

**STRANDLINE**  
resources limited

**Strandline Resources Limited** ABN 32 090 603 642

**(formerly known as Gunson Resources Limited)**

and its controlled entities

**Financial report for the half-year ended  
31 December 2014**

## Corporate directory

### Board of Directors

Mike Folwell	Non-Executive Chairman
Richard Hill	Managing Director
Didier Murcia	Non-Executive Director

### Company Secretary

Geoff James

### 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](mailto:enquiries@strandline.com.au)

### Postal Address

PO Box 1217  
West Perth, Western Australia 6872

### Website

Website: [www.strandline.com.au](http://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 2, Reserve Bank Building  
45 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

# Financial report for the half-year ended 31 December 2014

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## Directors' report

The Directors of Strandline Resources Limited (formerly known as Gunson Resources Limited) ("Strandline" or "the Company") submit the financial report on the Consolidated Entity ("Group") consisting of Strandline Resources Limited and the entities it controlled at the end of, or during, for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

### Names of Directors

The names of the Directors of the Company during or since the end of the half-year are:

Mr Keith M Folwell (appointed 23 October 2014)  
Mr Richard GM Hill (appointed 23 October 2014)  
Mr Didier M Murcia (appointed 23 October 2014)  
Mr David A Craig (resigned 23 October 2014)  
Mr Garret Dixon (resigned 23 October 2014)  
Mr William F Bloking (resigned 1 March 2015)

### Review of operations

Highlights of the Group's activities in the second half of calendar 2014 were as follows:

- **Acquisition of Strandline**

The Company acquired 100% of the shares in mineral sands-focused Strandline Resources Pty Ltd ("SRPL") in an all-scrip transaction. Shareholder approval for the transaction was received at a General Meeting of shareholders held on 20 October 2014 and the transaction was formally completed on 23 October 2014.

SRPL's assets included 100% working interests in 16 granted mineral sands exploration tenements, covering more than 2000 square kilometres along the under-explored coast of Tanzania.

The Company issued 166.67 million ordinary shares to SRPL shareholders. With a deemed price of 1.5 cents for each share issued, the consideration payable was \$2.5 million. Subsequent to the acquisition, the Company also issued 146.67 million ordinary shares to sophisticated investors at an issue price of 1.5 cents per share raising \$2.2 million (before costs).

Following the completion of the acquisition, Messrs Folwell, Hill and Murcia were appointed to the Board, replacing Messrs Craig and Dixon. The Company also appointed a number of senior personnel to the management team of Strandline. Following receipt of shareholder and regulatory approval, the Company changed its name from Gunson Resources Limited to Strandline Resources Limited.

- **Tanzanian Heavy Mineral Sands Projects (100%) - Tanzania**

Following the acquisition of Strandline Resources Pty Ltd, the Group completed a reconnaissance, mapping and sampling programme across the Group's 2000 km<sup>2</sup> Tanzanian mineral sands portfolio and completed a successful auger drill programme on high priority targets at its southern tenements, including the Madimba and Madimba East prospects and the recently acquired Ziwani tenement. Refer to the ASX announcements dated 17 December 2014 and 5 February 2015 for full details of the exploration results received from these programmes.

- **Coburn Mineral Sands Project (100%) - Western Australia**

During the six month period the Group commenced a review of the Coburn Project to identify opportunities to reduce costs and add value. The Group is continuing to seek a strategic partner to take an interest in the Project and is actively targeting potential investors.

- **Mount Gunson Copper Exploration Project (100%) - South Australia**

The Operator of the Mount Gunson Joint Venture withdrew from the Project in August 2014 and transferred its interest back to the Group. Strandline has successfully negotiated its expenditure commitments for the Project with the South Australian Department of State Development. The Group has set about compiling and interpreting all past exploration data with a view to determining its next steps to test the high priority copper-gold and copper-cobalt-silver targets that have previously been generated across the Project.

- **Mount Gunson Copper Project - MG 14 and Windabout Excised Areas (100%) - South Australia**

Torrens Mining Ltd ("Torrens") has the right to earn a 51% interest in the Mount Gunson MG 14/Windabout Project. Torrens will earn its 51% participating interest upon delivery of a Bankable Feasibility Study or the cumulative expenditure of \$2.5 million, whichever occurs first.

As announced to the ASX on 12 August 2014, Torrens completed its initial Scoping Study into the commercial production of copper, cobalt and silver from the Project. The results of the preliminary test-work completed during the Study were very encouraging and Torrens commenced work on an Advanced Scoping Study which involved more detailed test-work including sodium cyanide leach tests, leach-tailings flotation and sodium cyanide regeneration tests. The results of this test-work were announced to the ASX after the end of the half-year.

- **Fowlers Bay Nickel Project (100%) – South Australia**

The Group entered into a farm-in agreement with Western Areas Ltd ("Western Areas") under which Western Areas will become Operator of the Project and earn a participating interest of up to 90% by sole funding a \$1.2 million exploration program in two stages over a period of 4 years. The key terms of the farm-in agreement include:

- Western Areas will become Project Operator.
- Western Areas will spend \$800,000 on agreed exploration activities over 2 ½ years (Term 1) to earn a 75% participating interest in the Project.
- Following Term 1, Western Areas can declare a 75%/25% Joint Venture ("JV") or elect to earn a further 15% interest by spending \$400,000 over the next 18 months (Term 2).
- Following Term 2, a 90% Western Areas/10% Gunson JV will be formed.
- Strandline will be "free-carried" until a JV is declared, following which it can pay its share of JV costs, dilute its interest, or convert its interest into a 1% gross royalty.

Western Areas commenced a detailed magnetic survey over the Project during the period. The results of the survey were announced to the ASX after the end of the half-year.

- **Tennant Creek Gold-Copper Project (100%) – Northern Territory**

The Group has deferred exploration activities on the Project.

#### **Competent Person's Statement**

*The information in this report that relates to exploration results is based on information compiled by Brendan Cummins, a part-time employee of Strandline. Mr Cummins is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposits 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 Cummins consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.*

#### Results of operations

The Group incurred a loss after tax for the half-year of \$708,741 (2013: \$563,708). The results are comparable with the previous prior half-year. The impairment expense of \$64,065 relates to the half-year spend on Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects, as the Group maintains its primary focus on mineral sands projects going forward.

#### Financial position of the Company

The Group had \$1,224,399 in cash at 31 December 2014, higher than the \$557,021 at 30 June 2014. The Group's cash reserves benefited from the receipt of \$2.038 million from the issue of shares which were used to fund corporate, exploration and evaluation activities.

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. As in prior years the Group's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the review report relating to the going concern basis. This is not a qualification.

The Group has higher current assets at \$1,694,243 (30 June 2014: \$610,237) reflecting a higher cash balance and a receivable for a refundable research and development tax offset. Non-current assets at 31 December 2014 were higher at \$29,493,458 (30 June 2014: \$26,321,601), relating to the acquisition and expenditure on mineral sands projects in Tanzania.

As in prior years the Company's auditor, BDO Audit (WA) Pty Ltd, has included an emphasis of matter in the review report relating to the recoverability of exploration and evaluation assets, which is dependent upon the successful development of the Coburn Mineral Sands Project or its sale. This is not a qualification.

Total liabilities were higher at 31 December 2014 at \$779,440 (30 June 2014: \$425,016) reflecting higher levels of expenditure activities in Tanzania.

Net assets increased to \$30,408,261 as at 31 December 2014 (30 June 2014: \$26,506,822) as a result of raising \$2.038 million in equity and the \$2.5 million acquisition of Strandline Resources Pty Ltd.

### **Subsequent events**

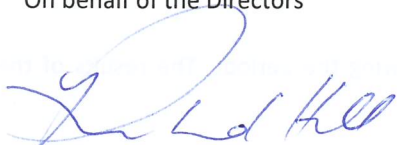
There has not been any matter or circumstance, that has arisen since the end of the half year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **Auditor's independence declaration**

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is included on page 4 and forms part of the Directors' Report for the half- year ended 31 December 2014.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



**Richard Hill**  
**Managing Director**  
16 March 2015  
Perth, Western Australia

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF STRANDLINE RESOURCES LIMITED**

As lead auditor for the review of Strandline Resources for the half-year ended 31 December 2014, 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.



**Brad McVeigh**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 16 March 2015

# Consolidated statement of profit or loss and other comprehensive income

## for the half-year ended 31 December 2014

	31 Dec 2014	31 Dec 2013
Note	\$	\$
Revenue from continuing operations	10,469	13,425
Employee benefits expense	(114,796)	(109,493)
Depreciation and amortisation expense	(4,465)	(5,697)
Loss on sale of assets	-	(1,205)
Share based payment expense	5 (7,513)	(8,512)
Impairment of exploration and evaluation expenditure	3 (64,065)	(92,447)
Finance costs	-	(1,365)
Administration expenses	(528,370)	(358,414)
<b>Loss before income tax</b>	<b>(708,741)</b>	<b>(563,708)</b>
Income tax benefit	-	-
<b>Loss for the period</b>	<b>(708,741)</b>	<b>(563,708)</b>
<b>Other comprehensive income</b>		
<b>Items that will be re-classified to profit or loss</b>		
Exchange differences arising on translation of foreign operations	6,417	-
<b>Other comprehensive income for the period, net of income tax</b>	<b>6,417</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>	<b>(702,324)</b>	<b>(563,708)</b>
<b>Loss attributable to:</b>		
Owners of Strandline Resources Limited	<b>(702,324)</b>	<b>(563,708)</b>
<b>Loss per share:</b>		
Basic and Diluted (cents per share)	(0.17)	(0.22)

The accompanying notes form part of these financial statements.



## Consolidated statement of financial position as at 31 December 2014

	Note	31 Dec 2014 \$	30 Jun 2014 \$
<b>Current assets</b>			
Cash and cash equivalents		1,224,399	557,021
Trade and other receivables	2	469,844	53,216
<b>Total current assets</b>		<b>1,694,243</b>	<b>610,237</b>
<b>Non-current assets</b>			
Property, plant and equipment		5,988	10,454
Exploration and evaluation expenditure	3	29,002,794	25,826,471
Other assets		484,676	484,676
<b>Total non-current assets</b>		<b>29,493,458</b>	<b>26,321,601</b>
<b>Total assets</b>		<b>31,187,701</b>	<b>26,931,838</b>
<b>Current liabilities</b>			
Trade and other payables		728,079	298,651
Provisions		51,361	126,365
<b>Total current liabilities</b>		<b>779,440</b>	<b>425,016</b>
<b>Total liabilities</b>		<b>779,440</b>	<b>425,016</b>
<b>Net assets</b>		<b>30,408,261</b>	<b>26,506,822</b>
<b>Equity</b>			
Contributed equity	4	46,205,009	41,676,538
Reserves	5	1,686,262	1,604,553
Accumulated losses		(17,483,010)	(16,774,269)
<b>Total equity</b>		<b>30,408,261</b>	<b>26,506,822</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity for the half-year ended 31 December 2014

	Issued Capital \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2014</b>	<b>41,676,538</b>	<b>1,604,553</b>	-	<b>(16,774,269)</b>	<b>26,506,822</b>
<b>Comprehensive income for the year</b>					
Loss for the period	-	-	-	(708,741)	(708,741)
Foreign currency translation difference for foreign operation	-	-	6,417	-	6,417
<b>Total comprehensive loss for the half-year</b>	-	-	<b>6,417</b>	<b>(708,741)</b>	<b>(702,324)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of ordinary shares	4,877,000	-	-	-	4,877,000
Share issue costs	(348,529)	-	-	-	(348,529)
Recognition of share-based payments	-	75,292	-	-	75,292
<b>Balance at 31 December 2014</b>	<b>46,205,009</b>	<b>1,679,845</b>	<b>6,417</b>	<b>(17,483,010)</b>	<b>30,408,261</b>
<b>Balance at 1 July 2013</b>	<b>41,105,887</b>	<b>1,575,961</b>	-	<b>(15,749,211)</b>	<b>26,932,637</b>
<b>Comprehensive income for the year</b>					
Loss for the period	-	-	-	(563,708)	(563,708)
Foreign currency translation difference for foreign operation	-	-	-	-	-
<b>Total comprehensive loss for the half-year</b>	-	-	-	<b>(563,708)</b>	<b>(563,708)</b>
<b>Transactions with owners in their capacity as owners</b>					
Recognition of share-based payments	-	8,512	-	-	8,512
<b>Balance at 31 December 2013</b>	<b>41,105,887</b>	<b>1,584,473</b>	-	<b>(16,312,919)</b>	<b>26,377,441</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of cash flows for the half-year ended 31 December 2014

	31 Dec 2014	31 Dec 2013
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(643,894)	(624,497)
Interest received	11,942	27,609
Interest paid	-	(46,232)
<b>Net cash used in operating activities</b>	<b>(631,952)</b>	<b>(643,120)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(741,121)	(554,883)
Net cash inflow from acquisition of subsidiary	2,201	-
Research and development tax refund received	-	771,386
Payments for property, plant and equipment	-	(700)
Retirement of Coburn Project performance bonds	-	1,214,000
<b>Net cash (used in)/provided by investing activities</b>	<b>(738,920)</b>	<b>1,429,803</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	2,319,000	-
Payment for share issue costs	(280,750)	-
Repayment of David Harley borrowings	-	(474,604)
<b>Net cash (used in)/provided by financing activities</b>	<b>2,038,250</b>	<b>(474,604)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>667,378</b>	<b>312,079</b>
Cash and cash equivalents at the beginning of the period	557,021	278,958
<b>Cash and cash equivalents at the end of the period</b>	<b>1,224,399</b>	<b>591,037</b>

The accompanying notes form part of these financial statements.

## Notes to the consolidated financial statements for the half-year ended 31 December 2014

### 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 mineral sands, copper and other base metal 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*.

The half-year financial report was authorised for issue by the Directors on 16 March 2015.

#### (c) Basis of preparation

The consolidated financial statements have been prepared on the basis of the historical cost convention, except for the revaluation of financial assets and liabilities. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2014, except as explained in notes 1(d) and 1(e). Comparative disclosures have been adjusted accordingly to align accounting policies and methods of computation. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### (d) Accounting policies applied for the first time

Pursuant to the transaction to acquire Strandline Resources Pty Ltd, refer to note 11, a number of accounting policies have been applied for the first time in this consolidated half-year financial report.

##### (i) Asset Acquisition

On 23 October 2014, the Company acquired 100% of the shares in Strandline Resources Pty Ltd ("SRPL") in an all-scrip transaction. The Company issued 166.67 million ordinary shares to SRPL shareholders. With a deemed price of 1.5 cents for each share issued, the consideration payable was \$2.5 million. As the acquisition is not deemed a business acquisition, the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

##### (ii) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are included in the consolidated financial report from the date on which control commences

and up to the effective date of disposal, as appropriate. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company.

Intercompany transactions, balances and unrealised profits and losses on transactions between Group companies are eliminated in full. The financial statements of subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated financial statements.

**(iii) Foreign Currency**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the foreign exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (FCTR) within equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented within equity in the FCTR.

**(e) Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies, aside from additional presentation requirements.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

**(f) Significant accounting judgements and key estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-yearly statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2014.

**(g) Exploration and evaluation expenditure**

There is uncertainty as to the recoverability of the deferred exploration and evaluation expenditure assets of Strandline Resources Limited. The recoverability of the deferred exploration expenditure assets is dependent upon the successful development and commercialisation of the underlying asset or its sale. This material uncertainty may cast doubt about the Group's ability to realise the asset at the values stated in the statement of financial position.

**(h) Going concern**

As at 31 December 2014, the Group had working capital of \$914,803 (current assets less current liabilities). The Group had cash on hand at of \$1,224,399. The Group had trade and other payables of \$779,440. There was sufficient cash on hand at 31 December 2014 to meet the trade and other payables commitments.

The Group also has exploration expenditure commitments. The operating commitments of the Group will require further funding in the next twelve months.

The Group has recently met its working capital commitments by successfully issuing additional shares and raising \$2,319,000 (before costs).

The Directors have assessed the possible outcomes for the Group for the next twelve months and have reasonable grounds to believe the Group will continue to operate as a going concern by raising further funds as required. This view is based upon the Group's ability to continue to manage its working capital and the Group's ability in the past to raise capital as required.

However, there are a number of inherent uncertainties about the achievement of the Group's future plans including but not limited to:

- finalisation of a strategic partner for the Coburn Mineral Sands Project;
- farm out or divestment of other projects;
- managing the Company's working capital requirements;
- raising additional funds via debt or equity as and when required; and
- instability in the debt and equity markets.

Should the Group not be able to manage the inherent uncertainties referred to above, including sourcing additional working capital as and when required, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and thus continue as a going concern. The Directors have reasonable grounds to believe that they will be able to complete any required future fund raising.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

**2. Trade and Other Receivables**

	31 Dec 2014	30 Jun 2014
	\$	\$
<b>Current</b>		
Goods and services tax recoverable	83,020	15,413
Other receivables	23,080	30,490
Research and development tax offset	346,431	-
Bond on offices	17,313	17,313
	<b>469,844</b>	<b>53,216</b>

### 3. Exploration and Evaluation Expenditure

	31 Dec 2014	30 Jun 2014
	\$	\$
<b>Brought forward exploration and evaluation expenditure</b>	<b>25,826,471</b>	<b>25,099,021</b>
Exploration and evaluation expenditure during the period	629,191	904,087
Acquisition of Tanzanian tenements	2,957,628	-
Research and development tax offset	(346,431)	(21,386)
Impairment of exploration and evaluation expenditure (i)	(64,065)	(155,251)
<b>Carried forward exploration and evaluation expenditure</b>	<b>29,002,794</b>	<b>25,826,471</b>

The carrying value of exploration and evaluation expenditure as at 31 December 2014 for the Coburn Mineral Sands Project was \$25,861,505. The Front End Engineering and Design Study completed in September 2012 and the Optimisation Study completed in February 2013 both demonstrate that the Project is commercially viable, and the Group continues to seek a suitable strategic partner who will take a significant equity interest in the Project and may also be able to assist the Group in obtaining debt and equity financing. There is, of course, a risk that a strategic partner may not be secured in a timely manner, so other ways of funding the Project will also be considered. As a consequence, there is significant doubt over the Project development timing that will subsequently lead to the ultimate recoverability of the exploration and evaluation expenditure.

(i) An impairment of \$64,065 relating to the Mount Gunson Copper, Fowler's Bay Nickel and Tennant Creek Gold-Copper Projects has been recognised for the half year ended 31 December 2014 (30 June 2014: \$155,251).

### 4. Issued Capital

#### Fully paid ordinary shares

Issued capital as at 31 December 2014 amounted to \$46,205,009 (615,485,128 fully paid ordinary shares).

Fully paid ordinary shares	December 2014		June 2014	
	Number of shares	\$	Number of shares	\$
<b>Balance at beginning of year</b>	<b>291,551,793</b>	<b>41,676,538</b>	<b>255,427,944</b>	<b>41,105,887</b>
Share issue at 2.4 cents per share on 19 August 2014	2,000,000	48,000	-	-
Acquisition of Strandline Resources Pty Ltd, shares issued at 1.5 cents per share on 23 October 2014	166,666,667	2,500,000	-	-
Share placement issued at 1.5 cents per share on 24 October 2014	146,666,668	2,200,000	-	-
Share purchase plan at 1.5 cents per share on 27 November 2014	8,600,000	129,000	-	-
Share placement issued at 1.7 cents per share on 16 April 2014	-	-	17,647,061	300,000
Entitlement offer issued at 1.7 cents per share on 4 June 2014	-	-	18,476,788	314,105
Share issue costs	-	(348,529)	-	(43,454)
<b>Balance at the end of period</b>	<b>615,485,128</b>	<b>46,205,009</b>	<b>291,551,793</b>	<b>41,676,538</b>

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 on issue

As at 31 December 2014 the Company had 15,600,000 share options on issue (30 June 2014: 9,600,000). These options are exercisable on a 1:1 basis for 15,600,000 shares (30 June 2014: 9,600,000) at various exercise prices.

During the half-year ended 31 December 2014, 10,000,000 options were granted (30 June 2014: 4,000,000), no options were converted into shares (30 June 2014: nil) and 4,000,000 options expired (30 June 2014: nil).

The options granted during the half year had the following particulars and were for the benefit of the Hartleys, the appointed broker for the share placement completed on 24 October 2014, as approved by shareholders at the Company's general meeting held on 20 October 2014:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 3 November 2014 (i)	10,000,000	3 Nov 2014	3 Nov 2017	0.03	0.0068

(i) In accordance with the terms of the share-based arrangement, the options vested on 3 November 2014.

These options granted had a total value of \$67,779, of which the full amount has been recognised as a share issue cost during the half year end 31 December 2014.

## 5. Reserves

### Share-Based Payments Reserve

#### Balance at beginning of period

Recognition of share-based payments (i)

#### Balance at end of period

	31 Dec 2014 \$	30 Jun 2014 \$
Balance at beginning of period	1,604,553	1,575,961
Recognition of share-based payments (i)	75,292	28,592
Balance at end of period	1,679,845	1,604,553

### Foreign Currency Translation Reserve

#### Balance at beginning of period

Foreign currency translation difference for foreign operation

#### Balance at end of period

	31 Dec 2014 \$	30 Jun 2014 \$
Balance at beginning of period	-	-
Foreign currency translation difference for foreign operation	6,417	-
Balance at end of period	6,417	-

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

(i) Total expenses arising from share-based payment transactions recognised during the half-year ended 31 December 2014 as part of employee benefit expense was \$7,513 (30 June 2014: \$28,592). In addition, \$67,779 was recognised as a share issue cost (30 June 2014 \$nil).

## 6. Segment Information

The Group operates in one business segment, namely the mineral exploration industry. AASB 8 'Operating Segments' states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds and as such do not have to be reported separately. Strandline Resources Limited has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenues and results of this segment are those of the Group as a whole and are set out in the statement of profit or loss and other comprehensive income.



The Group has exploration and evaluation assets in Australia and Tanzania and geographical segment information is shown below:

Geographical Segment Information	31 Dec 2014	31 Dec 2014	31 December	30 June 2014
	Revenue	Non-Current Assets	2013	Non-Current Assets
	\$	\$	Revenue	\$
			\$	
Australia	-	26,352,167	-	26,321,601
Tanzania	-	3,141,291	-	-
<b>Total</b>	-	<b>29,493,458</b>	-	<b>26,321,601</b>

## 7. Fair Value Measurement of Financial Instruments

### (a) Fair value of financial instruments

The fair value of the Group's financial assets and financial liabilities as at 31 December 2014 approximates their carrying amounts.

### (b) Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of three levels.

During the half year ended 31 December 2014, the Group had no financial assets or financial liabilities recognised at fair value, and as a consequence the fair value hierarchy is not applicable.

## 8. Contingencies and Commitments

There has been no significant change in commitments and contingent liabilities since the last annual report, please refer to the 30 June 2014 annual financial report.

## 9. Related Party Transactions

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 2014 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.

There were a number of changes to key management personnel during or since the end of the half-year. In regards to Directors, the following changes have occurred:

Mr Keith M Folwell (appointed 23 October 2014)  
 Mr Richard GM Hill (appointed 23 October 2014)  
 Mr Didier M Murcia (appointed 23 October 2014)  
 Mr David A Craig (resigned 23 October 2014)  
 Mr Garret Dixon (resigned 23 October 2014)  
 Mr William F Bloking (resigned 1 March 2015)

Mr Murcia is a partner in the legal firm, Murcia Pestell Hillard. Fees totalling \$80,103 were paid to Murcia Pestell Hillard for work completed on the acquisition of Strandline Resources Pty Ltd.

## 10. Dividends

No dividends were paid or declared for the half-year ended 31 December 2014 and the Directors have not recommended the payment of a dividend.

## 11. Asset Acquisition

On 23 October 2014, the Company acquired 100% of the shares in Strandline Resources Pty Ltd ("SRPL") in an all-scrip transaction. The Company issued 166.67 million ordinary shares to SRPL shareholders. With a deemed price of 1.5 cents for each share issued, the consideration payable was \$2.5 million. Acquisition costs of \$162,528 were also incurred resulting in total costs of \$2,662,528.

Details of the fair value of the assets acquired as at 23 October 2014 (in Australian dollars) as at the date of purchase are as follows:

	<b>23 October 2014 \$</b>
<b><i>Purchase Consideration</i></b>	
Shares issued	2,500,000
Acquisition costs	162,528
Total	<u>2,662,528</u>
<b><i>Net Assets Acquired</i></b>	
Deferred exploration and evaluation (mineral sands leases)	<u>2,662,528</u>

## 12. Subsequent Events

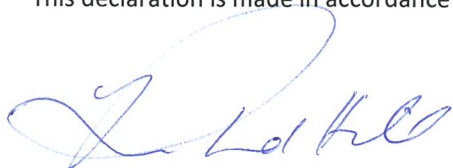
On the 29<sup>th</sup> of January 2015, the Company issued 9,375,000 shares consisting of 2,375,000 shares issued under the Company's Share Purchase Plan shortfall facility and 7,000,000 shares issued to employees to reward loyalty and commitment. Apart from this matter, there has not been any matter 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 2014 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.



**Richard Hill**  
**Managing Director**  
16 March 2015  
Perth, Western Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Strandline Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Strandline Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### 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 consolidated entity's financial position as at 31 December 2014 and its 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 Strandline Resources Limited, 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 Strandline Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## Conclusion

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 Strandline Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of matter

Without modifying our conclusion, we draw attention to the matter disclosed in Note 1. There is uncertainty as to the recoverability of the Coburn Heavy Mineral Sands exploration and evaluation expenditure asset of Strandline Resources Limited, carried at \$25,861,505. The recoverability of the exploration and evaluation expenditure asset is dependent upon the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast significant doubt about the group's ability to realise the asset at the values stated in the statement of financial position.

## Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd



Brad McVeigh  
Director

Perth, 16 March 2015