



COBURN
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Coburn Resources Pty Ltd

Interim Financial Statements

For the Half Year Ended 31 December 2023

ABN 17 165 036 537



DIRECTORY

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Directors

Jozsef Patarica (appointed 25 September 2023)

Company Secretary

Jamie Cann (appointed 23 November 2023)

Registered and Principal Office

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Parent Entity

Coburn Resources Pty Ltd is a company limited by shares. It is domiciled and incorporated in Australia and 100% owned by Strandline Resources Ltd. The Financial Statements are unaudited as at 31 December 2023.



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DIRECTORS' REPORT

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The Directors of Coburn Resources Pty Ltd (**“Coburn” or “the Company”**) submit the Financial Report for the half-year ended 31 December 2023.

DIRECTORS

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

Jozsef Patarica (appointed 25 September 2023)
Didier Marcel Murcia (resigned 23 November 2023)
Luke Edward Graham (resigned 22 September 2023)

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.

BUSINESS STRATEGIES AND OBJECTIVES

The Company's key objectives are to build a significant critical minerals business including:

- complete the commissioning and ramp up production for the Coburn Minerals Sands Project (Coburn Project);
- progress scoping studies for the expansion of the Coburn Project; and
- commitment to a sustainable future.

REVIEW OF OPERATIONS

During the half year, the Company completed three shipments of heavy mineral concentrate (HMC) and two shipments of Ilmenite totalling 46,279 tonnes (FY2023 55,001 tonnes shipped). In January 2024 10,556 tonnes of HMC produced in December 2023 was shipped.

Mining

Coburn is a mineral sands mine that uses dozers to push sand into in-pit Dozer Mining Units (DMU's) that prepare the ore for slurry pumping to the wet concentrator plant (WCP) for HMC production. The Company employs in-pit disposal of sand waste tailings as part of the mine backfill and rehabilitation process. Throughout the half year, mining rates remained constrained due to tailing storage capacity issues and DMU availability.

The lack of sufficient tailing storage and DMU reliability limited mining volumes which impacted ore feed volumes to the WCP. Plans are being implemented to remove the tailing restraints in accordance with approvals from the Department of Water and Environmental Regulation and the Department of Energy, Mines, Industry Regulation and Safety. These approvals allow for a tailing storage facility and the periodic construction of embankment walls at active mine pits.

Further, during the half year there was ongoing DMU downtime due to failure of the exciter mechanisms on the double deck screens. The failure of the exciter bolts arose shortly after commissioning of the DMU's and, whilst this was resolved in December 2023 through specialized maintenance interventions, it was an ongoing issue during the half year.

The Company's continuing key focus is on implementing both short and long-term tailings storage strategies and increasing utilisation of the DMU's.



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Processing

Modifications to the WCP upstream mineral cleaning circuit which increased the attritioner feed density were completed in October 2023, resulting in a significant improvement in mineral separation efficiency. In December 2023, the plant recorded the highest monthly ore feed and achieved the highest mineral recoveries since commissioning commenced.

Rectification works were undertaken on the mineral separation plant (MSP) early in the half year that focused on dust extraction, dryer-heater controls and HMC conditioning. The MSP is designed to separate the HMC into Zircon and titanium products as well as a zircon concentrate. To commission the MSP a constant feed of HMC is required and this was impacted during the half year by lower and more intermittent HMC feed than what was required. The continual starting and stopping of the MSP weekly meant that there was not sufficient time to optimise circuits which resulted in the inability to produce products other than ilmenite, zircon concentrate and standard grade zircon. In December 2023, the Company suspended commissioning of the MSP to focus on mining issues and maximising HMC production from the WCP plant. The commissioning of the MSP will be addressed as part of the revised operational strategy and associated funding review work that is in progress.

Mining, production and sales data:

	1HY2024	FY2023
DMU mined (tonnes)	6,231,540	7,589,833
Mine grade (%)	1.04%	1.02%
HMC produced (tonnes)	58,152	54,997
Shipping (tonnes)	46,279	55,001

Mineral Resource Estimate

Work on an interim Mineral Resource Estimate block model covering the next 5-year production area and incorporating the October 2023 infill drilling data was largely completed in the half year. The model will be used as part of the 5-year optimization and production schedule. The Company is expected to provide an updated mineral resource and reserve statement in mid-2024.

Mineral sands market

Mineral sands market conditions have continued to soften throughout the half year with lower pricing and demand observed in the market. Demand for mineral sands products is primarily driven by urbanisation, rising living standards and global growth. This has been impacted by a softness in China's property market and industrial sectors along with higher global inflation and interest rates impacting commercial and retail consumers of mineral sands products.

Several of the Company's peers have announced lower sales volumes as they have chosen to restrain volumes as a strategy to stabilise selling prices. The Company expects the outlook for the remainder of the financial year will be a continuation of pricing stabilisation, with volumes recovering and global market dynamics improving.

Health, safety and sustainability

There were no lost time injuries during the half year. Coburn has a lost time injury frequency rate (LTIFR) of 0.0 per million hours worked. The Company's total recordable injury frequency rate (TRIFR) was 4.02 per million hours worked at 31 December. (June 2023: 3.30 per million hours worked).

The Company released its third Sustainability report in December 2023.



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FINANCIAL

The Company made a net loss during the half year of \$125.5 million (30 June 2023: loss \$5.6 million) and its cash and cash equivalents decreased by \$1.7 million to \$9.4 million (30 June 2023: decrease \$65.3 million to \$11.2 million). As at 31 December 2023 the Company held \$9.4 million in cash and cash equivalents and had a deficit of liabilities over assets of \$61.5 million after recording an impairment of \$80.9m to Mine properties in development. Refer to note 8, page 12.

Debt facility standstill arrangement

On 21 December 2023, the Parent Company Strandline Resources Ltd announced it had entered into a Standstill Agreement with its financiers (Northern Australia Infrastructure Fund (NAIF), Nordic Bondholders and National Australia Bank (NAB)) that defers certain near-term interest payments, repayment obligations and various covenant waivers. This agreement is the first step in an ongoing process aimed at restructuring the Company's finances.

The standstill letter with the secured lenders provides short term comfort to the Company as the secured lenders have agreed to not act on any current or pending events of default under the various facility documents. Refer to Note 1 (c) Going concern for further information. In December 2023, under the Amended NAIF Facility Agreement (date December 2023), NAIF approved the repurposing of A\$15 million of the Second Loan Tranche (A\$20 million) of the facility. A drawdown of A\$10 million was completed in December 2023, and has a repayment date of 30 June 2024, or a later date subject to future amendments to the Bond, NAB Facilities and the Loan Note Facility Agreement (described below). Any further drawdown under the NAIF Facility is subject to the approval of the NAIF board among other conditions.

Additionally, the terms of the standstill agreement include, deferring certain near-term interest payments, repayment obligations and various covenant waivers whilst the financing and debt restructure terms are finalised and agreed upon.

The Parent Company Strandline Resources Ltd also informed the market that it continues to receive support from financiers.

EVENTS SUBSEQUENT TO REPORTING DATE

On 19 February 2024, the Parent Company Strandline Resources Ltd agreed an extension to the standstill dated 15 December 2023.

On 6 March 2024 a group of the Company's existing Nordic Bondholders agreed to provide an additional debt facility of up to A\$20 million, with drawdowns subject to certain conditions.

At the same time the standstill and deferral arrangement agreed between the Company and its Parent Company Strandline Resources Ltd and its financiers in December 2023, extended in February 2024 and March 2024 remain in place. The near-term interest payment obligations and principal repayment obligations have been extended until 30 June 2024. As well as financial covenant relief has also been provided for a further 12 months (in relation to the Debt Service Cover Ratio, Loan Life Cover Ratio and Reserve Tail Ratio, subject to the Parent Company Strandline Resources Ltd and its subsidiaries (including Coburn Resources Pty Ltd) complying with new minimum liquidity, minimum monthly product sales and minimum average monthly product pricing financial covenants during the 12 month period).

These funds will be used to fund working capital and towards the objective of achieving nameplate capacity for the production of heavy mineral concentrate at the wet concentrator plant. The Company and its Parent Company Strandline Resources Ltd continues to work with its financiers and other key stakeholders towards agreeing a holistic recapitalisation of the Company in the quarter ending June 2024



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PROCEEDINGS ON BEHALF OF THE COMPANY

In December 2022 TMM Group (Operations) Pty Ltd (TMM), a subsidiary of Macmahon Holdings (ASX: MAH) initiated legal proceedings in the Supreme Court of Western Australia against Coburn Resources Pty Ltd (Coburn). TMM originally claimed that Coburn owed 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. TMM increased its claim in July 2023 to approximately \$15.4 million (net of amounts already paid on adjudication). TMM has not included any additional claims, and the Company considers this increase appears to be due to an accounting reconciliation. The Company's pleaded Counterclaim is for an amount of \$7,836,330, representing a claim for the return of payment made to TMM by Coburn as a result of an adjudication process in 2022, and one separate individual claim brought by Coburn against TMM. The parties have now filed all pleadings and the Supreme Court proceedings are continuing.

The Company is subject to contractual arrangements as a result of the development, commissioning and ongoing operations of the Coburn Project. Occasionally contractual disputes arise relating to commercial contracts. The Company currently has claims in progress (both for and against the company), however it is not possible to estimate the financial effects of these claims.

At the date of this report, the Company 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 and/or immaterial. The Directors are not aware of any other contingent liabilities as at 31 December 2023 (30 June 2023: \$nil)

BASIS OF PREPARATION

These unaudited interim financial statements 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

Jozsef Patarica
Managing Director and Chief Executive Officer

28 March 2024
Perth, Western Australia



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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	Notes	31 Dec 2023 \$	30 Jun 2023 \$
Sales revenue		31,753,135	60,769,375
Cost of sales	2	(67,604,291)	(55,473,317)
Research and development grant		450,913	-
Corporate and administrative expenses		(2,501,651)	(1,172,364)
Exploration and evaluation expenditure		(1,480,471)	-
Impairment - mine properties	8	(80,900,000)	-
Operating (loss)/profit before income tax		(120,282,365)	4,123,694
Interest income		2,538	55,037
Interest expense - leases		(225,197)	(9,791,739)
Deemed interest - loan to Strandline Resources Ltd		(7,732,447)	-
Unrealised foreign currency - Nordic Bond		2,778,440	
Net finance costs	3	(5,176,666)	(9,736,702)
Income tax expense		-	-
Loss after income tax for the period		(125,459,031)	(5,613,008)
Total loss for the period		(125,459,031)	(5,613,008)

The Statement of Profit or Loss should be read in conjunction with the accompanying notes.



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

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	Notes	31 Dec 2023	30 Jun 2023
		\$	\$
Current assets			
Cash and cash equivalents	4	9,441,354	11,167,135
Inventories	5	13,751,801	12,418,661
Trade and other receivables	6	566,697	2,556,776
Prepayments		1,567,568	909,372
Total current assets		25,327,420	27,051,944
Non-current assets			
Property, plant and equipment	8	312,993,687	379,703,012
Other receivables		58,000	-
Total non-current assets		313,051,687	379,703,012
Total assets		338,379,107	406,754,956
Current liabilities			
Trade and other payables	7	23,854,844	29,330,406
Borrowings	9	207,733,586	33,917,214
Total current liabilities		231,588,430	63,247,620
Non-current liabilities			
Borrowings	9	153,650,620	282,081,491
Provisions	10	14,664,420	14,664,420
Total non-current liabilities		168,315,040	296,745,911
Total liabilities		399,903,470	359,993,531
Net assets		(61,524,363)	46,761,425
Equity			
Contributed equity	11	1,150,000	1,150,000
Reserves	12	75,016,517	57,843,274
Accumulated losses		(137,690,880)	(12,231,849)
Total equity		(61,524,363)	46,761,425

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



STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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	Issued Capital	Revaluation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
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 period	-	-	(5,613,008)	(5,613,008)
Total comprehensive loss for the period	-	-	(5,613,008)	(5,613,008)
Issue of ordinary shares	-	-	-	-
Loan fair value- Strandline Resources Ltd	-	2,846,427	-	2,846,427
Balance at 30 June 2023	1,150,000	57,843,274	(12,231,849)	46,761,425
Balance at 1 July 2023	1,150,000	57,843,274	(12,231,849)	46,761,425
Comprehensive income for the period				-
Loss for the period	-	-	(125,459,031)	(125,459,031)
Total comprehensive loss for the period	-	-	(125,459,031)	(125,459,031)
Issue of ordinary shares	-	-	-	-
Loan fair value- Strandline Resources Ltd	-	17,173,243	-	17,173,243
Balance at 31 December 2023	1,150,000	75,016,517	(137,690,880)	(61,524,363)

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



STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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	31 Dec 2023	30 Jun 2023
	\$	\$
Cash flows from operating activities		
Receipts from customers	32,007,744	60,769,375
Payments to suppliers and employees (inclusive of GST)	(71,303,662)	(48,375,530)
Government grants received	450,913	-
Interest received	2,538	55,037
Interest paid	(2,277,068)	-
Net cash (used in)/from operating activities	(41,119,535)	12,448,882
Cash flows from investing activities		
Payments for property, plant and equipment	(11,760)	(73,676)
Payments for mine development activities	(14,457,391)	(121,439,054)
Net cash used in investing activities	(14,469,151)	(121,512,730)
Cash flows from financing activities		
Proceeds from/(to) intercompany loan	44,545,064	13,895,767
Proceeds from borrowings	10,000,000	39,156,558
Transaction costs related to borrowings	(85,000)	-
Repayment of borrowings	(584,840)	(1,282,849)
Net cash from financing activities	53,875,224	51,769,476
Net increase/(decrease) in cash and cash equivalents	(1,713,462)	(57,294,372)
Cash and cash equivalents at the beginning of the period	11,167,135	68,542,373
Effects of foreign exchange movement on cash held	(12,319)	(80,866)
Cash and cash equivalents at the end of the period	9,441,354	11,167,135

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

1. Significant accounting policies

a. Statement of compliance

The financial statements have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

The half year financial report does not include information for a complete set of annual financial statements and should be read in conjunction with the most recent annual financial report dated 30 June 2023.

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

b. Basis of preparation

These are financial statements that have been prepared for Coburn Resources Pty Ltd ('Company' or 'Coburn'). The financial statements are presented in Australian Dollars which is the Company's functional and presentation currency.

The financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

c. Going concern basis

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. During the development phase of the Coburn Project the Company relied upon support from its parent company Strandline Resources Ltd who has provided support through an intercompany loan that it is not intended to be called upon for repayment for a period of at least 12 months after the date of signing the financial report.

The Company made a net loss during the half year of \$125.5 million (30 June 2023: loss \$5.6 million) and its cash and cash equivalents decreased by \$1.7 million to \$9.4 million (30 June 2023: decrease \$65.3 million to \$11.2 million). As at 31 December 2023 the Group held \$9.4 million in cash and cash equivalents and had a deficit of liabilities over assets of \$61.5 million after recording an impairment of \$80.9m to Mine properties in development. Refer to note 8, page 8.

In response to operational issues impacting the commissioning and production ramp up of the Coburn Project, the Parent Company Strandline Resources Ltd has requested a trading halt with the Australian Security Exchange (ASX) on 27 October 2023 and then a voluntary suspension with ASX on 31 October 2023. The Parent Company has remained in voluntary suspension since 31 October 2023 whilst it works on a revised operations strategy and associated funding requirements for the Project. As part of this work, on 21 December 2023, the Parent Company announced that it had entered into a Standstill Agreement with its financiers that defers certain near-term interest payments, repayment obligations and various covenant waivers whilst the financing and debt restructure work is progressed.

As part of this work, on 21 December 2023, the Parent Company Strandline Resources Ltd announced continued support from financiers and informed the market that the Parent Company had entered into a Standstill Agreement with its financiers. The terms of the agreement include, deferring certain near-term interest payments, repayment obligations and various covenant waivers whilst the financing and debt restructure terms are finalised and agreed upon.

The Standstill Agreement is the first step in a process aimed at restructuring the Parent Company's finances to match a revised operational strategy. The Standstill Agreement, with the secured senior debt lenders, provides short term comfort to the Company as the secured lenders have agreed to not act on any current or pending events of default under the various facility documents.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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The Standstill Agreement includes conditions that the parent company Strandline Resources Ltd are required to be adhered to, they are as follows:

- Pursue the sale of non-core assets;
- Equity capital raise;
- Deliver an operation plan; and
- Give effect to the restructuring of the Financing Facilities with all financiers.

At the date of this report the condition to deliver an operational plan has been met.

As a result of the above, the ability of the Company to continue as a going concern is dependent upon the successful commissioning and ramp up of Coburn Mineral Sands Project to name plate production, successful restructuring of the Company finances and successful raising of funds through debt and or equity, These conditions indicate a material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements as at and for the period ended 31 December 2023, after consideration of the following factors:

- Based on detailed cash flow forecast prepared by management, which includes any reasonable possible changes to key assumptions cash flow is based upon, directors have reasonable expectation the Company will have adequate resources to continue operations;
- Technical experts advised the Company the new operational plan, when finalised, will allow for the full ramp up of operations;
- Expect to comply with the conditions of standstill and maintain continued support from financiers of the new operational plan to ensure sustained funding of the project; and
- Ability to raise capital and/or realise value from assets.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

2. Cost of sales

Mine operating costs
Inventory cost movement
Selling costs

	31 Dec 2023	30 Jun 2023
	\$	\$
Mine operating costs	61,967,127	-
Inventory cost movement	1,762,205	48,578,682
Selling costs	3,874,959	6,894,635
	67,604,291	55,473,317

3. Net finance costs

Finance income

Interest income

	31 Dec 2023	30 Jun 2023
	\$	\$
Interest income	2,538	55,037
	2,538	55,037

Finance expense

Interest expense

Net foreign exchange loss ¹

Net finance costs

Interest expense	7,957,644	6,592,022
Net foreign exchange loss ¹	(2,778,440)	3,199,717
	5,179,204	9,791,739
Net finance costs	5,176,666	9,736,702

4. Cash and cash equivalents

Cash at bank

Cash on deposit

Cash and cash equivalents

Restricted cash

	31 Dec 2023	30 Jun 2023
	\$	\$
Cash at bank	9,441,354	11,109,135
Cash on deposit	-	58,000
Cash and cash equivalents	9,441,354	11,167,135
Restricted cash	-	-
	9,441,354	11,167,135

5. Inventories

Heavy mineral concentrate and intermediate stockpiles - at NRV

Stores and consumables - at cost

	31 Dec 2023	30 Jun 2023
	\$	\$
Heavy mineral concentrate and intermediate stockpiles - at NRV	9,339,377	9,475,560
Stores and consumables - at cost	4,412,424	2,943,101
	13,751,801	12,418,661

6. Trade and other receivables

GST receivable

Other debtors

	31 Dec 2023	30 Jun 2023
	\$	\$
GST receivable	502,879	1,864,900
Other debtors	63,818	691,876
	566,697	2,556,776

7. Trade and other payables

Trade payables

Other creditors and accruals

	31 Dec 2023	30 Jun 2023
	\$	\$
Trade payables	1,529,921	16,700,965
Other creditors and accruals	22,324,923	12,629,441
	23,854,844	29,330,406



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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8. Property, plant and equipment

	Plant and equipment	Right-of-use lease assets	Mine properties	Mine properties in development	Total
	\$	\$	\$	\$	\$
At 30 June 2023					
Cost	1,563,392	33,751,552	16,217,746	331,792,900	383,325,590
Accumulated depreciation	(383,022)	(3,239,556)	-	-	(3,622,578)
Net book value	1,180,370	30,511,996	16,217,746	331,792,900	379,703,012
Opening net book value	583,264	1,590,649	5,416,635	232,485,753	240,076,301
Additions	814,595	31,165,685	10,801,111	95,783,290	138,564,681
Unwind NAIF fair value	-	-	-	3,523,857	3,523,857
Depreciation charge	(217,489)	(2,244,338)	-	-	(2,461,827)
Net book value	1,180,370	30,511,996	16,217,746	331,792,900	379,703,012
At 31 December 2023					
Cost	1,583,834	35,270,334	16,727,282	345,383,380	398,964,830
Accumulated depreciation & impairment	(576,885)	(4,494,258)	-	(80,900,000)	(85,971,143)
Net book value	1,006,949	30,776,076	16,727,282	264,483,380	312,993,687
Opening net book value	1,180,370	30,511,996	16,217,746	331,792,900	379,703,012
Additions	20,442	1,518,782	509,536	11,914,542	13,963,302
Unwind NAIF fair value	-	-	-	1,675,938	1,675,938
Depreciation charge	(193,863)	(1,254,702)	-	-	(1,448,565)
Impairment	-	-	-	(80,900,000)	(80,900,000)
Foreign exchange movements	-	-	-	-	-
Net book value	1,006,949	30,776,076	16,727,282	264,483,380	312,993,687

Assets pledged as security

The Northern Australian Infrastructure Facility (NAIF), Nordic Bond Facility and National Australia Bank 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.

Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell, and it does not generate cash inflows that are largely independent of those from other assets or Company's assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

An impairment assessment was undertaken at 31 December 2023 as the Company determined that indicators of impairment are present in relation to the carrying value of Coburn Mineral Sands Project, considering a number of factors including the progress made with the ramp-up of production and an estimate of the recoverable carrying amount of the asset. Consequently, the value-in-use for the CGU has been estimated based on discounted future estimated cash flows (expressed in nominal terms). To determine the extent of the impairment loss, the estimated future cash flows are discounted to their present value using a pre-tax, nominal discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared for the Coburn Mineral Sands Project CGU to which the individual assets are allocated.

The table below summarises the key assumptions used in the 31 December 2023 year end carrying value assessments of the Coburn Mineral sands Project:

LOM estimates and	
Life of mine	30-Jun-45
Weighted average HM Grade	1.03%
Total HMC Production (kt)	4,604
Annual inflation	2%
Product Pricing ¹	Based on TZMI
Long term exchange rate (US\$:A\$)	0.67
Discount rate (pre-tax, nominal)	16%
Net present value of cash flows (pre-tax)	298.7
Carrying value of CGU pre impairment	379.6
Impairment charge booked	80.9

1. TZMI benchmark forecast with adjustments for product specific adjustments.

Revenue Pricing

Price assumptions are based on latest available TZMI benchmark forecast (at date of assessment) with product specific adjustments.

Inflation rates

The annual inflation rate used within the discounted cash flow is within the Reserve Bank of Australia's long-term target range of 2%-3% on average, over time.

Discount Rate

In determining the Discount Rate, the Company has applied a higher rate to reflect market assessments of the time value of money and the risks specific to the Coburn Mineral Sands Project.

Operating and capital costs

Life-of-mine operating and capital cost assumptions are based on the Company's latest budget and life-of-mine plans.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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9. Borrowings

	31 Dec 2023	30 Jun 2023
	\$	\$
Current		
Lease liability	1,741,653	6,002,309
Chattel mortgage - vehicles	388,080	378,475
NAIF facility ^{1,3}	104,191,048	-
NAB working capital facility	14,864,838	14,715,917
Nordic Bond facility ²	86,547,967	12,820,513
	207,733,586	33,917,214
Non-current		
Lease liability	31,091,330	25,702,617
Chattel mortgage - vehicles	634,024	830,499
Loan - Strandline Resources Ltd	121,925,266	86,820,998
Nordic Bond facility ²	-	76,239,813
NAIF facility ^{1,3}	-	92,487,564
	153,650,620	282,081,491

1. In December 2023, under the Amended NAIF Facility Agreement (dated December 2023), NAIF approved the repurposing of A\$15 million of the Second Loan Tranche (A\$20 million) of the facility. A drawdown of A\$10 million was completed in December 2023 that has a repayment date of 19 March 2024 or a later date subject to future amendments to the Bond and NAB facilities. Any further draw down against the facility are subject to approval of the NAIF board.

2. The US\$ secured borrowing movement during the period includes the restatement of the foreign currency loan from USD to AUD.

3. Movement for the period includes A\$1,675,938 related to the unwind of the NAIF fair value in accordance with the Government Grants accounting policy in this section.

10. Provisions

	31 Dec 2023	30 Jun 2023
	\$	\$
Non-current		
Mine rehabilitation	14,664,420	14,664,420
	14,664,420	14,664,420
Mine rehabilitation movement		
Opening balance 1 July	14,664,420	4,361,363
Provisions made during the year	-	10,303,057
Carrying amount at year end	14,664,420	14,664,420



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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11. Contributed equity

20,166,762 fully paid ordinary shares (2022: 20,166,762 shares)

31 Dec 2023	30 Jun 2023
\$	\$
1,150,000	1,150,000

12. Reserves

Revaluation reserve

Balance at beginning of year
Fair value adjustment on loans
Balance at end of year

31 Dec 2023	30 Jun 2023
\$	\$
57,843,274	54,996,847
17,173,243	2,846,427
75,016,517	57,843,274



DIRECTORS' DECLARATION

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The directors have determined that the Company is not a reporting entity and that this general purpose financial report has been prepared in accordance with the accounting policies described in note 1 to the Notes 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 2023 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 having regard to matters disclosed in note 1(c).

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:

Jozsef Patarica
Managing Director and Chief Executive Officer

28 March 2024
Perth, Western Australia