

Axel REE Limited

ACN 665 921 273

**Consolidated Financial Report for the
half year ended 31 December 2023**

Corporate Directory

Directors	Paul Dickson (appointed 6 March 2024) Patrick John Volpe Fernando Tallarico (appointed 15 February 2024) Ian Kiers (appointed 18 December 2023)
Company secretary	Patrick Antonio Volpe
Registered office	Level 6 99 William Street Melbourne VIC 3000 Phone: +61 418 172 279
Auditor	PKF Audit (Perth) Level 5 35 Havelock Street West Perth WA 6872
Solicitors	Steinepreis Paganin Level 6 99 William Street Melbourne VIC 3000

Axel REE Limited
Directors' Report
For the half year ended 31 December 2023

The Directors of Axel REE Limited ("Axel REE" or the "Company") present the financial report for the Company for the half year ended 31 December 2023. All amounts are expressed in Australian dollars unless stated otherwise.

Directors

The following persons were Directors of Axel REE Limited at any time during the half year and up to the date of this report, unless otherwise stated:

Paul Dickson – Non-Executive Chairman (appointed 6 March 2024)
Fernando Tallarico – Managing Director (appointed 15 February 2024)
Patrick John Volpe – Non-Executive Director
Ian Kiers – Non-executive Director (appointed 18 December 2023)
Paul Woolrich – Non-executive Director (resigned 8 March 2024)
Patrick Antonio Volpe – Non-executive Director (resigned 18 December 2023)
Geoffrey Hui – Non-executive Director (resigned 18 July 2023)

Company Secretary

Patrick Antonio Volpe.

Principal Activities

During the half year the activities of the Company were focused on developing its various rare earth elements projects in Brazil.

Operating Results

The Company recorded a net loss after tax of \$975,204 for the half year and net cash outflows from operating activities of \$656,037.

Significant Changes in the State of Affairs

Other than the matters noted in this Directors' Report there were no significant changes in the Company's operations during the half year.

- i. On 1 September 2023, the Company established Axel REE Ltda, a wholly owned subsidiary in Brazil for the purposes of acquiring, holding and operating exploration tenements in Brazil.
- ii. On 9 October 2023, the Company issued 89,961,666 ordinary shares to shareholders of Foxfire Metals Pty Ltd (**Foxfire Metals**) for nil consideration as part of a one-for-one bonus share issue that formed part of the Foxfire Metals restructure.
- iii. On 2 November 2023, Foxfire Metals Pty Ltd (**Foxfire Metals**), Foxfire Metals Ltda (a Brazilian entity) (**Foxfire Metals Brazil**), the Company and Axel REE Ltda (a Brazilian subsidiary of the Company) (**Axel Brazil**), entered into an asset sale and joint venture agreement pursuant to which Foxfire Metals Brazil agreed to sell and Axel Brazil agreed to acquire a:
 - a. 100% legal and 70% beneficial joint venture interest in 46 granted exploration licences and 16 applications which are prospective for lithium and rare earth elements (**FMB Licences**); and
 - b. 70% beneficial joint venture interest in the rights to conduct exploration for and mining operations in respect of rare earth elements and any other minerals (excluding lithium) on two granted exploration licences and one exploration licence application (with the exception of the rights to conduct exploration for and mining operations in respect of lithium) (**REE Licences**).

The asset sale agreement was amended and restated on 6 February 2024 (refer Matters Subsequent to the End of the Financial Period below for further details)

- iv. On 8 November 2023, the Company issued 8 million Class B shares as part of a pre-IPO seed raising of \$1.28 million (before costs) at \$0.16 per Class B share.
- v. On 15 December 2023, the Company issued 9,873,945 ordinary shares at an issue price of \$0.06 per share as a result of the early conversion of 1,974,789 convertible notes held by professional and sophisticated investors IN Foxfire Metals.
- vi. On 18 December 2023, Ian Kiers was appointed Non-executive Director and Patrick Volpe resigned as Non-executive Director of the Company.

Axel REE Limited
Directors' Report
For the half year ended 31 December 2023

Dividends

No dividends were paid during the period and no dividend has been declared for half year.

Matters Subsequent to the End of the Financial Period

Other than the matters noted below, there have been no subsequent events that required adjustment to or disclosure in the or the Financial Statements of the Company for the half year ended 31 December 2023:

- i. On 6 February 2024, the Company and its wholly owned subsidiary Axel Brazil entered into an amended and restated asset sale agreement with Foxfire Metals and Foxfire Metals Brazil pursuant to which Axel Brazil agreed to acquire:
 - a. a 100% interest in 49 granted exploration licences and 13 applications which are prospective for lithium and rare earth elements (**REE Licences**); and
 - b. a 100% beneficial joint venture interest in the rights to conduct exploration for and mining operations in respect of rare earth elements and any other minerals (excluding lithium) on two granted exploration licences and one exploration licence application (with the exception of the rights to conduct exploration for and mining operations in respect of lithium) (**REE Rights**).

In consideration for the acquisition of an interest in the REE Licences and the REE Rights (together, the **REE Projects**), the Company has agreed to pay the following consideration:

- c. an amount of \$319,168.50, of which:
 - i. \$309,736.09 was paid on execution of the asset sale and joint venture agreement; and
 - ii. \$9,432.41 was paid on execution of the amended and restated agreement; and
- ci. \$420,192.38 which has been satisfied by the issue of 7,003,206 Shares as part of an issue of up to 10,073,945 Shares to the Convertible Noteholders of Foxfire Metals Pty Ltd for a total sum of \$604,440 in accordance with the terms and conditions of the Convertible Note Deeds; and
- cii. \$133,129.38 will be satisfied through the issue of 832,059 Shares at a deemed issue price of \$0.16 per Share which will be issued to Foxfire Metals approximately 6 months after the date of admission of the Company to the Official List.

Under the asset sale agreement, Axel Brazil has also agreed to assume the existing royalties applicable to the REE Projects, being a 3% gross revenue royalty in respect of any minerals from the area within the boundaries of the REE Licences, a 2% gross revenue royalty in respect of lithium and a 3% gross revenue royalty in respect of all other minerals from the area within the boundaries of the licences over which the REE Rights are granted.

The asset sale agreement superseded an asset sale and joint venture agreement that was executed by the parties on 2 November 2023.

- ii. On 18 January 2024, 8 million Class B shares were converted into ordinary fully paid shares on a one-for-one basis.
- iii. On 15 February 2024, Fernando Tallarico was appointed Managing Director of the Company.
- iv. On 6 March 2024, Paul Dickson was appointed Non-Executive Chairman of the Company.
- v. On 8 March 2024, Paul Woolrich resigned as Director of the Company.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Paul Dickson

Paul Dickson
Chairman
19 March 2024



PKF Perth
ABN 64 591 268 274
Level 5, 35 Havelock Street,
West Perth WA 6005
PO Box 609,
West Perth WA 6872
Australia

+61 8 9426 8999
perth@pkfperth.com.au
pkf.com.au

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AXEL REE LIMITED

In relation to our review of the financial report of Axel REE Limited for the half year ended 31 December 2023, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

Simon

SIMON FERMANIS
PARTNER

19 MARCH 2024,
WEST PERTH,
WESTERN AUSTRALIA

Axel REE Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 December 2023

	31 Dec 2023 \$
Revenue and other income	
Interest income	<u>6,166</u>
General and administrative expenses	(60,903)
Key management personnel and employee remuneration	(133,932)
Exploration and evaluation expense	<u>(786,535)</u>
Operating loss before income tax	(975,204)
Income tax expense	<u>-</u>
Loss for the period	<u>(975,204)</u>
Other comprehensive income / (loss)	
<i>Items that may be reclassified to the profit or loss</i>	<u>-</u>
Comprehensive loss for the period	<u>(975,204)</u>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Axel REE Limited
Consolidated Statement of Financial Position
as at 31 December 2023

	Note	31 Dec 2023 \$	30 Jun 2023 \$
CURRENT ASSETS			
Cash and cash equivalents	3	656,037	1
Trade and other receivables	4	193,517	1,200
TOTAL CURRENT ASSETS		849,554	1,201
TOTAL ASSETS		849,554	1,201
CURRENT LIABILITIES			
Trade and other payables	5	140,532	18,200
TOTAL CURRENT LIABILITIES		140,532	18,200
TOTAL LIABILITIES		140,532	18,200
NET ASSETS		709,023	(16,999)
EQUITY			
Issued Capital	6	1,702,227	1
Accumulated losses		(993,204)	(17,000)
TOTAL EQUITY		709,023	(16,999)

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

Axel REE Limited
Consolidated Statement of Changes in Equity
for the period ended 31 December 2023

2023	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2023	1	(18,000)	(17,999)
Comprehensive income:			
- Loss for the half year	-	(975,204)	(975,204)
Total comprehensive loss for the half year	-	(975,204)	(975,204)
Transactions with owners in their capacity as owners:			
- Issue of class B shares	1,280,000	-	1,280,000
- Issue of ordinary fully paid shares	592,439	-	592,439
- Costs of equity issues	(170,212)	-	(170,212)
Total transactions with owners	1,702,227	-	1,702,227
Balance at 31 December 2023	1,702,228	(993,204)	709,023

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

Axel REE Limited
Consolidated Statement of Cash Flows
for the period ended 31 December 2023

	Note	31 Dec 2023 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(548,012)
Interest received		<u>8,529</u>
Net cash used in operating activities	13(b)	<u>(539,483)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from issue of equity securities		1,280,000
Payments for equity issue costs		<u>(84,480)</u>
Net cash provided by financing activities		<u>1,195,520</u>
Net (decrease)/increase in cash held		656,037
Cash and cash equivalents at beginning of period		<u>-</u>
Cash and cash equivalents at end of period	13(a)	<u>656,037</u>

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

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The Company was incorporated on 21 February 2023. The financial period ended 30 June 2023 is the Company's first Financial Report, therefore there are no comparisons for previous years.

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.

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

Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards AASB interim financial reporting and the Corporations Act 2001, for the interim half-year reporting period ended 31 December 2023 as appropriate for profit entities. Compliance with AASB 134 ensures compliance with international financial reporting standard IAS34.

Except for the statement of cash flows, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities

Going concern

The Company incurred a loss of \$975,204 for the half year ended 31 December 2023, net cash outflows from operating activities of \$539,483 and net cash outflows from investing activities of \$1,195,520. As at 31 December 2023, the Company had cash and cash equivalents of \$656,037, and net working capital of \$709,023.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the Statement of Profit or Loss in the period when the new information becomes available.

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

3. CASH AND CASH EQUIVALENTS

	31 Dec 2023	30 Jun 2023
	\$	\$
Cash at bank	656,037	1
	656,037	1

4. TRADE AND OTHER RECEIVABLES - CURRENT

	31 Dec 2023	30 Jun 2023
	\$	\$
GST and other taxes receivable	21,272	1,200
Related party receivable	172,245	-
	193,517	1,200

5. TRADE AND OTHER PAYABLES - CURRENT

	31 Dec 2023	30 Jun 2023
	\$	\$
Trade payables	6,600	18,200
Other payables and accruals	133,932	-
	140,532	18,200

6. ISSUED CAPITAL

	31 Dec 2023	30 Jun 2023
	\$	\$
Ordinary Shares fully paid	592,440	1
Class B Shares fully paid	1,280,000	-
Cost of equity issues	(170,212)	-
	1,702,227	7,241,829

Ordinary shares fully paid	No.	\$	No.	\$
Opening balance	1	1	1	1
Bonus share issue – 9 October 2023 ¹	89,961,666	-	-	-
Ordinary shares – 15 December 2023 ²	9,873,945	592,439	-	-
Closing balance	99,835,612	592,440	1	1

¹89,961,666 ordinary shares issued to shareholders of Foxfire Metals Pty Ltd on a one-for-one basis for nil consideration pursuant to a bonus share issue.

²9,873,945 ordinary shares issued to convertible noteholders in Foxfire Metals Pty Ltd at an issue price of six cents (\$0.06) per share.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

6. ISSUED CAPITAL(CONTINUED)

	31 December 2023		30 June 2023	
Class B shares fully paid	No.	\$	No.	\$
Opening balance	-	-	-	-
Class B share issue – 8 November 2023 ¹	8,000,000	1,280,000	-	-
Closing balance	8,000,000	1,280,000	-	-

¹8,000,000 Class B shares were issued at \$0.16 per Class B share to professional and sophisticated investors as part of a pre-IPO seed raising to raise \$1,280,000 before costs. On 18 January 2024, 8,000,000 Class B shares were converted into 8,000,000 fully paid ordinary shares for nil consideration.

Class B shares do not entitle the holder to vote at any general meeting of the Company or at any meeting of holders of ordinary shares, or to participate in dividends. Class B shares entitle the holder to receive, in priority to holders of ordinary shares, the repayment of capital paid up on their Class B shares.

7. CAPITAL MANAGEMENT

Capital is comprised of the Group's shareholders' equity. The Group's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

As the Group's assets are in the exploration and evaluation phase, the Group is currently non-revenue generating. As such, a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Group has sufficient funds to cover its planned activities and any ongoing obligations.

8. COMMITMENTS FOR EXPENDITURES

Commitments for minimum exploration expenditure required to retain tenure on the Group's exploration tenements are:

	31 December 2023 \$	30 June 2023 \$
Less than one year	150,306	150,306
Greater than one year	300,614	300,614
	450,920	450,920

9. CONTINGENT LIABILITIES AND ASSETS

The directors are not aware of any other contingent assets or any contingent liabilities that are likely to have a material effect on the results of the Company as disclosed in these financial statements other than the following:

- a. On 26 April 2023, the Company entered into convertible note agreements with Foxfire Metals Pty Ltd (**Foxfire Metals**) and two other wholly-owned subsidiaries of Foxfire Metals at the time, pursuant to which Foxfire Metals raised approx. \$1,800,000 (**Convertible Notes**). Under the terms of the Convertible Notes, one third of the Convertible Notes shall convert and the Company is obligated to issue 10,073,945 ordinary shares at an issue price of \$0.06 per Share to Foxfire Metals on the condition the Company receives in-principal advice that a listing on the ASX would be approved by the ASX (subject to conditions imposed by the ASX) on or before 31 March 2024. On 15 December 2023, 9,873,945 ordinary shares were issued on early conversion of the Convertible Notes. 40,000 convertible notes remain held by Convertible Noteholders and may convert to

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

9. CONTINGENT LIABILITIES AND ASSETS (CONTINUED)

200,000 ordinary shares in the Company. If the Company does not receive in-principal approval as per above on or before 31 March 2024, the convertible notes will not convert into ordinary shares in the Company and will convert into shares of Foxfire Metals with no liability to the Company.

- b. The Company via Axel REE Ltda, a wholly owned subsidiary, has entered into a Royalty Agreement with Patrick Volpe and Carlos Alberto Teles granting Patrick Volpe and Carlos Teles the right to receive royalty revenues over all of the present and future tenements held by the Company or its wholly owned subsidiaries. The royalty right assigned from Foxfire Metals pursuant to the Company executing the asset sale agreement and amended and restates asset sale agreement with Foxfire Metals on 2 November 2023 and 6 February 2024 respectively.

10. RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

The Group has identified the following as related parties:

- i. The Company's Directors being Pat Volpe (appointed 21 February 2023), Fernando Tallarico (appointed 15 February 2024), Ian Kiers (appointed 18 December 2023), Paul Dickson (appointed 6 March 2024), Paul Woolrich (appointed 21 February 2024, resigned 8 March 2024) and Patrick Volpe (resigned 18 December 2023);
- ii. Foxfire Metals Pty Ltd group of which Pat Volpe, Patrick Volpe and Paul Woolrich are directors; and
- iii. Archikan Holdings Pty Ltd <JAP Trust> of which Patrick Volpe is director and beneficiary.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

i. Transactions with Directors

Compensation recorded for key management personnel and companies related to them for the half year ended 31 December 2023 was paid as follows:

	Half year ended 31 Dec 2023 \$
Accrued Directors' Fees	133,932
Corporate services fees ¹	36,000
	169,932

¹Patrick Antonio Volpe, non-executive director (resigned 18 December 2023) and company secretary, was paid corporate services fees totaling \$36,000 during the half year via Archikan Holdings Pty Ltd <JAP Trust>, an entity which Patrick Volpe is a director, shareholder and beneficial owner.

ii. Transactions with Foxfire Metals Pty Ltd and its related entities

Pat Volpe, Paul Woolrich (resigned 8 March 2024) and Patrick Volpe (resigned 18 December 2023) are also directors of Foxfire Metals Pty Ltd (**Foxfire Metals**). The Company and Foxfire Metals also have a number of common shareholders. The Company and Foxfire Metals have engaged in the

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

10. RELATED PARTY TRANSACTIONS (CONTINUED)

following transactions:

1. On 2 November 2023, the Company and Axel Brazil, on an arm's length basis, entered into an asset sale agreement. The asset sale agreement was superseded by an amended and restated asset sale agreement (refer 11(b)ii. below).
2. On 6 February 2024, the Company and Axel Brazil, on an arm's length basis, entered into an amended and restated asset sale agreement with Foxfire Metals and Foxfire Metals Ltda pursuant to which Axel Brazil agreed to acquire:
 - a. a 100% interest in 49 granted exploration licences and 13 applications which are prospective for lithium and rare earth elements (**REE Licences**); and
 - b. a 100% beneficial joint venture interest in the rights to conduct exploration for and mining operations in respect of rare earth elements and any other minerals (excluding lithium) on two granted exploration licences and one exploration licence application (with the exception of the rights to conduct exploration for and mining operations in respect of lithium) (**REE Rights**).

In consideration for the acquisition of an interest in the REE Licences and the REE Rights (together, the **REE Projects**), the Company agreed to pay the following consideration:

- (a) an amount of \$319,168.50, of which:
 - i. \$309,736.09 was paid on execution of the asset sale and joint venture agreement; and
 - ii. \$9,432.41 was paid on execution of the amended and restated agreement; and
- (b) \$420,192.38 which has been satisfied by the issue of 7,003,206 Shares as part of an issue of up to 10,073,945 Shares to the Convertible Noteholders for a total sum of \$604,440 in accordance with the terms and conditions of the Convertible Note Deeds; and
- (c) \$133,129.38 will be satisfied through the issue of 832,059 Shares at a deemed issue price of \$0.16 per Share which will be issued to Foxfire Metals approximately 6 months after the date of admission of the Company to the Official List.

Under the amended and restated asset sale agreement, Axel Brazil also agreed to assume the existing royalties applicable to the REE Projects, being a 3% gross revenue royalty in respect of any minerals from the area within the boundaries of the REE Licences, a 2% gross revenue royalty in respect of lithium and a 3% gross revenue royalty in respect of all other minerals from the area within the boundaries of the licences over which the REE Rights are granted.

The asset sale agreement superseded an asset sale and joint venture agreement that was executed by the parties on 2 November 2023.

3. During the half year, Foxfire Metals provided \$60,000 as working capital loans to the Company, which was repaid on 30 November 2023.
4. During the period, Foxfire Metals was reimbursed a total of \$23,354 for exploration expenses incurred in Brazil on behalf of the Company.
5. Foxfire Metals will continue to be reimbursed for expenditure incurred on behalf of the Company and its subsidiary in Brazil until a local bank account is established in Brazil for Axel REE Ltda.

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

11. INTERESTS IN OTHER ENTITIES

Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of Incorporation	Class of shares	Equity holding (%)	
			31 Dec 2023	30 Jun 2023
Axel REE Ltda	Brazil	Ordinary	100%	-

12. EVENTS AFTER BALANCE DATE

Other than the matters noted below, there have been no subsequent events that required adjustment to or disclosure in the or the Financial Statements of the Company for the half year ended 31 December 2023:

- i. On 6 February 2024, the Company and its wholly owned subsidiary Axel REE Ltda (**Axel Brazil**) entered into an amended and restated asset sale agreement with Foxfire Metals and Foxfire Metals Ltda pursuant to which Axel Brazil agreed to acquire:
 - a. a 100% interest in 49 granted exploration licences and 13 applications which are prospective for lithium and rare earth elements (**REE Licences**); and
 - b. a 100% beneficial joint venture interest in the rights to conduct exploration for and mining operations in respect of rare earth elements and any other minerals (excluding lithium) on two granted exploration licences and one exploration licence application (with the exception of the rights to conduct exploration for and mining operations in respect of lithium) (**REE Rights**).

In consideration for the acquisition of an interest in the REE Licences and the REE Rights (together, the **REE Projects**), the Company has agreed to pay the following consideration:

- c. an amount of \$319,168.50, of which:
 - i. \$309,736.09 was paid on execution of the asset sale and joint venture agreement; and
 - ii. \$9,432.41 as paid on execution of the amended and restated agreement; and
- ci. \$420,192.38 which has been satisfied by the issue of 7,003,206 Shares as part of an issue of up to 10,073,945 Shares to the Convertible Noteholders for a total sum of \$604,440 in accordance with the terms and conditions of the Convertible Note Deeds; and
- cii. \$133,129.38 will be satisfied through the issue of 832,059 Shares at a deemed issue price of \$0.16 per Share (**Consideration Shares**) which will be issued to Foxfire Metals approximately 6 months after the date of admission of the Company to the Official List.

Under the asset sale agreement, Axel Brazil has also agreed to assume the existing royalties applicable to the REE Projects, being a 3% gross revenue royalty in respect of any minerals from the area within the boundaries of the REE Licences, a 2% gross revenue royalty in respect of lithium and a 3% gross revenue royalty in respect of all other minerals from the area within the boundaries of the licences over which the REE Rights are granted.

The amended and restated asset sale agreement superseded an asset sale and joint venture agreement that was executed by the parties on 2 November 2023.

Axel REE Limited
Consolidated Notes to the financial statements
for the period ended 31 December 2023

- ii. On 18 January 2024, 8 million Class B shares were converted into ordinary fully paid shares on a one-for-one basis.

13. EVENTS AFTER BALANCE DATE (CONTINUED)

- iii. On 15 February 2024, Fernando Tallarico was appointed Managing Director of the Company.
- iv. On 6 March 2024, Paul Dickson was appointed Non-Executive Chairman of the Company.
- v. On 8 March 2024, Paul Woolrich resigned as Director of the Company.

DIRECTORS DECLARATION

In the opinion of the directors:

- (a) the accompanying financial statements and notes comply with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position at as 31 December 2023 and of its performance for the half year ended on that date; and
- (b) at the date of this declaration 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 the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

Paul Dickson

Paul Dickson
Chairman

19 March 2024



PKF Perth
ABN 64 591 268 274
Level 5, 35 Havelock Street,
West Perth WA 6005
PO Box 609,
West Perth WA 6872
Australia

+61 8 9426 8999
perth@pkfperth.com.au
pkf.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AXEL REE LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Axel REE Limited ("the company") and controlled entities ("consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including material policy information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2023, or during the half year.

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 Axel REE Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 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.

Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report in which indicates that the consolidated entity incurred a net loss of \$975,204 during the half year ended 31 December 2023 and had negative operating cash flow of \$539,483. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



PKF Perth
ABN 64 591 268 274
Level 5, 35 Havelock Street,
West Perth WA 6005
PO Box 609,
West Perth WA 6872
Australia

+61 8 9426 8999
perth@pkfperth.com.au
pkf.com.au

Independence

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.

Directors' Responsibility for the Interim 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 the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls 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 consolidated entity'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 Corporation 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.

PKF Perth

PKF PERTH

A handwritten signature in black ink, appearing to read 'S Fermanis', with a horizontal line underneath.

SIMON FERMANIS
PARTNER

19 MARCH 2024
WEST PERTH,
WESTERN AUSTRALIA