INTERIM REPORT FOR THE PERIOD ENDING 31 DECEMBER 2022

Coburn Resources Pty Ltd has submitted the Interim Report for the first six months of the financial year, ended 31 December 2022.

This information is subject of the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.

For further information contact:

Flavio Garofalo
Company Secretary
Coburn Resources Pty Ltd
+61 8 9226 3130
enquiries@strandline.com.au

21 March 2023

ABN: 17 165 036 537

Coburn Resources Pty Ltd

Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

DIRECTORY

Directors

Didier Marcel Murcia
Luke Edward Graham

Company Secretary

Flavio Lino Garofalo

Registered and Principal Office

Level 9, 216 St Georges Terrace
Perth, Western Australia 6000

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

Postal Address

PO Box 7127
Cloisters square PO, Western Australia 6850

Parent Entity

Coburn Resources Pty Ltd is domiciled and incorporated in Australia and is 100% owned by Strandline Resources Ltd.

CONTENTS

The Directors of Coburn Resources Pty Ltd **("Coburn" or "the Company")** submit the Financial Report for the half-year ended 31 December 2022.

DIRECTORS

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

Mr Didier Marcel Murcia
Mr Luke Edward Graham

PRINCIPAL ACTIVITIES

The principal activity of the Company during the half-year was the construction and commissioning of the Coburn Mineral Sands Project in Western Australia.

REVIEW OF OPERATIONS

MINERAL SANDS PROJECT

Coburn Resources commenced commercial production at the Coburn mineral sands project in Western Australia on the 18 November 2022. Construction commenced in May 2021 and reached ~99% completion by the end of December 2022, with ramp-up of the Wet Concentration Plant (WCP) now well underway.

Other key project milestones completed during the half year included:

- Commencement of mining operations in the northern area of Coburn deposit (in the east and central pits) with mining starting from surface.
- Completion of the first shipment of Heavy Mineral Concentrate (HMC) product (6,800t wet) from the WCP in December 2022 and subsequent shipments in January and February 2023 of 8,600t and 10,000t respectively.
- Construction of the downstream Mineral Separation Plant (MSP) was substantially complete at the half-year end, with commissioning and ramp-up of the MSP to progress in the second half of the financial year.
- Completion of a A$15m Working Capital Facility with NAB for the project.

The focus remains on increasing production throughput of the WCP towards design rates, improving plant availability and optimizing product recoveries. While ramp up of the WCP continues, commissioning teams remain focused in preparation for the commissioning of the downstream MSP.

During the quarter, the Company continued early scoping study activities on the potential to increase the planned production rate by up to 50 per cent. The production increase would be aimed at enabling Coburn to capitalise further on its world-class resource, long mine life, high mineral sands prices and strong demand for offtake among leading customers in the US, Europe, and China.

Any expansion is expected to be funded out of future Coburn cashflow and leverage significantly off Coburn's infrastructure, especially the inherent design capacity within the processing plant circuitry.

FINANCIAL

The Company incurred a profit before tax for the half-year of $1.6 million (31 December 2021: $230k). During the half year, the majority of expenditure was incurred on project development and site construction on the Coburn Project. Key expenses incurring during the period were $6.5 million cost of goods sold (31 December 2021: nil). The Companies net asset position as of 31 December 2022 was $71.1 million (30 June 2022: $49.5 million). The Company's cash was A$13 million as at 31 December 2022 (30 June 2022: $68.5 million).

Coburn Resources Pty Ltd (a 100%-owned subsidiary of Strandline Resources Limited) reached Financial Close on the Coburn's senior finance facilities (total of ~A$230m) in the previous year, which enabled loan drawdowns to progress on the Coburn project. The final loan drawdowns have been completed in accordance with the Coburn Project development plan, with A$130m fully drawn under the NAIF facility and US$60m fully drawn under the Bond Facility.

As part of the original project finance structure and approvals, a working capital tranche was included to stand alongside the NAIF and Bond facilities. During the half-year, a A$15 million working capital facility was approved by NAB with finance documents also completed during the period (ready for drawdown). The working capital facility is a 12-month revolving cash advance facility, senior secured and subject to customary conditions precedent for a facility of this nature. There were no drawdowns of the working capital facility during the half-year.

In December 2022 TMM Group (Operations) Pty Ltd, a subsidiary of Macmahon Holdings (ASX: MAH) initiated legal proceedings in the Supreme Court of Western Australia against Strandline's subsidiary Coburn Resources Pty Ltd claiming that Coburn owes TMM in the order of $13.5 million and recovery of the amounts of two bonds drawn down by Coburn at a value of $1,195,000 each. The company intends to defend the matter and will be advancing its own counterclaims for damages and is currently of the view that there is no probable outflow of future economic benefits.

DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments occurring in this financial year have been covered in the Review of Operations section of the Directors' Report. The Company will continue to invest in mineral sands projects to advance activities in the exploration, evaluation, and development of projects, with the objective of developing a profitable and sustainable mining operation. Any significant information will be released as and when they come to hand.

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 periods.

BASIS OF PREPERATION

These unaudited financial statement in the attached financial report comply with all of the requirements under the international financial reporting standards in accordance of IAS 1 "Presentation of Financial Statements".

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

On behalf of the Directors

Luke Graham
MANAGING DIRECTOR

28 February 2023
Perth, Western Australia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Notes	31-Dec-22 $	31-Dec-21 $
Sales Revenue	2	**6,508,247**	-
Cost Of Sales	3	**(6,515,522)**	-
Interest Income		**44,894**	20,841
Corporate and administrative expenses		**38,202**	(525,306)
Foreign exchange gain or loss		**(1,242,218)**	274,205
Operating Profit/Loss		**(1,166,397)**	(230,260)
Income tax benefit		**-**	-
Operating loss before financing costs and income tax		**(1,166,397)**	(230,260)
Other comprehensive income			
Income tax on other comprehensive income		**-**	-
Other comprehensive income (loss) for the period, net of tax		**-**	-
Total comprehensive Income / (loss) for the year attributable to owners of the company		**(1,166,397)**	(230,260)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

COBURN resources pty ltd

	Note	31 Dec 2022 $	30 June 2022 $
Current assets			
Cash and Cash equivalents	4	**13,042,747**	68,542,373
Restricted Cash		**-**	7,953,906
Other Receivable		**2,289,410**	4,081,998
Inventory	5	**4,473,315**	-
Prepayments		**7,012**	-
Total Current Assets		**19,812,484**	80,578,277
Non-Current Assets			
Property, Plant, and Equipment		**625,239**	583,264
Right of Use Assets	6	**31,738,925**	1,590,649
Mine Properties	7	**305,751,462**	237,902,388
Financial Assets		**-**	4,319
Total Non-Current Assets		**338,115,626**	240,080,620
Total Assets		**357,928,110**	320,658,897
Current Liabilities			
Trade and Other Payables		**20,580,602**	32,719,924
Borrowings and Lease Liabilities	8	**5,112,757**	557,340
Total Current Liabilities		**25,693,359**	33,277,264
Non-Current Liabilities			
Borrowings and Lease Liabilities	8	**253,862,521**	233,492,264
Provisions		**7,228,726**	4,361,363
Total Non-Current Liabilities		**261,091,247**	237,853,627
Total Liabilities		**286,784,606**	271,130,891
Net Assets		**71,143,504**	49,528,006
Equity			
Contributed Equity		**1,150,000**	1,150,000
Reserves	9	**77,778,742**	54,996,847
Accumulated Losses	9	**(7,785,238)**	(6,618,841)
Total Equity		**71,143,504**	49,528,006

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2021	1,150,000	5,840,884	(2,235,966)	4,754,920
Comprehensive Income for the Period				
Loss for the Period	-	-	(230,260)	(230,260)
Foreign Currency Translation Difference for Foreign Operation	-	-	-	-
Total Comprehensive Loss for the Period	-	-	(230,260)	(230,260)
Transactions with Owners in their Capacity as Owners				
Fair value adjustment on loan	-	(44,244,025)	-	(44,244,025)
Issue of ordinary shares	-	-	-	-
Share issue costs	-	-	-	-
Balance at 31 December 2021	1,150,000	(38,403,140)	(2,466,224)	(39,719,364)
Balance at 1 July 2022	**1,150,000**	**54,996,847**	**(6,618,841)**	**49,528,006**
Comprehensive income for the Period				
Loss for the year	**-**	**-**	**(1,166,397)**	**(1,166,397)**
Foreign currency translation difference for foreign operation	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**(1,166,397)**	**(1,166,397)**
Transactions with owners in their capacity as owners				
Fair value adjustment on loan	**-**	**22,781,895**	**-**	**22,781,895**
Issue of ordinary shares	**-**	**-**	**-**	**-**
Share issue costs	**-**	**-**	**-**	**-**
Balance at 31 December 2022	**1,150,000**	**77,778,742**	**(7,785,238)**	**71,143,504**

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

COBURN resources pty ltd

	31 Dec 2022 $	31 Dec 2021 $
Cash Flows from Operating Activities		
Receipts from customers	**6,508,247**	2,478
Interest received	**44,894**	8,229
Payments to suppliers and employees	**(6,518,707)**	-
Net Cash (used in) Operating Activities	**34,434**	10,706
Cash Flows from Investing Activities		
Payments for property, plant, and equipment	**(128,364)**	(615,716)
Payment for development activities	**(74,173,778)**	(111,776,422)
Net Cash (used in) Investing Activities	**(74,302,142)**	(112,392,138)
Cash Flows from Financing Activities		
Proceeds from intercompany Loan	**(2,026,790)**	104,713,600
Proceeds from borrowings	**20,571,574**	55,439,947
Net Cash Inflow Provided by Financing Activities	**18,544,784**	160,153,547
Net Increase in Cash and Cash Equivalents	**(55,722,924)**	47,772,116
Cash and cash equivalents at the beginning of the year	**68,542,373**	472,387
Effects of foreign exchange movement on opening cash balance	**223,298**	3,155,933
Cash and Cash Equivalents at 31 December 2022	**13,042,747**	51,400,436

1) Significant accounting policies

1.1. Statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board

1.2. Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the owners of Coburn Resources Pty Ltd ('Company' or 'Coburn'). The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Coburn.

The financial statement in the attached financial report is unaudited and complies with all of the requirements under the international financial reporting standards in accordance of IAS 1 "Presentation of Financial Statements", and accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

a. Historical cost convention

The financial statements have been prepared under the historical cost convention.

b. Revenue recognition

The company recognises revenue as follows:

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

c. Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

d. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or Deferred tax assets and liabilities are always classified as non-current.

e. *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

g. Property, plant, and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

h. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.
The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

i. Mine Properties Under Development

Mine properties under development represents the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant, and are depreciated and amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Under AASB 116 Property, Plant and Equipment, the cost of an asset includes any estimated costs of dismantling and removing the asset and restoring the site on which it is located. The capitalised rehabilitation and mine closure costs are depreciated (along with the other costs included in the asset) over the asset's useful life.

j. Inventory

Inventories of heavy mineral concentrate are valued at the lower of an average weighted cost and net realisable value (NRV). Cost comprises direct costs and an appropriate proportion of fixed and variable expenditure including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost.
NRV is the estimated selling price in the ordinary course of business less the estimated costs of production and to complete the sale.

k. Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

l. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.
Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

m. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Obligations associated with exploration and development assets are recognised when the Company has a present obligation, the future sacrifice of economic benefit is probable, and the provision can be measured reliably. The provision is measured at the present value of the future expenditure to restore the land with a corresponding asset.

n. *Borrowing* and borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed.

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

2) REVENUE

	31 Dec 2022 **$**	31 Dec 2021 $
Revenue from Contracts with Customers	**6,508,247**	-
Timing of Revenue Recognition		
At a point in time	**6,508,247**	-
Over-time	**-**	
	6,508,247	-

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer at the point in time when the customer obtains control of the goods. The timing of the transfer of control varies depending on the individual terms of the sales agreement.

Generally, for the Company, this is based on free-on-board ("FOB") sales where transfer of control passes at port of origin or cost, insurance, and freight ("CIF") sales where control passes at port of destination. Sales revenue comprises gross revenue earned from the provision of product to customers. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in pricing, assay, weight, and moisture content between the time of delivery and the time of final settlement of sales proceeds. Currently period revenue from contracts with customers has resulted from the sale of Heavy Mineral Concentrate (HMC) with a single external customer.

3) COST OF SALES

	31 Dec 2022 **$**	31 Dec 2021 $
Mine Operating costs	**11,812,888**	-
Changes in inventories of concentrate and finished goods	**(5,297,366)**	**-**
	6,515,522	-

The cost of producing the goods sold is in the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and depreciation and amortisation. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Inventory movement represents the movement in balance sheet inventory stockpiles, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

4) CASH AND CASH EQUILIVENTS

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 2022	30 Jun 2022
	$	$
Cash at Bank	**12,984,747**	68,484,373
Term Deposit	**58,000**	58,000
Cash and bank balance per Statement of Financial Position	**13,042,747**	68,542,373
Restricted Cash	**-**	7,953,906
	13,042,747	76,496,279

5) INVENTORIES

	31 Dec 2022	30 Jun 2022
	$	$
Heavy mineral concentrate and intermediate stockpiles – at cost	**3,482,697**	-
Stores and consumables at cost	**990,618**	-
	4,473,315	**-**

Inventories require certain estimates and assumptions most notably in regard to grade, volume, and density. Inventories of heavy mineral concentrate are valued at the lower of an average weighted cost and net realisable value (NRV). Cost comprises direct costs and an appropriate proportion of fixed and variable expenditure including depreciation and amortisation. Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost. NRV is the estimated selling price in the ordinary course of business less the estimated costs of production and the cost to complete the sale, NRV tests are performed at each reporting date.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, and the estimated recovery percentage. Stockpiles tonnages are verified to periodic surveys. In relation to non-current stockpiles, the expected timing of processing, estimated future sales price, estimated processing costs and the discount rate applied requires significant management estimation. Such estimates and assumptions may change as new information becomes available and could impact on the carrying value of inventories.

6) RIGHT OR USE ASSETS

	31 Dec 2022	30 Jun 2022
	$	$
Lease Assets	**33,751,552**	2,585,867
Less: Accumulated depreciation	**(2,012,627)**	(995,218)
	31,738,925	1,590,649

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

7) MINE PROPERTIES

	31 Dec 2022	30 Jun 2022
	$	$
Mine properties under construction		
Balance at the beginning of the period	**237,902,388**	31,137,428
Mine development expenditure	**96,920,451**	241,955,073
Government Loan	**(32,339,614)**	(38,451,892)
Transfer from Exploration	**400,875**	792,323
Rehabilitation	**2,867,363**	2,469,456
	305,751,462	237,902,388

Assets pledged as security

The Northern Australian Infrastructure Facility and Nordic Bond Facility hold a first ranking, registered fixed and floating charge over all the assets of Coburn Resources Pty Ltd as security for the debt facility provided to fund construction of the Coburn Mineral Sands Project.

Government Grant

As part of the financing of the Coburn Mineral Sands Project, NAIF provided a $150mil facility. No principal repayments are scheduled on this facility until the earlier of March 2028 or 3 months after the Bond or any Bond refinancing is repaid. Thereafter, quarterly principal repayments continue for a period of 7 years and 9 months. The interest rate on this facility was deemed to be a below market rate and in accordance with the government grant accounting standard, the NAIF loan has been recognised at fair value with the difference between the fair value and carrying value recognised as a government grant. The fair value of the loan was determined by estimating repayment dates of the principal in accordance with the facility agreement and utilising an interest rate of 10% which was determined to be a comparable rate for a facility with comparable terms to the NAIF facility.

Mines under construction

Mines under construction are accumulated separately for each area of interest in which economically recoverable reserves have been identified and a decision to develop has occurred. This expenditure includes all capitalised exploration and evaluation expenditure in respect of the area of interest, direct costs of construction, an appropriate allocation of overheads and where applicable borrowing costs capitalised during construction. Once mining of the area of interest can commence, the aggregated capitalised costs are classified under non-current assets as mines in production or an appropriate class of property, plant and equipment.

Deferred stripping costs represent certain mining costs, principally those that relate to the stripping of waste, which provides access so that future economically recoverable ore can be mined. Stripping (i.e. overburden and other waste removal) costs incurred in the production phase of a surface mine are capitalised to the extent that they improve access to an identified component of the ore body and are subsequently amortised on a systematic basis over the

expected useful life of the identified component of the ore body. Capitalised stripping costs are disclosed as a component of Mine Properties.

Production Start Date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Mines in production'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate,
- Completion of a reasonable period of testing of the mine plant and equipment,
- Ability to produce metal in saleable form (within specifications),
- Ability to sustain ongoing production of metal, and
- Positive cash flow position from operations.

8) BORROWINGS

	31 Dec 2022	30 Jun 2022
	$	$
Lease Liability	**27,168,785**	1,214,861
Chattel Mortgage – PPE	**595,414**	454,290
NAIF Facility	**93,166,485**	75,548,108
Nordic Bond Facility	**88,560,886**	87,095,369
Loan - Strandline Resources	**44,370,951**	69,179,636
	253,862,521	233,492,264

	31 Dec 2022	30 Jun 2022
Unsecured loan due to Strandline Resources Limited	**$**	$
Opening balance	**69,179,636**	8,127,095
Loan - Strandline Resources	**(5,407,043)**	109,425,217
Net (gain)/loss on measurement of loan	**(22,781,895)**	(49,155,963)
Finance cost – Interest implicit	**3,380,253**	783,287
	44,370,951	69,179,636

Bond Facility – US$60m

- 5 year tenor with a maturity date of 20 March 2026
- No amortisation until March 2024, then quarterly amortisation of USD 4.25 million from 20 March 2024 to 20 June 2025, then amortisation of USD 2.25 million at 20 September 2025 and 20 December 2025. 50% bullet at the Maturity Date
- Strandline may buy back the debt on-market at any time or redeem the bonds early (subject to make whole payments and call premia depending on the time of the prepayment)
- Conditions precedent to drawdown are customary for a loan facility of this nature, aligning with the NAIF loan facility, including but not limited to, completion of security documentation, Strandline contributing project equity and satisfaction of cost to complete test for each draw down
- Financial covenants are customary for a loan facility of this nature, aligning with the NAIF loan facility, comprising a Debt Service Cover Ratio, Loan Life Cover Ratio, Reserve Tail Ratio and minimum unrestricted cash balance requirement
- To be listed on Oslo Børs, or other regulated markets within 12 months
- Governing law is Norwegian law for Bond terms and Australian law for security package
- Comprehensive senior security package over assets and rights of Coburn project, pari passu with the NAIF loan facility
- US$60m (A88.8m at AUD:USD 0.6775 as at 31 December 2022)
- Fully drawn at the end of the half year

NAIF Facility – A$150m

- Up to 15 year tenor with no principal repayments until the earlier of March 2028 or 3 months after the Bond or any Bond refinancing is repaid. Thereafter, quarterly principal repayments continue for a period of 7 years and 9 months. Additional sweep of a portion of available excess cashflow will also apply under certain circumstances.
- First NAIF Loan Tranche: Up to A$130 million towards the construction of Coburn's core mine process and non-process infrastructure
- Second NAIF Loan Tranche: Up to A$20 million for an airstrip and potential future northern access road linking the project more directly to the Denham community in Shark Bay (subject to feasibility assessment, permitting and approvals)
- Comprehensive senior security package over assets and rights of Coburn project, pari passu with the Bond financing
- First Tranche fully drawn at the end of the half year

NAB Facility – A$15m

- 12 month revolving facility for Coburn project operations
- Comprehensive senior security package over assets and rights of the Coburn project, pari passu with the NAIF and Bond financing
- No drawdowns were completed for the half year

9) Equity - Retained Profits and Reserves

	31 Dec 2022	30 Jun 2022
Retained Profits	**$**	$
Retained profits at the beginning of the financial year	**6,618,841**	2,235,966
Profit after income tax expense for the year	**1,166,397**	4,382,875
Retained profits at the end of the financial year	**7,785,239**	6,618,841

Revaluation reserve
The reserve is used to recognise increments and decrements in the fair value of intercompany loan

	31 Dec 2022	30 Jun 2022
	$	$
Balance at beginning of year	**54,996,847**	5,840,884
Fair value adjustment on loan	**22,781,895**	49,155,963
Balance at end of year	**77,778,742**	54,996,847

10) Contingent Liabilities

On the 18th December 2022 TMM Group (Operations) Pty Ltd, a subsidiary of Macmahon Holdings (ASX: MAH) initiated legal proceedings in the Supreme Court of Western Australia against Strandline's subsidiary Coburn Resources Pty Ltd claiming that Coburn owes TMM in the order of $13.5 million and recovery of the amounts of two bonds drawn down by Coburn at a value of $1,195,000 each. The company intends to defend the matter, and will be advancing its own counterclaims for damages and is currently of the view that there is no probable outflow of future economic benefits.

The Group is subject to contractual arrangements as a result of the development of the Coburn mineral sands project. Occasionally contractual disputes arise relating to commercial contracts. The Group currently has claims in progress, however it is not possible to estimate the financial effects of these claims should they be successful. At the date of this report, the Group has assessed the possibility of any net outflow of economic benefits, in relation to these matters, which have not already been provided for in this report, as being unlikely. The Directors are not aware of any other contingent liabilities as at 31 December 2022 (30 June 2022: $nil).

11) Events after the Reporting Period

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

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, present fairly the company's financial position as at 31 December 2022 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the group taken as a whole and to the best of their knowledge, the half-year management report gives a fair review of the important events that have occurred during the first six months of the financial year, their impact on the half-yearly financial statements, as well as the principal risks and uncertainties facing the business for the remaining six months of the financial year.
3. In the directors' opinion, 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 Board of Directors and is signed for and on behalf of the directors by:

On behalf of the Directors

Luke Graham
Managing Director

Perth, 28 February 2023