



# **Heavy Rare Earths Limited**

**ABN 35 648 991 039**

## **Half year Financial Report - 31 December 2022**

## **Heavy Rare Earths Limited**

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**31 December 2022**

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**Heavy Rare Earths Limited**  
**Corporate directory**  
**31 December 2022**

Directors	Mr John Byrne (Non-executive Chairman) Mr Richard Brescianini (Executive Director) Mr Ryan Skeen (Non-executive Director)
Company secretary	Justin Mouchacca
Registered office	Level 21, 459 Collins Street Melbourne, VIC 3000 Ph: (03) 8630 3321
Principal place of business	Level 21, 459 Collins Street Melbourne, VIC 3000
Auditor	William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne, VIC 3000
Stock exchange listing	Heavy Rare Earths Limited shares are listed on the Australian Securities Exchange (ASX code: HRE)

Heavy Rare Earths Limited (“HRE” or “the Company”) provides the following review of operations for the half-year period to 31 December 2022 for its first half-year period since listing on the Australian Securities Exchange (ASX).

HRE’s key exploration project is Cowalinya in the Norseman-Esperance region of Western Australia. This is a clay-hosted rare earth project with a JORC Inferred Resource of 28Mt @ 625 ppm total rare earth oxides (TREO)<sup>1</sup> and a desirable rare earth composition where 25% are the valuable magnet rare earths and 23% the strategic heavy rare earths. The resource is located on the Company’s 100%-owned tenement E63/1972.

### **ASX Listing**

On 22 August 2022, the Company’s securities were admitted to the official list on the ASX and commenced trading on 24 August 2022. The Company raised \$6 million and issued 30 million shares at an offer price of \$0.20 per share to institutional and retail investors.

### **Cowalinya Rare Earth Project, Western Australia**

#### ***Analytical (Re-Assay) Program***

During the half-year the Company announced results from 729 two-metre composites from 102 air core holes drilled at Cowalinya in 2021 which were re-assayed by Lithium Borate Fusion/ICP-MS (*refer to ASX announcements 4 and 26 October 2022*).

The program delivered a length-weighted average grade in TREO of 856 ppm for samples where the original analytical work by 4-Acid Digest/ICP-MS (on largely four-metre composites) returned assays above 300 ppm TREO-CeO<sub>2</sub> (the cut-off grade for the project’s Inferred Resource), representing a 3.8% average increase in grade over the original assays.

The results from the Analytical (Re-Assay) Program confirm routine two-metre sample compositing for assay by Lithium Borate Fusion/ICP-MS as the basis for future grade estimation of rare earth mineralisation from the Company’s ongoing resource exploration and expansion program at Cowalinya.

#### ***Resource Exploration and Expansion Drilling Program***

During the half-year, the Company commenced and completed a 441-hole resource exploration and expansion drilling program at Cowalinya. The main part of the program comprised 11,279 metres of air core drilling in 396 vertical holes targeting extensions to known rare earth mineralization, particularly to the immediate west and south-east of the Cowalinya South resource which contains 75% of the project’s resource inventory. These holes were largely drilled on 200 x 400 metre centres. Subject to delineating the necessary continuity to rare earth mineralization in saprolite, this drilling density is designed to deliver Inferred Resources on an additional 11.5% of the area of E63/1972.

A second phase of the program involved 1,290 metres of air core drilling along existing access tracks to explore the central part of the tenement for saprolite-hosted rare earth mineralization. These 45 holes were drilled 400 to 1,600 metres apart at vertical depths of between 9 and 51 metres.

The Company announced assays from the program’s first 53 holes during the half-year (*refer to ASX announcement 1 December 2022*). These holes were drilled along five exploration lines which were used to guide the program’s grid-based resource expansion drilling to the south and west of the Cowalinya South deposit. Most of the holes successfully intersected thick developments of saprolite, averaging 17.1 metres compared with 17.7 metres for the Cowalinya resource. The best assay results included 5 metres @ 1258 ppm TREO from 16 metres depth in hole AC122, 7 metres @ 1042 ppm TREO from 22 metres depth in hole AC115, and 11 metres @ 826 ppm TREO from 18 metres depth in hole AC110.

#### ***Metallurgical Program***

In 2021 HRE completed leach tests on 40 mineralised saprolite drill samples from three holes (AC16, 28 and 41) at Cowalinya which involved the use of hydrochloric acid (HCl) at different concentrations and at a range of temperatures. This work demonstrated that substantial proportions of rare earths could be brought into solution, averaging approximately 91% of total

<sup>1</sup> Table 5.1 of Appendix 7 (Cowalinya Resource Report) of the Independent Geologist’s Report contained in HRE’s IPO Prospectus.

**Heavy Rare Earths Limited**  
**Review of Operations**  
**31 December 2022**

rare earths (or 88% of the magnet rare earths praseodymium Pr, neodymium Nd, terbium Tb and dysprosium Dy) at 30°C and 5% w/w HCl.<sup>2</sup>

To build on these encouraging results, HRE engaged Strategic Metallurgy (“Strategic”) to both validate these sighter tests and design and undertake a comprehensive metallurgical program, initially involving particle size analysis as the basis for gangue rejection. This initial work was completed on 13 four- and five-metre composite samples of rare earth-bearing saprolite from 10 drill holes across the Cowalinya South (AC4, 16, 28, 36, 41, 47 and 57) and North (AC69, 89 and 104) deposits (*refer to ASX announcement 13 December 2022*). These samples represent a reasonable first-pass basis for discerning the geo-metallurgical variability of saprolite-hosted rare earth mineralisation across the Cowalinya project.

Strategic undertook particle size analysis on the saprolite composites to determine the rare earth distribution across a range of size fractions, from +0.5mm (sand size) to -25 µm (silt and clay size). This work is to aid in the design of an upstream process flowsheet that removes gangue from the saprolite. For Cowalinya, that potentially involves the use of a deslime cyclone.

The sizing work by Strategic has shown that, on average:

- 78.5% of the rare earths are confined to the target size fraction of -25 µm (range 66.3%-90.1%)
- The target size fraction comprises 37.2% of the bulk saprolite feed mass (range 20.8%-59.9%)
- The rare earth grade of the target size fraction is 116% higher than the bulk saprolite feed grade (range 23%-299%)
- There is a close correspondence between the distribution of total rare earths and the valuable magnet rare earths (Pr-Nd-Tb-Dy) in the target size fraction.

### **Acquisition of Exploration Tenements**

In December 2022 the Company acquired two granted exploration licences, E63/2144 and E63/2145, from Future Metals Group Pty. Ltd. (*refer to ASX announcement 3 January 2023*). These are located immediately south-west of and contiguous with E63/1972. Their combined size is approximately 20 km<sup>2</sup> (c.f., E63/1972 224 km<sup>2</sup>). Both tenements are on unallocated crown land and neither has been targeted for rare earths in previous exploration.

Drilling by HRE suggests there is strong potential for thick developments of saprolite-hosted rare earth mineralisation to continue westwards from E63/1972 into E63/2144.

The Company acquired both licences for a total of \$50,000 in cash consideration.

### **Duke Rare Earth Project, Northern Territory**

In late-2021 and early-2022, the Company applied for a 255 km<sup>2</sup> land package 50 kilometres north-west of Tennant Creek in the Northern Territory comprising two exploration tenements EL 33101 and EL 33194. The first of the tenements was granted to HRE by the Northern Territory Government on 2 September 2022. The second was granted subsequent to the end of the half-year on 12 January 2023.

Previous exploration in the area of the tenement package has been undertaken for Tennant Creek-style ironstone hosted Cu-Au-Bi and Olympic Dam-type Cu-U-Au deposits. This is the first time the area will be subject to systematic exploration for rare earths. The exploration model being adopted by HRE is a Browns Range-style breccia-hosted hydrothermal mineralized system potentially related to a regional magmatic event. Exploration will target the unconformity between the Tomkinson (Tomkinson Creek Group) and the Warramunga (Ooradidgee Group) provinces which is present across the project area. Rare earths are expected to be hosted in xenotime, a yttrium phosphate mineral that is enriched in the strategically important heavy rare earths.

The Company plans to commence field-based reconnaissance exploration at Duke during the first half of 2023.

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<sup>2</sup> Page 99 of the Independent Geologist’s Report contained in HRE’s IPO Prospectus.

**Heavy Rare Earths Limited**  
**Directors' report**  
**31 December 2022**

The directors present their report, together with the financial statements, on the Company for the year ended 31 December 2022.

**Directors**

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr John Byrne (Non-executive Chairman)  
Mr Richard Brescianini (Executive Director)  
Mr Ryan Skeen (Non-executive Director)

**Principal activities**

The principal activities of the Company during the period consisted of acquiring all rights to an option over 100% of WA exploration licence 63/1972 (known as the Cowalinya rare earth project), commencing field-based exploration at and metallurgical evaluation of Cowalinya, reviewing other potential exploration areas of interest and listing the Company on the ASX.

Main Business activities will include:

- Exploring, developing and operating mineral resource projects with a focus on rare earth elements (REEs), including the Cowalinya Project in the Albany-Fraser Range in Western Australia.
- Focus on boosting domestic production of REEs which are essential to a wide range of applications such as hybrid and battery electric vehicles, wind energy, smart phones, robotics, power tools, healthcare, military hardware, oil refining etc, whereas global production has been historically dominated by China.
- The Company's primary near term objective is to undertake sufficient exploration on its Project to potentially build on the existing Inferred Mineral Resource estimate.

**Review of operations**

The loss for the Company after providing for income tax amounted to \$1,275,243 (31 December 2021: \$118,568).

**Significant changes in the state of affairs**

On 5 July 2022 the Company lodged a Prospectus with the Australian Securities and Investments Commission for its proposed Initial Public Offering (IPO) and seeking to raise \$6,000,000 the issue of 30,000,000 fully paid ordinary shares (**Shares**) with an issue price of \$0.20 (20 cents) per share. The Company successfully raised the funds and issued the Shares on 19 August 2022.

On 19 August 2022 the Company exercised its option in relation to the Cowalinya Project and executed a Sale and Purchase Agreement with the vendors. The Company paid \$300,000 in cash and issued the vendors 1,000,000 fully paid ordinary shares issued in lieu of payment of \$200,000.

In accordance with the IPO Prospectus, the Company issued the following options to directors, consultants and the Company's lead manager on the IPO.

On 22 August 2022, the Company was admitted to the ASX official list and commenced trading on 24 August 2022.

- 7,000,000 Class A Options and 2,500,000 Class B Options to former and existing directors (or their nominees). The Class A Options are exercisable at \$0.30 (30 cents) per option and expiring 3 years from the listing date and the Class B Options are exercisable at \$0.40 (40 cents) per option and expiring 3 years from the listing date.
- 2,850,000 Class A Options and 1,850,000 Class B Options to third party advisors including the Lead Manager.

There were no other significant changes in the state of affairs of the Company during the financial year.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Heavy Rare Earths Limited**  
**Directors' report**  
**31 December 2022**

**Environmental regulation**

The Company holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the half year period and up to the date of the Directors' report.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Mr John Byrne  
Non-executive Chairman

14 March 2023

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF HEAVY RARE EARTHS  
LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136



**J. C. Luckins**  
Director  
Melbourne, 14 March 2023



**Heavy Rare Earths Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2022**

	<b>Note</b>	<b>31 December 2022</b> \$	<b>31 December 2021</b> \$
<b>Revenue</b>			
Interest Income		12,201	-
<b>Expenses</b>			
Corporate and administrative expenses		(337,862)	(118,568)
Employment expenses		(71,414)	-
IPO costs		(169,459)	-
Share based payment expense	8	(708,709)	-
<b>Loss before income tax expense</b>		(1,275,243)	(118,568)
Income tax expense		-	-
<b>Loss after income tax expense for the year attributable to the owners of Heavy Rare Earths Limited</b>		(1,275,243)	(118,568)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Heavy Rare Earths Limited</b>		<u>(1,275,243)</u>	<u>(118,568)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(2.14)	(0.55)
Diluted earnings per share		(2.14)	(0.55)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**Statement of financial position**  
**As at 31 December 2022**

	Note	31 December 2022 \$	30 June 2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,538,480	141,389
Trade and other receivables		137,619	35,637
Prepayments		48,929	-
Total current assets		<u>3,725,028</u>	<u>177,026</u>
<b>Non-current assets</b>			
Exploration and evaluation	4	<u>2,771,598</u>	<u>783,215</u>
Total non-current assets		<u>2,771,598</u>	<u>783,215</u>
<b>Total assets</b>		<u>6,496,626</u>	<u>960,241</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		<u>587,425</u>	<u>264,533</u>
Total current liabilities		<u>587,425</u>	<u>264,533</u>
<b>Total liabilities</b>		<u>587,425</u>	<u>264,533</u>
<b>Net assets</b>		<u>5,909,201</u>	<u>695,708</u>
<b>Equity</b>			
Issued capital	5	6,683,969	1,139,601
Reserves		944,368	-
Accumulated losses		<u>(1,719,136)</u>	<u>(443,893)</u>
<b>Total equity</b>		<u>5,909,201</u>	<u>695,708</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2022**

	<b>Issued capital \$</b>	<b>Share based payment \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 25 March 2021	-	-	-	-
Loss after income tax expense for the year	-	-	(118,568)	(118,568)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(118,568)	(118,568)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,218,855	-	-	1,218,855
Balance at 31 December 2021	<u>1,218,855</u>	<u>-</u>	<u>(118,568)</u>	<u>1,100,287</u>
	<b>Issued capital \$</b>	<b>Share based payment \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2022	1,139,601	-	(443,893)	695,708
Loss after income tax expense for the year	-	-	(1,275,243)	(1,275,243)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,275,243)	(1,275,243)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity(note 5)	6,200,000	-	-	6,200,000
Vesting of share-based payments (note 8)	-	944,368	-	944,368
Capital raising costs	(655,632)	-	-	(655,632)
Balance at 31 December 2022	<u>6,683,969</u>	<u>944,368</u>	<u>(1,719,136)</u>	<u>5,909,201</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2022**

	<b>Note</b>	<b>31 December 2022 \$</b>	<b>31 December 2021 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(654,457)	(70,442)
Interest received		12,201	-
Net cash used in operating activities		<u>(642,256)</u>	<u>(70,442)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation	4	<u>(1,540,680)</u>	<u>(407,593)</u>
Net cash used in investing activities		<u>(1,540,680)</u>	<u>(407,593)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	5	6,000,000	1,288,912
Payments for capital raising costs		<u>(419,973)</u>	<u>(70,057)</u>
Net cash from financing activities		<u>5,580,027</u>	<u>1,218,855</u>
Net increase in cash and cash equivalents		3,397,091	740,820
Cash and cash equivalents at the beginning of the financial year		<u>141,389</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year		<u><u>3,538,480</u></u>	<u><u>740,820</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**Notes to the financial statements**  
**31 December 2022**

**Note 1. General information**

The financial statements cover Heavy Rare Earths Limited as an individual entity. The financial statements are presented in Australian dollars, which is Heavy Rare Earths Limited's functional and presentation currency.

Heavy Rare Earths Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 21, 459 Collins Street  
Melbourne, VIC 3000  
Ph: (03) 8630 3321

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 March 2023.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Note 3. Operating segments**

The Company has identified its operating segments based on the investment decisions of the board and used by the chief operating decision makers in assessing performance and in determining the allocation of resources. The Company operates in one segment being the evaluation and exploration of heavy rare earths and resources in Australia.

**Note 4. Non-current assets - exploration and evaluation**

	<b>31 December 2022 \$</b>	<b>30 June 2022 \$</b>
Exploration and evaluation assets	<u>2,771,598</u>	<u>783,215</u>

**Note 4. Non-current assets - exploration and evaluation (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Exploration and evaluation	Total
	\$	\$
Balance at 1 July 2022	783,215	783,215
Expenditure during the year	1,988,383	1,988,383
Balance at 31 December 2022	<u>2,771,598</u>	<u>2,771,598</u>

Although planned, future anticipated exploration expenditure does not constitute a commitment or contingent liability under accounting standards. In the event that planned exploration expenditure under an area of interest is not met, there is a possibility that the regulatory authority charged with administering that area of interest has the ability to rescind the rights of the Company to explore and evaluate that area of interest, but not, however enforce payment of that planned expenditure.

**Note 5. Equity - issued capital**

	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 \$	30 June 2022 \$
Ordinary shares - fully paid	<u>68,275,150</u>	<u>37,275,150</u>	<u>6,683,969</u>	<u>1,139,601</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	37,275,150		1,139,601
Issue of shares at IPO	22 August 2022	30,000,000	\$0.20	6,000,000
Shares issued for acquisition of Cowalinga Project	22 August 2022	1,000,000	\$0.20	200,000
Capital raising costs		-	-	(655,632)
Balance	31 December 2022	<u>68,275,150</u>		<u>6,683,969</u>

Upon exercise of the option to acquire the Western Australia Exploration Licence 63/1972 (**EL 63/1972**), \$300,000 was paid to the Vendors in cash and 1,000,000 fully paid ordinary shares were issued to the Vendors in lieu of payment of \$200,000.

During the financial period the Company incurred capital raising costs amounting to \$825,091, of which \$655,632 was directly related to the raising of capital for the IPO and \$169,459 was expensed through the statement of profit and loss.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 5. Equity - issued capital (continued)**

*Capital risk management*

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies

**Note 6. Contingent liabilities**

In accordance with the Option Deed entered into on 9 June 2021 which was the Assignment of the Option to Acquire the Exploration Licence Deed (**Assignment Deed**) in relation to the 100% owned Western Australia Exploration Licence 63/1972 (**EL 63/1972**), the Company also entered into a Royalty Agreement whereby the previous tenement holder will receive rights to a royalty of \$A0.25 per tonne for any type of ore processed from the tenements or any successor tenement payable on sale of the relevant mineral product provided that such royalty rate is not more than what would be deemed fair and reasonable and/or having regard to prevailing industry evidence of commercial arm's length royalty rates for such commodities. The total amount payable in accordance with the Royalty Agreement will be capped at \$250,000 per annum.

**Note 7. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Note 8. Share-based payments**

Set out below are summaries of options granted during the year:

31 December 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/08/2022	24/08/2025	\$0.30	-	9,850,000	-	-	9,850,000
24/08/2022	24/08/2025	\$0.40	-	4,350,000	-	-	4,350,000
			-	14,200,000	-	-	14,200,000
Weighted average exercise price			-	-	-	-	\$0.33

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	31 December 2022 Number	31 December 2021 Number
24/08/2022	24/08/2025	9,850,000	-
24/08/2022	24/08/2025	4,350,000	-
		14,200,000	-

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.69 years.

**Note 8. Share-based payments (continued)**

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/08/2022	24/08/2025	\$0.20	\$0.30	70.00%	-	1.00%	\$0.071
24/08/2022	24/08/2025	\$0.20	\$0.40	70.00%	-	1.00%	\$0.056



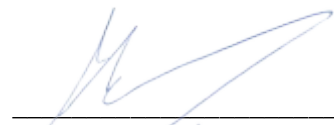
**Heavy Rare Earths Limited**  
**Directors' declaration**  
**31 December 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Mr John Byrne  
Non-executive Chairman

14 March 2023

## Heavy Rare Earths Limited Independent auditor's review report

### REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

#### Conclusion

We have reviewed the accompanying half-year financial report of Heavy Rare Earths Limited (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Responsibility of Management for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2022 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*.

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.



**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136



**J. C. Luckins**  
Director  
Melbourne, 14 March 2023