.09 million) which includes exploration costs and corporate expenses expensed during the period. As the Group is still in the exploration and evaluation stage, revenue streams mainly consist of interest earned on investing surplus funds from capital raising and research and development rebates received from the Australian government.

Funds received from the Revenue for the period included interest received of $0.03 million and exploration and evaluation expenditure for the period was $2.31 million (31 December 2018: $2.45 million).

### Financial Position

The Group's net asset position as at 31 December 2019 was $9.76 million (30 June 2019: $13.14 million) and consolidated cash on hand as at 31 December 2019 was $2.89 million (30 June 2019: $6.07million).

The consolidated financial statements have been prepared on the going concern basis as the Directors believe, amongst other things, that they will continue to be successful in securing additional funds through issue of shares, the disposal of assets and/or farm-outs.

## SUBSEQUENT EVENTS

On the 26th February 2020, Strandline announced a capital raising of $6.5 million via a Share Placement for $2m and a $4.5m fully underwritten pro rata non-renounceable Rights Issue. The Placement and 1-for-10 Rights Issue are priced at 12c a share and the Rights Issue is underwritten by Morgan's Corporate Limited and sub-underwritten by specialist mining fund Tembo, which has a 33 per cent stake in Strandline. On 4 March 2020, the $2m Placement was completed and the closing date for the Right Issue is 18 March 2020. Full details are provided in the ASX Announcement dated 26 February 2020.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration is set out separately in this Interim Financial Report.

This Directors' Report is signed in accordance with a resolution of the Directors.

On behalf of the Directors

**Luke Graham**
**MANAGING DIRECTOR**

13 March 2020
Perth, Western Australia

## ANNEXURE A – MINERAL RESOURCE DATA

**MINERAL RESOURCES –** The Company's mineral resource estimates and ore reserves are summarised in the tables below.

**Table A** Mineral Resource Statement for Fungoni at May 2017

| MINERAL RESOURCE SUMMARY FOR FUNGONI PROJECT | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Summary of Mineral Resources(1) | | | | | VHM assemblage(2) | | | | | |
| **Deposit** | **Mineral Resource Category** | **Tonnage** | **In situ HM** | **THM** | **Ilmenite** | **Rutile** | **Zircon** | **Leucoxene** | **Slimes** | **Oversize** |
| | | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| **FUNGONI** | Measured | 8.77 | 0.4 | 4.3 | 43.3 | 4.3 | 18.3 | 1.0 | 19 | 7.0 |
| **FUNGONI** | Indicated | 12.97 | 0.2 | 1.8 | 36.7 | 4.3 | 14.6 | 1.4 | 24 | 7.0 |
| | Total(3) | 21.74 | 0.6 | 2.8 | 40.7 | 4.3 | 16.9 | 1.2 | 22 | 7.0 |

Notes:
(1) Mineral Resources reported at a cut-off grade of 1.0% THM
(2) Valuable Mineral assemblage is reported as a percentage of in situ THM content
(3) Appropriate rounding applied

Refer ASX announcement 2 May 2017 for full details of the Fungoni Mineral Resource Estimate. Mineral Resources were converted to Ore Reserves in accordance with the JORC Code 2012 Edition based on the pit designs, recognising the level of confidence in the Mineral Resource Estimation, and reflecting modifying factors. Refer ASX announcement 6 October 2017 for full details of the Fungoni Ore Reserve statement.

**Table B** Ore Reserve Statement for Fungoni Project at October 2017

| ORE RESERVES SUMMARY FOR FUNGONI PROJECT | | | | | | |
|---|---|---|---|---|---|---|
| **Deposit** | **Reserve Category** | **Ore** | **Slimes** | | **Heavy Mineral** | |
| | | (Mt) | (Mt) | (%) | In Situ HM (kt) | THM (%) |
| **FUNGONI** | Proved | 6.9 | 1.2 | 18 | 341 | 4.9 |
| **FUNGONI** | Probable | 5.4 | 1.0 | 19 | 138 | 2.6 |
| | **Total*** | **12.3** | **2.3** | **19** | **480** | **3.9** |

*Note totals may deviate from the arithmetic sum due to rounding.

**Table C** Tanga South (Tajiri) Project Mineral Resource Estimate (July 2019)

| Summary of Mineral Resources (1) | | | | | | | | THM Assemblage (2) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposit | THM % cut-off | Mineral Resource Category | Tonnage (Mt) | Insitu HM (Mt) | THM (%) | SLIMES (%) | OS (%) | Ilmenite (%) | Zircon (%) | Rutile (%) | Leucoxene (%) | Garnet (%) |
| T3 | 1.70% | Measured | 19 | 0.6 | 3.4 | 37 | 6 | 64 | 4 | 7 | 0 | 5 |
| TC | 1.70% | Measured | 55 | 1.9 | 3.5 | 23 | 10 | 42 | 2 | 5 | 0 | 38 |
| | | **Total** | **74** | **2.5** | **3.4** | **27** | **9** | **48** | **3** | **5** | **0** | **30** |
| Tajiri T1 | 1.50% | Indicated | 36 | 1.3 | 3.7 | 34 | 4 | 71 | 6 | 10 | 0 | 3 |
| Tajiri North | 1.70% | Indicated | 60 | 1.7 | 2.8 | 47 | 4 | 75 | 4 | 6 | 1 | 1 |
| T2 | 1.70% | Indicated | 17 | 0.5 | 2.8 | 32 | 11 | 58 | 4 | 7 | 0 | 18 |
| T3 | 1.70% | Indicated | 3 | 0.1 | 2.8 | 39 | 4 | 66 | 5 | 8 | 1 | 4 |
| T4 | 1.70% | Indicated | 14 | 0.4 | 3.0 | 24 | 6 | 61 | 4 | 8 | 0 | 12 |
| TC | 1.70% | Indicated | 35 | 1.4 | 4.1 | 27 | 9 | 46 | 3 | 6 | 0 | 36 |
| | | **Total** | **165** | **5.4** | **3.3** | **36** | **6** | **64** | **4** | **7** | **0** | **13** |
| Vumbi | 1.70% | Inferred | 29 | 0.9 | 3.0 | 30 | 12 | 64 | 4 | 7 | 1 | 2 |
| | | **Total** | **29** | **0.9** | 3.0 | **30** | **12** | **64** | **4** | **7** | **1** | **2** |
| | | **Grand Total** | **268** | **8.8** | **3.3** | **33** | **7** | **59** | **4** | **7** | **0** | **17** |

**Notes:**

[1] Mineral Resources reported at various THM cut-offs

[2] Mineral Assemblage is reported as a percentage of insitu THM content

[3] Appropriate rounding applied

Refer to the ASX announcement dated 09 July 2019 for full details of the Mineral Resource estimate for the Tajiri Project.

**Table D** Coburn Project JORC 2012 Global Mineral Resources – Amy South and Amy North

| Resource Category | Ore (1) | | | Valuable HM Grade (In-Situ) (2) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Material (Mt) | In situ THM (Mt) | THM (%) | Ilmenite (%) | Rutile (%) | Zircon (%) | Leucoxene (%) | Slimes (%) | Oversize (%) |
| Measured | 119 | 1.5 | 1.3 | 45 | 5 | 24 | 6 | 3 | 6 |
| Indicated | 607 | 7.7 | 1.3 | 48 | 7 | 22 | 5 | 3 | 3 |
| Inferred | 880 | 10.4 | 1.2 | 49 | 7 | 21 | 4 | 3 | 1 |
| **Total** | **1606** | **19.6** | **1.2** | **48** | **7** | **22** | **5** | **3** | **2** |

Notes:
1. Mineral Resources reported at a cut-off grade of 0.8% THM
2. Valuable Mineral assemblage is reported as a percentage of in situ THM content
3. Appropriate rounding applied

**Table E** Coburn Project JORC 2012 Ore Reserve Statement April 2019

| ORE RESERVES SUMMARY FOR COBURN PROJECT | | | | |
|---|---|---|---|---|
| Deposit | Reserve Category | Ore | Heavy Mineral | |
| | | (Mt) | In Situ HM (Mt) | THM (%) |
| **Coburn - Amy South** | Proved | 106 | 1.16 | 1.10 |
| **Coburn - Amy South** | Probable | 417 | 4.66 | 1.12 |
| | **Total**[1] | **523** | **5.83** | **1.11** |

Notes:
1. Total may deviate from the arithmetic sum due to rounding

Refer to the ASX announcement dated 16 April 2019 for full details of the Ore Reserve and Mineral Resource estimates for the Coburn Project.

## MINERAL SANDS COMPETENT PERSON'S STATEMENTS

The information in this report that relates to Exploration Results is based on, and fairly represents, information and supporting documentation prepared by Mr Brendan Cummins, Chief Geologist and employee of Strandline. Mr Cummins is a member of the Australian Institute of Geoscientists and he has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which has been undertaken 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 Cummins consents to the inclusion in this release of the matters based on the information in the form and context in which they appear. Mr Cummins is a shareholder of Strandline Resources.

### Tanga South Mineral Resources

The information in this report that relates to Mineral Resources for Tanga South is based on, and fairly represents, information and supporting documentation prepared by Mr Greg Jones, (Consultant to Strandline and Geological Services Manager for IHC Robbins) and Mr Brendan Cummins (Chief Geologist and employee of Strandline). Mr Jones is a member of the Australasian Institute of Mining and Metallurgy and Mr Cummins is a member of the Australian Institute of Geoscientists and both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Cummins is the Competent Person for the drill database, geological model interpretation and completed the site inspection. Mr Jones is the Competent Person for the resource estimation. Mr Jones and Mr Cummins consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

### Fungoni Mineral Resources

The information in this report that relates to Mineral Resources for Fungoni is based on, and fairly represents, information and supporting documentation prepared by Mr Greg Jones, (Consultant to Strandline and Geological Services Manager for IHC Robbins) and Mr Brendan Cummins (Chief Geologist and employee of Strandline). Mr Jones is a member of the Australasian Institute of Mining and Metallurgy and Mr Cummins is a member of the Australian Institute of Geoscientists and both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Mineral Resources and Ore Reserves. Specifically, Mr Cummins is the Competent Person for the drill database, geological model interpretation and completed the site inspection. Mr Jones is the Competent Person for the mineral resource estimation. Mr Jones and Mr Cummins consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

**Fungoni Ore Reserves**

The information in this report that relates to the Fungoni Ore Reserves are based on information compiled under the direction of Mr Adrian Jones. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and is employed by AMC. Mr Jones has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Non-mining modifying factors for the Ore Reserve estimate are drawn from contributions provided by various sources. Significant contributors to this report are identified in Table 5 (ASX 6/10/2017) together with their area of contribution.

**Coburn Mineral Resources**

The information in this report that relates to Mineral Resources is based on, and fairly represents, information and supporting documentation prepared by Mr Greg Jones, (Consultant to Strandline and Geological Services Manager for IHC Robbins) and Mr Brendan Cummins (Chief Geologist and employee of Strandline). Mr Jones is a member of the Australasian Institute of Mining and Metallurgy and Mr Cummins is a member of the Australian Institute of Geoscientists and both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Cummins is the Competent Person for the provision of the drill database, and completed the site inspection. Mr Jones is the Competent Person for the data integration and resource estimation. Mr Jones and Mr Cummins consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

**Coburn Ore Reserves**

The information in this report that relates to the Coburn Ore Reserves is based on information compiled under the direction of Mr Adrian Jones. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and is employed by AMC. Mr Jones has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Non-mining modifying factors for the Ore Reserve estimate are drawn from contributions provided by various sources. Significant contributors to this report are identified in Table 5 (ASX announcement 16/04/2019) together with their area of contribution.

**Scoping Study Production Targets (No ore reserves declared)**

The information in this report that relates to the Mine Extension Case Scoping Study is based on information compiled under the direction of Mr Adrian Jones. Mr Jones is a Member of the Australasian Institute of Mining and Metallurgy and is employed by AMC. Mr Jones has sufficient experience relevant to the style of mineralization and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Non-mining modifying factors for the production targets are drawn from contributions provided by various sources as stated in the Coburn Ore Reserve announcement dated 16 April 2019.

## 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.

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**DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF STRANDLINE RESOURCES LIMITED**

As lead auditor for the review of Strandline Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Strandline Resources Limited and the entities it controlled during the period.

**BDO Audit (WA) Pty Ltd**

**Dean Just**

Director

Perth, 13 March 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| | Notes | 31 Dec 2019<br>$ | 31 Dec 2018<br>$ |
|---|---|---|---|
| Revenue from continuing operations | | **48,238** | 61,815 |
| Employee benefits expense | 2 | **(821,925)** | (612,640) |
| Depreciation and amortisation expense | 2 | **(6,423)** | (15,286) |
| Share based payment expense | 2/7 | **(970,061)** | (578,425) |
| Exploration and evaluation expenditure | | **(2,305,599)** | (2,450,657) |
| Other expenses | | **(378,288)** | (493,850) |
| **Loss before income tax** | | **(4,434,058)** | (4,089,043) |
| Income tax benefit | | - | - |
| **Loss after income tax for the period** | | **(4,434,058)** | (4,089,043) |
| **Other comprehensive income/(loss)** | | | |
| **Items that may be re-classified to profit or loss** | | | |
| Exchange differences arising on translation of foreign operations | | **91,523** | 218,729 |
| **Other comprehensive income for the period, net of income tax** | | **91,523** | 218,729 |
| **Total comprehensive loss for the period** | | **(4,342,535)** | (3,870,314) |
| **Loss attributable to:** | | | |
| Owners of Strandline Resources Limited | | **(4,342,535)** | (3,870,314) |
| | | **Cents per share** | **Cents per share** |
| Basic and diluted loss per share (cents per share) | | **(1.17)** | (1.37) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2019

STRANDLINE resources limited

| | Notes | 31 Dec 2019<br>$ | 30 June 2019<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 3 | **2,886,029** | 6,065,323 |
| Other receivables | | **150,890** | 136,705 |
| **Total current assets** | | **3,036,919** | 6,202,028 |
| | | | |
| **Non-current assets** | | | |
| Prepayments | | **30,856** | 2,777 |
| Property, plant and equipment | | **23,166** | 25,535 |
| Exploration and evaluation expenditure | 4 | **7,465,102** | 7,460,770 |
| Financial assets at fair value through other comprehensive income | 5 | **210,000** | 210,000 |
| **Total non-current assets** | | **7,729,124** | 7,699,082 |
| **Total assets** | | **10,766,043** | 13,901,109 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6 | **876,710** | 646,391 |
| Provisions | | **131,430** | 117,568 |
| **Total current liabilities** | | **1,008,140** | 763,959 |
| | | | |
| **Total liabilities** | | **1,008,140** | 763,959 |
| **Net assets** | | **9,757,903** | 13,137,150 |
| | | | |
| **Equity** | | | |
| Contributed equity | 7 | **75,683,301** | 75,020,276 |
| Reserves | 8 | **3,942,773** | 3,550,988 |
| Accumulated losses | | **(69,868,171)** | (65,434,114) |
| **Total equity** | | **9,757,903** | 13,137,150 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

STRANDLINE
resources limited

| | Contributed Equity $ | Share based payments reserve $ | Foreign currency translation reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2018** | 66,448,477 | 2,184,642 | 607,023 | (58,420,380) | **10,819,762** |
| Comprehensive income for the period | | | | | |
| Loss for the period | - | - | - | (4,089,043) | **(4,089,043)** |
| Foreign currency translation difference for foreign operation | - | - | 218,728 | - | **218,728** |
| **Total comprehensive loss for the period** | - | - | 218,728 | (4,089,043) | **(3,870,313)** |
| Transactions with owners in their capacity as owners | | | | | |
| Issue of ordinary shares | 3,000,203 | - | - | - | **3,000,203** |
| Share issue costs | (83,590) | - | - | - | **(83,590)** |
| Recognition of share-based payments | 256,849 | 321,576 | - | - | **578,425** |
| Performance rights vested into shares | 137,500 | (137,500) | - | - | **-** |
| **Balance at 31 December 2018** | **69,759,439** | **2,368,718** | **825,751** | **(62,509,423)** | **10,444,485** |
| **Balance at 1 July 2019** | **75,020,276** | **2,737,643** | **813,345** | **(65,434,114)** | **13,137,150** |
| Comprehensive income for the period | | | | | |
| Loss for the period | - | - | - | **(4,434,057)** | **(4,434,057)** |
| Foreign currency translation difference for foreign operation | - | - | **91,523** | **-** | **91,523** |
| **Total comprehensive loss for the period** | - | - | **91,523** | **(4,434,057)** | **(4,342,535)** |
| Issue of ordinary shares | 60 | | - | - | **60** |
| Share issue costs | (6,835) | | - | - | **(6,835)** |
| Recognition of share-based payments | 296,038 | 674,024 | - | - | **970,061** |
| Performance rights vested into shares | 373,762 | (373,762) | - | - | - |
| **Balance at 31 December 2019** | **75,683,301** | **3,037,905** | **904,868** | **(69,868,171)** | **9,757,903** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| | Notes | 31 Dec 2019 $ | 31 Dec 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments for exploration and evaluation | | **(2,055,568)** | (2,788,006) |
| Joint Venture contributions less payments for exploration | | **32,596** | 706,370 |
| Payments to suppliers and employees | | **(1,194,469)** | (1,163,938) |
| Interest received | | **31,031** | 35,152 |
| Other income | | **14,659** | 23,568 |
| **Net cash (used in) operating activities** | | **(3,171,751)** | (3,186,854) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(3,467)** | (2,092) |
| **Net cash (used in) investing activities** | | **(3,467)** | (2,092) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | **60** | 3,120,203 |
| Payment for share issue costs | | **(6,834)** | (85,901) |
| **Net cash inflow provided by financing activities** | | **(6,774)** | 3,034,302 |
| | | | |
| **Net decrease in cash and cash equivalents** | | **(3,181,992)** | (154,644) |
| Cash and cash equivalents at the beginning of the period | | **6,065,323** | 4,290,985 |
| Effects of foreign exchange movement on opening cash balance | | **2,698** | 39,293 |
| **Cash and cash equivalents at the end of the period** | 3 | **2,886,029** | 4,175,634 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1. Significant accounting policies

**a) Reporting Entity**

Strandline Resources Limited is a company domiciled in Australia. These consolidated half-year financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration and development of heavy mineral sands resources.

**b) Statement of compliance**

The consolidated half-year financial statements are a general purpose financial statement prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by Strandline Resources Limited during the half-year period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**c) Basis of preparation**

The financial statements have been prepared on the basis of historical cost, except for financial assets and financial liabilities that are recognised initially at fair values and subsequently measured at amortised cost or at fair value using the effective interest method. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

**d) Adoption of new and revised Accounting Standards**

***New and amended standards***

A number of new or amended standards became applicable for the current reporting period and Strandline Resources Limited have reviewed its accounting policies in light of this standard. Those which are relevant are below:

- AASB 16 Leases ("AASB 16")

The Group, as a lessee will assess whether a contract is, or contains, a lease under AASB 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

If the contract is assessed to be, or contains, a lease, the Group will recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Depreciation is based on the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability, offset by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Recognition exemption - Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases lease term of 12 months or less and leases for low-value assets. The Group will recognise the payments associated with these leases as an expense on a straight-line basis over the lease term.

**Impact on transition**

There was no material impact on the financial statements from the application of this new standard as at 1 July 2019 as the Group's leasing arrangements at that time were either: ▪ low value assets, or ▪ short-term contracts.

**e) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 2. Loss for the period

Loss for the period has been arrived at after charging the following items of expenses:

| | **31 Dec 2019** | 31 Dec 2018 |
|---|---|---|
| | **$** | $ |
| Employee benefit expense | | |
| Directors' fees | **106,542** | 95,271 |
| Wages and salaries | **524,506** | 391,963 |
| Superannuation expenses | **111,392** | 34,024 |
| Other employment costs | **79,479** | 91,382 |
| | **821,925** | 612,640 |
| Depreciation expense | **6,423** | 15,286 |
| Occupancy expenses | **35,488** | 49,362 |
| Share-based payments | **970,061** | 578,425 |

## 3. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash in banks and deposits at call which are readily convertible into cash and used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | **31 Dec 2019** | **30 June 2019** |
|---|---|---|
| | **$** | **$** |
| Cash at bank | **803,433** | 705,065 |
| Cash in joint venture [1] – restricted cash | **32,596** | 160,258 |
| Cash on deposit | **2,050,000** | 5,200,000 |
| | **2,886,029** | 6,065,323 |

[1]*Earn In and Unincorporated Joint Venture Agreement*
The Group is party to an earn in and unincorporated joint venture agreement ('Agreement') with Rio Tinto Mining and Exploration Limited ('Rio Tinto') covering a suite of exploration tenements owned by the Group, located in the Southern region of Tanzania, East Africa ('Tenements') which commenced 21 June 2017. Rio Tinto can earn an interest of 51% in the Tenements by funding USD 5 million (Stage 1) in exploration expenditure and can extend that interest to 75% by funding a further USD 4 million (Stage 2). Until such time that the Stage 1 funding requirement is satisfied, Strandline remains the 100% owner and operator of the tenements. Rio Tinto must incur a minimum of USD 2 million in funding within 18 months of the commencement of the Agreement ('Minimum Commitment').

The Group recognises any joint venture cash balance at each reporting date (up to the Minimum Commitment) in its consolidated financial statements as restricted cash, with the corresponding credit recognised in the Statement of Financial Position as funds to be spent in line with the Agreement. To date no exploration expenditure in relation to this Agreement has been recognised as these are offset against the contributions by Rio Tinto under the Agreement. As at 31 December 2019 contributions totalled AUD 3,140,228 and payments for exploration of the tenements totalled AUD 3,107,631 leaving a restricted cash total of AUD 32,596.

## 4. Exploration and evaluation expenditure

| | 31 Dec 2019 $ | 30 June 2019 $ |
|---|---|---|
| Carried forward exploration and evaluation expenditure | **7,460,771** | 7,239,023 |
| Foreign exchange movement | **4,331** | 221,748 |
| | **7,465,102** | 7,460,771 |

## 5. Financial assets

| | 31 Dec 2019 $ | 30 June 2019 $ |
|---|---|---|
| Financial assets at fair value through other comprehensive income | **210,000** | 210,000 |

## 6. Current trade and other payables

| | 31 Dec 2019 $ | 30 June 2019 $ |
|---|---|---|
| Trade payables | **398,568** | 172,486 |
| Accrued director fees | **-** | 8,333 |
| Other creditors and accruals | **478,142** | 305,313 |
| Unearned joint venture revenue | **-** | 160,258 |
| | **876,710** | 646,390 |

## 7. Issued capital

Fully paid ordinary shares
The issued capital at 31 December 2019 was 372,820,821 fully paid ordinary shares.

| | 31 Dec 2019 $ | 30 June 2019 $ |
|---|---|---|
| 372,820,821 fully paid ordinary shares (30 June 2019: 366,695,721) | **75,683,301** | 75,020,276 |

The Company does not have a limited amount of authorised capital and issued shares do not have a par value

## 7. Issued capital (Cont'd)

| Fully paid ordinary shares | 31 Dec 2019 No. | 31 Dec 2019 $ | 30 June 2019 No. | 30 June 2019 $ |
|---|---|---|---|---|
| **Balance at beginning of period** | **366,695,721** | **75,020,276** | 289,315,617 | 66,448,477 |
| Performance Rights - expiring 15/8/18 vested- Luke Graham | | | 2,291,667 | 137,500 |
| Issue of Shares to Luke Graham (50% of STI bonus taken as shares) | | | 581,082 | 82,514 |
| Issue of Shares to MF, PW, BC, JA (100% of STI bonus taken as shares) | | | 1,227,713 | 174,335 |
| Share Placement | | | 27,272,726 | 3,000,000 |
| Exercise of unlisted options - expiring 30/6/19 @ $0.18 | | | 1,126 | 203 |
| Share Placement | | | 46,000,000 | 5,520,000 |
| Exercise of unlisted options – expiring 30/6/19 @ $0.18 | | | 5,790 | 982 |
| Issue of Shares to employees (100% of STI bonus taken as shares) Peter Watson (iiv) | **344,424** | **47,427** | | |
| Issue of Shares to employees (50% of STI bonus taken as shares) Luke Graham, (ii) | **729,847** | **100,500** | | |
| Issue of Shares to employees (50% of STI bonus taken as shares) Employees | **1,075,599** | **148,110** | | |
| Performance Rights - expiring 15/8/18 vested – Employees | **1,360,538** | **168,707** | | |
| Performance Rights - expiring 15/8/18 vested – Luke Graham,(i) | **2,291,667** | **165,000** | | |
| Performance Rights - expiring 15/8/18 vested – Peter Watson (iii) | **323,025** | **40,055** | | |
| Share issue costs for period | **-** | **(6,835)** | - | (343,735) |
| **Balance at end of period** | **372,820,821** | **75,683,301** | 366,695,721 | 75,020,276 |

(i) 2,291,667 shares issued to Mr Luke Graham pursuant to the Company's Long Term Incentive Plan, as approved by shareholders on 24 November 2016.

(ii) 729,847 shares issued to Mr Luke Graham pursuant to the Company's Short-term Incentive Plan, as approved by shareholders on 24 November 2016. The shares were issued in lieu of an equivalent cash payment.

(iii) 323,025 shares issued to Mr Peter Watson pursuant to the company's Long term incentive plan, as approved by shareholders on the 28 November 2019

(iv) 344,424 shares issued to Mr Peter Watson pursuant to the Company's Short-term Incentive Plan, as approved by shareholders on 28 November 2019. The shares were issued in lieu of an equivalent cash payment.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

**Share options and performance rights on issue**

Share options and performance rights issued by the Company carry no rights to dividends and no voting rights. As at 31 December 2019, the Company has 10,500,000 share options on issue (30 June 2019: Nil). 3,500,000 exercisable on a 1:1 basis for $0.18 or 40% 60 day VWAP on the 28 Nov 21. 3,500,000 exercisable on a 1:1 basis for $0.22 or 40% 60 day VWAP on the 28 Nov 22. 3,500,000 exercisable on a 1:1 basis for $0.246 or 40% 60 day VWAP on the 28 Nov 23. During the half-year 10,500,000 options were granted, nil options were converted into shares.

As at 31 December 2019, the Company has 18,938,796 performance rights on issue (30 June 2019: 16,899,702) exercisable on a 1:1 basis for 18,938,796 shares. During the half-year 6,014,324 performance rights were granted (30 June 2019: 4,618,534). A total of 3,975,230 performance rights were converted into shares (30 June 2019: 2,291,667) and nil performance rights expired (30 June 2019: nil). The Company has made an assessment that it is probable the performance conditions will be met for the performance rights on issue.

***Performance Rights***

**Fair value of performance rights granted in the period**

For performance rights with market conditions, the fair value of services received is measured using a binomial pricing model. For performance rights with non-market conditions, fair value is measured using the closing share price at grant date. Vesting is based on the performance conditions being met which are listed below.

A total of 6,014,324 performance rights were granted to KMP and Directors during the period. Refer to note 10 for performance rights issued to KMP.

| Total number granted | Grant date | Expiry date | Fair value at grant date $ per right | Vesting conditions |
|---|---|---|---|---|
| 2,073,200 | 15/08/2019 | 15/08/2022 | 0.082 | Tranche 4 |
| 3,941,124 | 28/11/2019 | 15/08/2023 | 0.086 | Tranche 5 |
| **6,014,324** | | | | |

- Tranche 4 Period: 15 August 2019 – 15 August 2022
- Tranche 5 Period: 15 August 2019 – 15 August 2023

The performance rights will only vest if certain performance conditions are met. At the end of each tranche's performance measurement period, the Board will rank the Company's Total Shareholder Return (TSR) against a peer group of other companies as determined by the Board. The percentage of performance rights in each respective tranche that will vest will depend upon the Company's TSR performance relative to the companies in the peer group, which will constitute Category A, B or C TSR performance, as set out below:

a) **Category A TSR performance:** If the Company's TSR is at/or below the 45th percentile of the peer group of companies' TSR, no PRs will vest.

**b)** **Category B TSR performance:** If the Company's TSR ranks between the 46th and 50th percentile (inclusive) of the peer group of companies' TSR, for each percentile over the 45th percentile, 10% of the PRs will vest (up to a maximum of 50% for this Category).

**c)** **Category C TSR performance:** For each 1% ranking at or above the 51st percentile of the peer group of companies TSR, an additional 2% of the PRs will vest (up to a maximum of 100%, which vest at or above the 75th percentile).

*Options*

**Fair value of Options granted in the period**

For options, a total of $970,071 has been expensed reflecting the expense over the respective vesting period in relation to share-based payments. The fair value of services received is measured using the Black-Sholes pricing model which takes into account the dates granted, inherent risk along with the vesting conditions outlined below;

| Expiry date | 28 November 2021 | 28 November 2022 | 28 November 2023 |
|---|---|---|---|
| **Grant Date** | 28 November 2019 | 28 November 2019 | 28 November 2019 |
| **Vesting date** | 28 November 2019 | 28 November 2019 | 28 November 2019 |
| **Exercise price** | $0.18 or 40% 60 day VWAP | $0.22 or 40% 60 day VWAP | $0.246 or 40% 60 day VWAP |
| **Share price (at issue)** | 10.5c | 10.5c | 10.5c |
| **Risk Free interest rate** | 1% | 1% | 1% |
| **Volatility** | 75% | 75% | 75% |
| **Days to expiry** | 730 days | 1095 days | 1460 days |
| **Number of Options Granted** | 3,500,000 | 3,500,000 | 3,500,000 |
| **Fair Value per right** | $0.0271 | $0.0321 | $0.0367 |
| **Total Fair Value** | $94,695 | $112,263 | $128,328 |

## 8. Reserves

| | 31 Dec 2019<br>$ | 30 June 2019<br>$ |
|---|---|---|
| Share-based payments reserve | **2,037,905** | 2,737,643 |
| Foreign currency translation reserve | **904,865** | 813,345 |
| | **3,942,770** | 3,550,988 |
| | | |
| **Share Based Payment Reserve** | | |
| Balance at beginning of period | **2,737,643** | 2,184,641 |
| Movement in reserve from previous reporting period (i) | **300,262** | 553,002 |
| Balance at end of period | **3,037,905** | 2,737,643 |

The share-based payments reserve arises on the grant of performance rights to executives, employees, consultants and advisors. Amounts are transferred out of the reserve and into issued capital when the performance rights vest.

(i) During the period, 2,291,667 performance rights relating to a prior year issue to Luke Graham converted into shares. Refer to Statement of changes in Equity for reconciliation of the total movement.

(ii) During the period, 323,025 performance rights relating to a prior year issue to Peter Watson converted into shares. Refer to Statement of changes in Equity for reconciliation of the total movement.

## 9. Contingencies and Commitments

The Directors are not aware of any contingent liabilities as at 31 December 2019 (30 June 2019: $nil) or any material changes to commitments since 30 June 2019.

## 10. Related party transactions

**Transactions with key management personnel**
Remuneration arrangements of key management personnel are disclosed in the annual financial report. Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2019 annual financial report.

Key management personnel continue to receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.
During the period:

- Mr Luke Graham received 3,100,775 performance rights pursuant to the Company's Long Term Incentive Plan, as approved by shareholders on 28 November 2019.
- Mr Peter Watson received 840,349 performance rights pursuant to the Company's Long Term Incentive Plan, as approved by shareholders on 28 November 2018.
- Mr Flavio Garofalo received 985,500 performance rights pursuant to the company's Long Term Incentive Plan
- Mr Didier Murcia received 4,500,000 options. 1,500,000 exercisable on a 1:1 basis for $0.18 or 40% 60 day VWAP on the 28 Nov 21. 1,500,000 exercisable on a 1:1 basis for $0.22 or 40% 60 day VWAP on the 28 Nov 22. 1,500,000 exercisable on a 1:1 basis for $0.246 or 40% 60 day VWAP on the 28 Nov 23.
- Ndovu Capital IIV BV and Mr T Eadies both received 3,000,000 options each. 2,000,000 exercisable on a 1:1 basis for $0.18 or 40% 60 day VWAP on the 28 Nov 21. 2,000,000 exercisable on a 1:1 basis for $0.22 or 40% 60 day VWAP on the 28 Nov 22. 2,000,000 exercisable on a 1:1 basis for $0.246 or 40% 60 day VWAP on the 28 Nov 23.

Mr Didier Murcia, Non-Executive Chairman, is a partner in the legal firm, Murcia Pestell Hillard. Fees totalling $27,454 were paid to Murcia Pestell Hillard for general legal services (30 June 2019: $124,482).
Mr Murcia is also the Chairman of Artemis Management Tanzania, a provider of corporate, administration, logistics, tenement management and evaluation and environment management services in Tanzania. Fees totalling $19,759 were paid to Artemis Management Tanzania for rental, corporate and administration services (30 June 2019: $52,816).

All transactions related to the services were based on normal commercial terms.

## 11. Dividends

No dividends were paid or declared for the half-year ended 31 December 2019 and the Directors have not recommended the payment of a dividend.

## 12. Subsequent Event

On the 26th February 2020, Strandline announced a capital raising of $6.5 million via a Share Placement for $2m and a $4.5m fully underwritten pro rata non-renounceable Rights Issue. The Placement and 1-for-10 Rights Issue are priced at 12c a share and the Rights Issue is underwritten by Morgan's Corporate Limited and sub-underwritten by specialist mining fund Tembo, which has a 33 per cent stake in Strandline. On 4 March 2020, the $2m Placement was completed and the closing date for the Right Issue is 18 March 2020. Full details are provided in the ASX Announcement dated 26 February 2020.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# DIRECTORS' DECLARATION

**In the Directors' opinion:**

(a) the consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

**This declaration is made in accordance with a resolution of the Directors.**

**Luke Graham**
**Managing Director**

13 March 2020
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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Strandline Resources Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Strandline Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 13 March 2020