



Heavy Rare Earths Limited

ABN 35 648 991 039

Half year Financial Report - 31 December 2023

Heavy Rare Earths Limited

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31 December 2023

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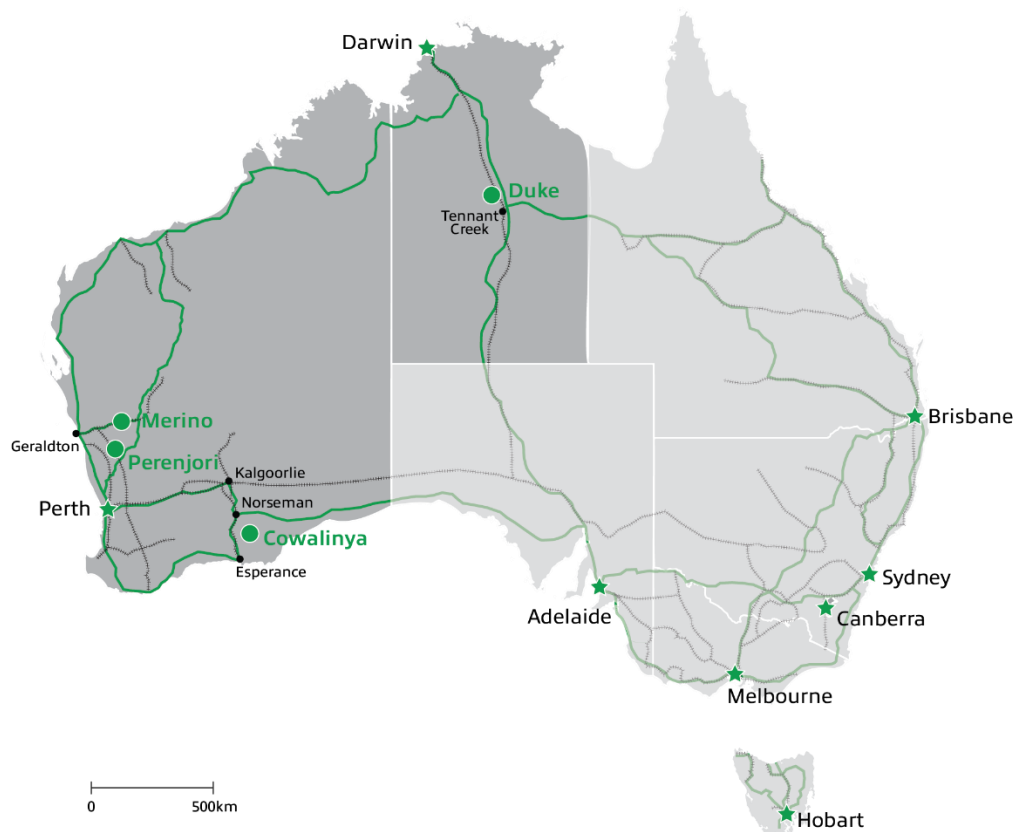
Heavy Rare Earths Limited
Corporate directory
31 December 2023

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)

OPERATIONS REPORT

Heavy Rare Earths Limited's ("HRE") focus is on developing rare earth projects in Australia. It currently operates on four 100 per cent-owned projects: Cowalinya, Merino and Perenjori in Western Australia, and Duke in the Northern Territory.

Location of HRE's rare earth projects



Cowalinya Rare Earth Project, Western Australia

Resource Exploration and Expansion Program

Heavy Rare Earths Limited ("HRE") presented maiden Mineral Resources for its Cowalinya rare earth project on listing in August 2022. These Mineral Resources were delineated by 3,089 metres of air core drilling in 109 vertical holes on approximately 1% of the total area of HRE's exploration licences E63/1972, E63/2144 and E63/2145, located 110 kilometres north-north-east of Esperance.

All tenements are located on unallocated crown land.

Mineral Resources Upgrade

During the half-year period, the Company reported a very substantial growth in Inferred Mineral Resources for Cowalinya to **159 million tonnes @ 870 ppm TREO** using a 400 ppm TREO-CeO₂ grade cut-off (Table 1; refer to ASX announcement 3/10/2023). This result was achieved after the Company drilled an additional 12,569 metres of air core in 441 vertical holes, and represents material increases in resource tonnes (468%), grade (39%), and contained rare earths (690%) on the project's maiden Mineral Resources of 28 million tonnes @ 625 ppm TREO, reported at the lower cut-off grade of 300 ppm TREO-CeO₂.

Table 1: Summary Estimate of Mineral Resources for Cowalinya Rare Earth Project.

JORC RESOURCE CLASS	TONNES (Mt)	TREO (ppm)	MAGNET REOs (ppm)	MAGNET REOs/TREO	Sc ₂ O ₃ (ppm)
Inferred	159	870	242	28%	32

TREO = La₂O₃+CeO₂+Pr₆O₁₁+Nd₂O₃+Sm₂O₃+Eu₂O₃+Gd₂O₃+Tb₄O₇+Dy₂O₃+Ho₂O₃+Er₂O₃+Tm₂O₃+Yb₂O₃+Lu₂O₃+Y₂O₃

Magnet REOs = Pr₆O₁₁+Nd₂O₃+Tb₄O₇+Dy₂O₃

Reported above a cut-off grade of 400 ppm TREO-CeO₂

Following the upgrade, Mineral Resources now occupy 11% of HRE's total land position of 252 km² (Figure 1). The average total thickness of the three interpreted mineralised layers (upper SUM, middle SMM and lower SLM) in weathered saprolite that comprise the Mineral Resources is nearly 15 metres and the top of the predominant mineralisation lies about 15 metres below surface. The Competent Person (Mineral Resources) considers the shallow, weathered and near horizontal nature of the mineralisation may allow broad-scale free-dig mining and excavation with equipment such as scrapers and continuous miners.

Significantly, the valuable magnet rare earth component (Pr, Nd, Tb, Dy) of the Mineral Resources has also increased from 25% to 28% which is considered best in class amongst Australian clay-hosted resources. Individual rare earth concentrations for each of the three mineralised layers and for the total Mineral Resources are detailed in Table 2.

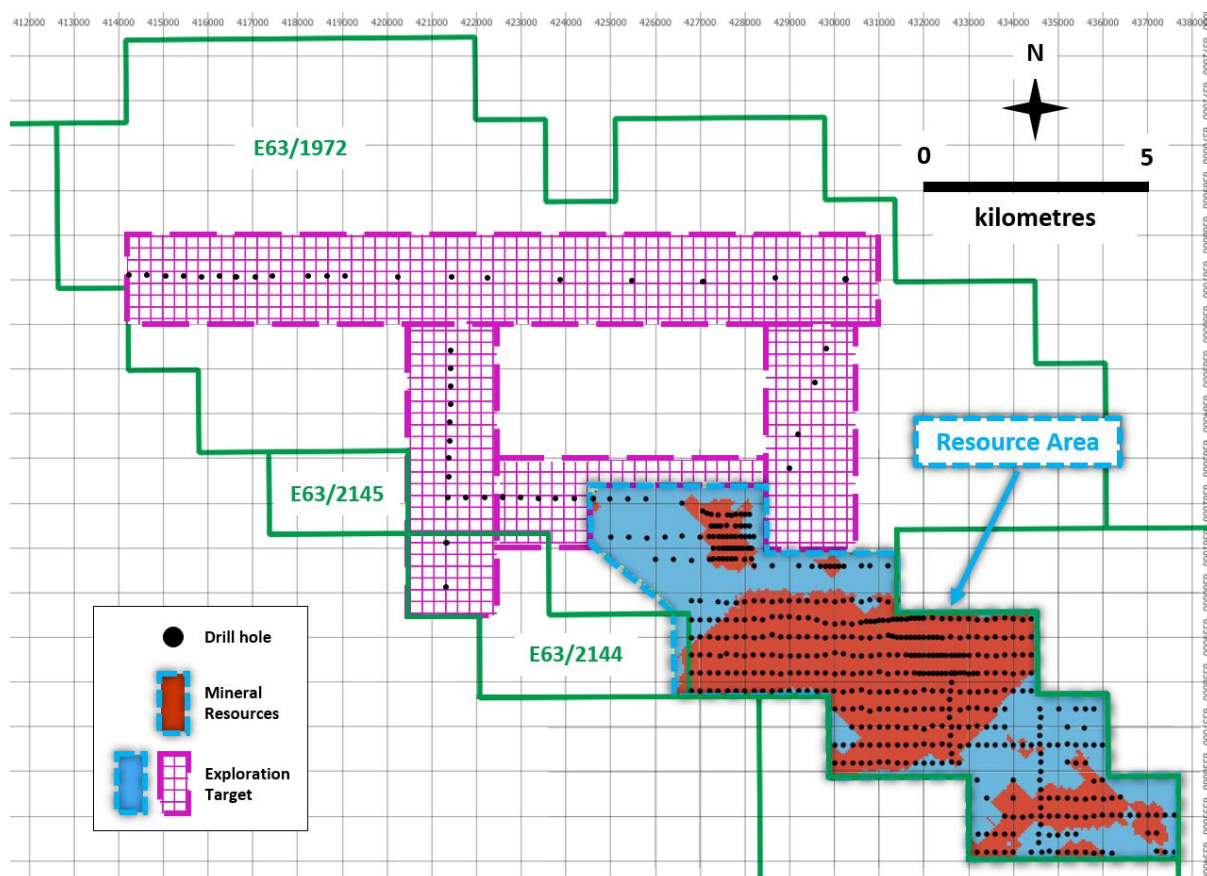


Figure 1: Cowalinya Mineral Resources and Exploration Target.

Table 2: Estimate of Mineral Resources for Cowalinya Rare Earth Project showing individual REOs and potentially deleterious elements.

Cowalinya Rare Earth Oxide (REO) Mineral Resources																						
REOs in weathered saprolitic regolith. Cut-off on (TREO - CeO2) value. Block compute distance <450 m.																						
Layer	JORC	Cut-off ⁰	Total REO TREO ¹ Total (ppm)	Individual "Light" REOs					Individual "Heavy" REOs										Potentially deleterious ⁵		Assoc. REO	
(domain)	Resource	TREO ¹ -CeO ₂		La ₂ O ₃	CeO ₂	Pr ₆ O ₁₁	Nd ₂ O ₃	Sm ₂ O ₃	Eu ₂ O ₃	Gd ₂ O ₃	Tb ₄ O ₇	Dy ₂ O ₃	Ho ₂ O ₃	Er ₂ O ₃	Tm ₂ O ₃	Yb ₂ O ₃	Lu ₂ O ₃	Y ₂ O ₃	Th	U	Sc ₂ O ₂	
	class	(ppm)		(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	
SUM	(2)	Inferred	400.0	1,060.4	211.0	374.6	59.8	242.9	41.8	9.3	25.3	3.1	12.9	2.2	5.3	0.8	4.5	0.7	66.3	14.5	4.4	21
SMM	(3)	Inferred	400.0	860.9	158.9	236.9	45.2	172.6	33.8	7.1	28.5	4.0	21.6	4.2	11.1	1.6	9.8	1.4	124.3	18.9	5.9	30
SLM	(4)	Inferred	400.0	863.9	136.6	231.7	41.8	165.6	34.0	7.5	31.0	4.5	24.6	4.9	13.4	1.9	11.7	1.7	153.1	13.8	5.4	33
All	Inferred	400.0	870.3	145.8	238.5	43.4	170.5	34.2	7.5	30.1	4.3	23.3	4.6	12.4	1.8	10.9	1.6	141.6	15.3	5.5	32	
Proportion of TREO:				16.7%	27.4%	5.0%	19.6%	3.9%	0.9%	3.5%	0.5%	2.7%	0.5%	1.4%	0.2%	1.2%	0.2%	16.3%				

⁰ Total REO minus Cerium oxide = TREO¹ - CeO₂. Combination commonly used grade cut-off in clay-hosted REE deposits.

¹ Total REO (TREO) = REOs + Yttrium oxide = ((La₂O₃ + CeO₂ + Pr₆O₁₁ + Nd₂O₃ + Sm₂O₃ + Eu₂O₃ + Gd₂O₃ + Tb₄O₇ + Dy₂O₃ + Ho₂O₃ + Er₂O₃ + Er₂O₃ + Tm₂O₃ + Yb₂O₃ + Lu₂O₃) + Y₂O₃)

⁵ Th and U are typically associated with rare earth deposits and may be deleterious in processing due to their radioactivity.

Maiden Exploration Target

During the half-year, the Company also reported a sizeable Exploration Target of **280-1390 million tonnes @ 330-1330 ppm TREO** for the Cowalinya project (Table 3; refer to ASX announcement 23/10/2023). The potential quantity and grade of the Exploration Target is conceptual in nature, and there has been insufficient exploration completed by HRE on parts of its Cowalinya tenement package to estimate Mineral Resources. Furthermore, it is uncertain if further exploration will result in defining additional Mineral Resources at Cowalinya.

Table 3: Exploration Target for Cowalinya Rare Earth Project.

JORC CLASS	TONNES (Mt)	TREO (ppm)	AVERAGE TREO (ppm)	AVERAGE MAGNET REOs (ppm)	AVERAGE MAGNET REOs/TREO
Exploration Target	280-1390	330-1330	570	150	26%

$TREO = La_2O_3 + CeO_2 + Pr_6O_{11} + Nd_2O_3 + Sm_2O_3 + Eu_2O_3 + Gd_2O_3 + Tb_4O_7 + Dy_2O_3 + Ho_2O_3 + Er_2O_3 + Tm_2O_3 + Yb_2O_3 + Lu_2O_3 + Y_2O_3$

$Magnet\ REOs = Pr_6O_{11} + Nd_2O_3 + Tb_4O_7 + Dy_2O_3$

Figure 1 shows the area of Mineral Resources (red) in the densely-drilled south-east corner of E63/1972. Exploration Target areas, which occupy 34% of HRE's total land position at Cowalinya, are located 1) in the immediately adjacent less densely drilled areas (blue) within the Resource Area (dashed blue border), and 2) further to the north-west within the four pink hatched areas containing single lines of reconnaissance aircore drill holes (black dots). Rare earth-mineralised intercepts in all holes along the lines clearly demonstrate continuity of the mineralised layers found to the south-east in the Resource Area.

The Competent Person (Mineral Resources) considers the Cowalinya Exploration Target to be a highly realistic, and conservative, estimate of the rare earth exploration potential of at least the whole central part of E63/1972, at least the whole of E63/2144 and in all likelihood E63/2145.

Metallurgical Program

HRE has commissioned Perth-based Strategic Metallurgy to design and undertake a comprehensive metallurgical program for the Cowalinya project. During the half-year period, substantial progress was made on two key work streams that commenced in Q3 2023. The Company expects to report final results during the first half of the 2024 calendar year.

1. A broad program of diagnostic leaching under optimised leach conditions on 63 (4- to 6-metre) mineralised composites from across the project's Mineral Resources and Exploration Target. The locations of the composites are shown in Figure 2 as yellow crosses, adding to the original 13 (4- and 5-metre) composites (green crosses) which delivered encouraging size-by-assay and leaching results (refer to ASX announcements 13/12/2022 and 12/7/2023). These composites have been identified by HRE using geochemical algorithms aimed at discriminating preferred material (i.e., both high magnet rare earth extraction and low hydrochloric acid consumption) from non-preferred material (i.e., either low magnet rare earth extraction or high hydrochloric acid consumption). This work will provide further insight into the geo-metallurgical variability of mineralisation at Cowalinya and test the robustness of HRE's material type discrimination algorithms.
2. A bench-scale program to develop a flowsheet to a mixed rare earth carbonate ("MREC") product which represents the first entry point by clay-hosted projects into the rare earth supply chain. Subject to the success of this program, the Company plans on making MREC samples available to refiners in Europe, Asia, the United States and Australia to determine marketability.

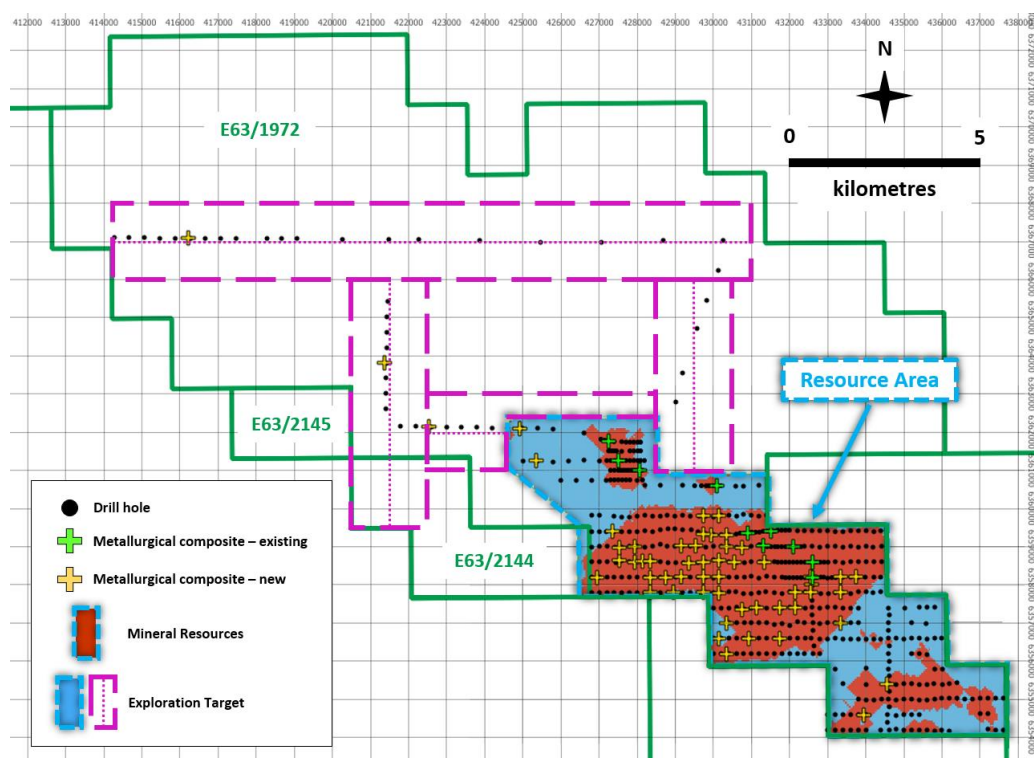


Figure 2: Location of Cowalinya metallurgical composites.

Duke Rare Earth Project, Northern Territory

The Company's 100 per cent-owned Duke project comprises two granted exploration licences EL33101 and EL33194 approximately 50 kilometres north-west of Tennant Creek. The exploration model being investigated by HRE at Duke is a Browns Range-style unconformity-related hydrothermal system, where rare earths are expected to be hosted in xenotime, a yttrium phosphate mineral that contains high concentrations of heavy rare earths ("HREE"). A secondary target for exploration at Duke is HREE-enriched ion-adsorption clay-type mineralisation hosted in saprolite developed on the extensive but poorly outcropping Warrego Granite.

During the half-year period, HRE received assays from a 450-sample soil survey covering prominent thorium (Th) and uranium (U) airborne radiometric anomalies from previous exploration, and from two historic percussion drill holes that sampled saprolite over the Warrego Granite in the northern part and north of the soil survey (*refer to ASX announcement 13/11/2023*). The soil survey identified a 7 km² zone of rare earth enrichment in the northeastern part of the area (Figure 3) and was also successful at extending a copper-bismuth-gold soil anomaly identified, but never drilled, by a previous explorer. The drill hole assays returned substantial thicknesses of rare earth mineralisation that, whilst contiguous with, do not coincide with the best rare earth soil anomalies:

- 42 metres @ 770 ppm TREO from 8 metres in hole 79SRRD-021
- 24 metres @ 805 ppm TREO from 4 metres in hole 79SRRD-010.

Sampling of historic core hole TCPD11 which intersected Warrego Granite also returned elevated rare earth grades averaging 839 ppm TREO over 82.2 metres.

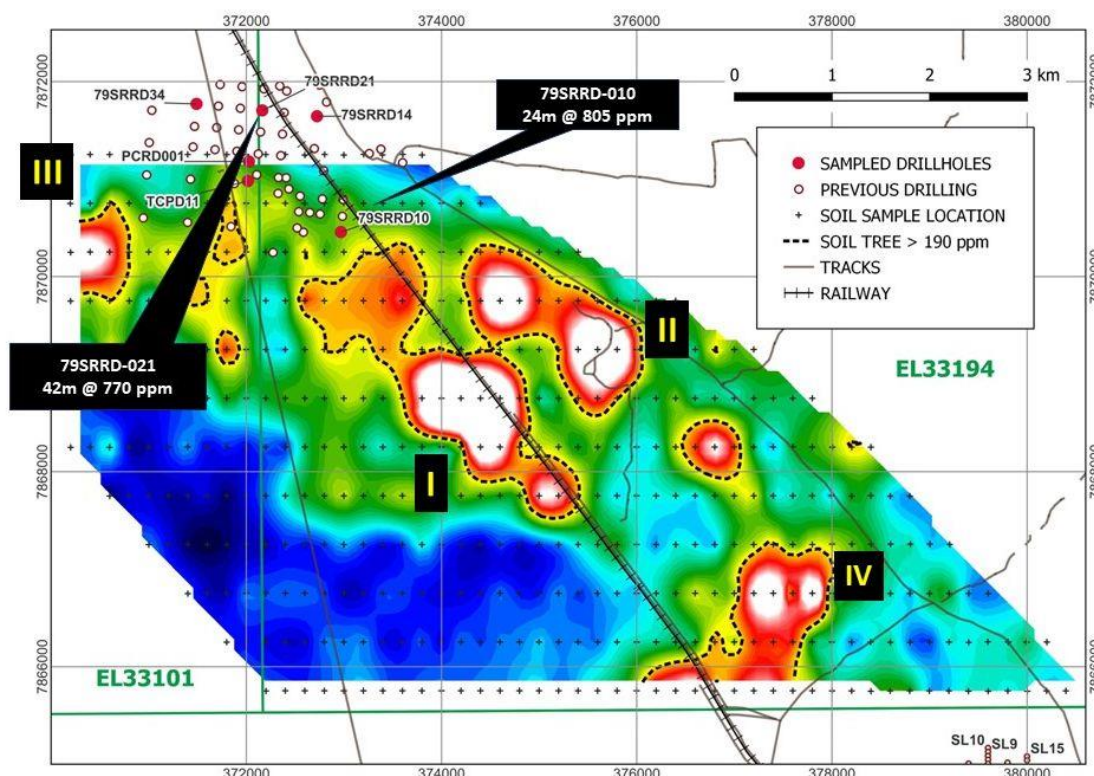


Figure 3: Image of rare earths in clay fraction of soils.
Assays of historic percussion drilling of saprolitic Warrego Granite also shown.

Merino and Perenjori Rare Earth Projects, Western Australia

The Company's 100 per cent-owned Merino and Perenjori projects are located within 225 kilometres of the port city of Geraldton. Together they comprise five exploration licences: E59/2795, E59/2796 and E59/2844 (Merino), and E70/6397 and E70/6398 (Perenjori). Both project areas were highlighted in an internal study targeting ionic adsorption-type rare earth deposits in palaeochannels on Archaean granitic basement, and both areas are also considered prospective for "calcrete-type" uranium. Virtually no exploration for these deposit types is evident from historic reports.

During the half-year period, the southernmost tenement at Perenjori E70/6398 was granted to HRE by the Department of Mines, Industry Regulation and Safety (*refer to ASX announcement 21/11/2023*). E59/2844 is the sole remaining tenement awaiting grant.

A reconnaissance visit by HRE to Merino and Perenjori during the half-year period encountered excellent physical access featuring flat, open landscape and sparse basement outcrop (Figure 4). Low to moderate levels of rare earth anomalism were returned in assays from 14 grab samples of granite and meta-sedimentary/meta-igneous rocks from across the project areas. At Merino, re-assay of paleochannel fill from historic air core drill holes YAC001, 002 and 004 (*refer to ASX announcement 1/9/2023*) returned the following results:

- YAC001: 10 metres @ 762 ppm TREO from 84 metres
- YAC002: 27 metres @ 627 ppm TREO from 20 metres
- YAC004: 4 metres @ 380 ppm TREO from 32 metres.

These holes intersected granite at 92 metres, 40 metres (weathered) and 70 metres, respectively.



Figure 4: Typical Merino (L) and Perenjori (R) landscape.

Heavy Rare Earths Limited
Directors' report
31 December 2023

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2023.

Directors

The following persons were directors of the company during the whole of the half 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 exploration activities for rare earths at the Company's areas of interest located in Western Australia and the Northern Territory.

Main Business activities include:

- Exploring, developing and operating mineral resource projects with a focus on rare earth elements (REEs), including the Cowalinya Project in the Norseman-Esperance region of 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 objective was to undertake sufficient exploration on its Cowalinya Project to build on its maiden Inferred Mineral Resource estimate.

Review of operations

The loss for the company after providing for income tax amounted to \$469,665 (31 December 2022: \$1,275,243).

Financial performance

The loss for the half-year period amounted to \$469,665 (31 December 2022: \$1,275,243). The reduction in loss for the current period compared to the previous half-year period was mainly due to the Company's IPO which took place in the previous half-year which resulted in one-off costs amounting to \$169,459 in IPO costs and \$708,709 in share based payments being recorded.

Financial Position

The Company's net assets reduced by \$458,560 to \$4,931,675 as at 31 December 2023. The reduction in net assets was a result of normal operating expenses being recorded during the half-year period.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the half-year.

Matters subsequent to the end of the financial half-year

On 5 March 2024, the Company announced that it has received its Research and Development (R&D) Tax Incentive Rebate for the 2023 financial year amounting to \$312,168. This amount was recognised as revenue in the 2024 financial year as it was recognised when there was reasonable assurance that the monies would be received.

No other matter or circumstance has arisen since 31 December 2023 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.

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.

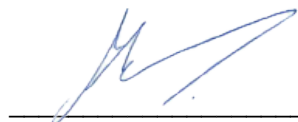
Heavy Rare Earths Limited
Directors' report
31 December 2023

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



Mr John Byrne
Non-executive Chairman

14 March 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Heavy Rare Earths Limited

As lead auditor for the review of Heavy Rare Earths Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, 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

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

J. C. Luckins

J. C. Luckins
Director
Melbourne, 14 March 2024

Heavy Rare Earths Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
Revenue			
Interest Income		21,222	12,201
Expenses			
Corporate and administrative expenses		(329,860)	(337,862)
Employment expenses		(119,970)	(71,414)
IPO costs		-	(169,459)
Other exploration costs		(30,102)	-
Share based payment expense	9	(10,955)	(708,709)
Loss before income tax expense		(469,665)	(1,275,243)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Heavy Rare Earths Limited		(469,665)	(1,275,243)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Heavy Rare Earths Limited		<u>(469,665)</u>	<u>(1,275,243)</u>
		Cents	Cents
Basic earnings per share	8	(0.69)	(2.14)
Diluted earnings per share	8	(0.69)	(2.14)

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 2023

	Note	31 December 2023 \$	30 June 2023 \$
Assets			
Current assets			
Cash and cash equivalents		1,303,137	2,124,052
Trade and other receivables		87,104	77,177
Total current assets		<u>1,390,241</u>	<u>2,201,229</u>
Non-current assets			
Exploration and evaluation	4	<u>3,754,588</u>	<u>3,362,524</u>
Total non-current assets		<u>3,754,588</u>	<u>3,362,524</u>
Total assets		<u>5,144,829</u>	<u>5,563,753</u>
Liabilities			
Current liabilities			
Trade and other payables		213,154	168,101
Employee benefits		-	5,417
Total current liabilities		<u>213,154</u>	<u>173,518</u>
Total liabilities		<u>213,154</u>	<u>173,518</u>
Net assets		<u>4,931,675</u>	<u>5,390,235</u>
Equity			
Issued capital	5	6,684,121	6,683,971
Reserves		955,323	944,368
Accumulated losses		<u>(2,707,769)</u>	<u>(2,238,104)</u>
Total equity		<u>4,931,675</u>	<u>5,390,235</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 half-year ended 31 December 2023

	Issued capital \$	Share based payment \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	1,139,601	-	(443,893)	695,708
Loss after income tax expense for the half-year	-	-	(1,275,243)	(1,275,243)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,275,243)	(1,275,243)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,200,000	-	-	6,200,000
Share-based payments (note 9)	-	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>
	Issued capital \$	Share based payment \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	6,683,971	944,368	(2,238,104)	5,390,235
Loss after income tax expense for the half-year	-	-	(469,665)	(469,665)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(469,665)	(469,665)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity (note 5)	150	-	-	150
Vesting of share-based payments (note 9)	-	10,955	-	10,955
Balance at 31 December 2023	<u>6,684,121</u>	<u>955,323</u>	<u>(2,707,769)</u>	<u>4,931,675</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 half-year ended 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(433,227)	(654,457)
Interest received		21,222	12,201
Net cash used in operating activities		(412,005)	(642,256)
Cash flows from investing activities			
Payments for exploration and evaluation	4	(409,060)	(1,540,680)
Net cash used in investing activities		(409,060)	(1,540,680)
Cash flows from financing activities			
Proceeds from issue of shares	5	150	6,000,000
Payments for capital raising costs		-	(419,973)
Net cash from financing activities		150	5,580,027
Net increase/(decrease) in cash and cash equivalents		(820,915)	3,397,091
Cash and cash equivalents at the beginning of the financial year		2,124,052	141,389
Cash and cash equivalents at the end of the half- year		<u>1,303,137</u>	<u>3,538,480</u>

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

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 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2023, the Company incurred a net loss of \$469,665, net cash outflows from operating activities of \$412,055 and net cash outflows from investing activities of \$409,060 and had a cash balance as at 31 December 2023 of \$1,303,137. The Directors have assessed that these conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, the Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the Company's cash flow projections and application of a number of judgements and estimates, resulting in the conclusion of a range of reasonably possible scenarios. Included in the Directors going concern cash flow assessment is that sufficient funds can be secured if required by a combination of capital raisings and deferment of forecast payments for exploration.

Accordingly, the financial report has been prepared on the basis that the Group can continue normal business activities and meet its commitments as and when they fall due, and the realisation of assets and liabilities in the ordinary course of business.

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

	31 December 2023 \$	30 June 2023 \$
Exploration and evaluation assets	<u>3,754,588</u>	<u>3,362,524</u>

Reconciliations

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

	Exploration and evaluation \$
Balance at 1 July 2023	3,362,524
Expenditure during the half-year	<u>392,064</u>
Balance at 31 December 2023	<u><u>3,754,588</u></u>

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or its sale. Alternatively, exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 5. Equity - issued capital

	31 December 2023 Shares	30 June 2023 Shares	31 December 2023 \$	30 June 2023 \$
Ordinary shares - fully paid	<u>68,275,150</u>	<u>68,275,150</u>	<u>6,684,121</u>	<u>6,683,971</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	68,275,150		6,683,971
Funds received for option applications	4 October 2023	-	-	<u>150</u>
Balance	31 December 2023	<u>68,275,150</u>		<u>6,684,121</u>

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.

Note 5. Equity - issued capital (continued)

Share buy-back

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

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

There are no contingent liabilities at 31 December 2023 (30 June 2023: nil).

Note 7. Events after the reporting period

On 5 March 2024, the Company announced that it has received its Research and Development (R&D) Tax Incentive Rebate for the 2023 financial year amounting to \$312,168. This amount was recognised as revenue in the 2024 financial year as it was recognised when there was reasonable assurance that the monies would be received.

No other matter or circumstance has arisen since 31 December 2023 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. Loss per share

	31 December 2023 \$	31 December 2022 \$
Loss after income tax attributable to the owners of Heavy Rare Earths Limited	<u>(469,665)</u>	<u>(1,275,243)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>68,275,150</u>	<u>59,466,407</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>68,275,150</u>	<u>59,466,407</u>
	Cents	Cents
Basic earnings per share	(0.69)	(2.14)
Diluted earnings per share	(0.69)	(2.14)

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company as the numerator (i.e. no adjustments to loss were necessary in either 2023 or 2022).

The performance rights and options have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted loss per share as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The performance rights are non-dilutive as the Group has generated a loss for the half-year.

Heavy Rare Earths Limited
Notes to the financial statements
31 December 2023

Note 9. Share-based payments

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

31 December 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-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
28/09/2023	24/08/2025	\$0.30	-	500,000	-	-	500,000
28/12/2023	24/08/2025	\$0.30	-	1,000,000	-	-	1,000,000
			<u>14,200,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>15,700,000</u>

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 half-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
			<u>-</u>	<u>14,200,000</u>	<u>-</u>	<u>-</u>	<u>14,200,000</u>

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

Grant date	Expiry date	31 December 2023 Number	31 December 2022 Number
24/08/2022	24/08/2025	9,850,000	9,850,000
24/08/2022	24/08/2025	4,350,000	4,350,000
28/09/2023	24/08/2025	500,000	-
28/12/2023	24/08/2025	1,000,000	-
		<u>15,700,000</u>	<u>14,200,000</u>

For the options granted during the current financial half-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
28/09/2023	24/08/2025	\$0.09	\$0.30	81.00%	-	3.49%	\$0.013
28/12/2023	24/08/2025	\$0.06	\$0.30	81.00%	-	3.49%	\$0.004

Heavy Rare Earths Limited
Directors' declaration
31 December 2023

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 2023 and of its performance for the half-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



Mr John Byrne
Non-executive Chairman

14 March 2024

Independent auditor's review report to the members of Heavy Rare Earths Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Heavy Rare Earths Ltd (the Company), does not comply with the *Corporations Act 2001*, including:

giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and

complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Company, which comprises:

- the statement of financial position as at 31 December 2023,
- the statement of profit or loss and other comprehensive income for the half-year then ended,
- the statement of changes in equity for the half-year then ended,
- the statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information and
- the directors' declaration.

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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net loss before income tax of \$469,665 and net operating cash outflows of \$412,005 during the half-year ended 31 December 2023. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors 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 2023 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 2024