



Heavy Rare Earths Limited

ABN 35 648 991 039

Annual Report - 30 June 2024

Heavy Rare Earths Limited
Corporate directory
30 June 2024

Directors	Mr John Bryne (Non-executive Chairman) Mr Richard Brescianini (Executive Technical Director) Mr Ryan Skeen (Non-executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 21, 459 Collins Street Melbourne, Victoria 3000 Ph: +61 3 8630 3321
Principal place of business	Level 21, 459 Collins Street Melbourne, Victoria, 3000
Share register	Boardroom Pty Ltd Level 8, 210 George Street Sydney, NSW, 2000 Ph: 1300 737 760 (within Australia) Ph: +61 2 9290 9600
Auditor	William Buck Level 20, 181 William Street Melbourne, Victoria 3000
Stock exchange listing	Heavy Rare Earths Limited shares are listed on the Australian Securities Exchange (ASX code: HRE)
Website	www.hreltd.com.au
Corporate Governance Statement	The Company's Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at the following link: https://hreltd.com.au/about-us/corporate-governance/

Heavy Rare Earths Limited

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The Company's exploration focus during the 2024 financial year was as follows:

Cowalinya Rare Earth Project, Western Australia

The Company's 100 per cent-owned Cowalinya project comprises three granted exploration licences E63/1972, E63/2144 and E63/2145 approximately 110 kilometres north-north-east of Esperance.

Mineral Resources Upgrade

During the December 2023 quarter, 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). This result 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

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

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

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 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.

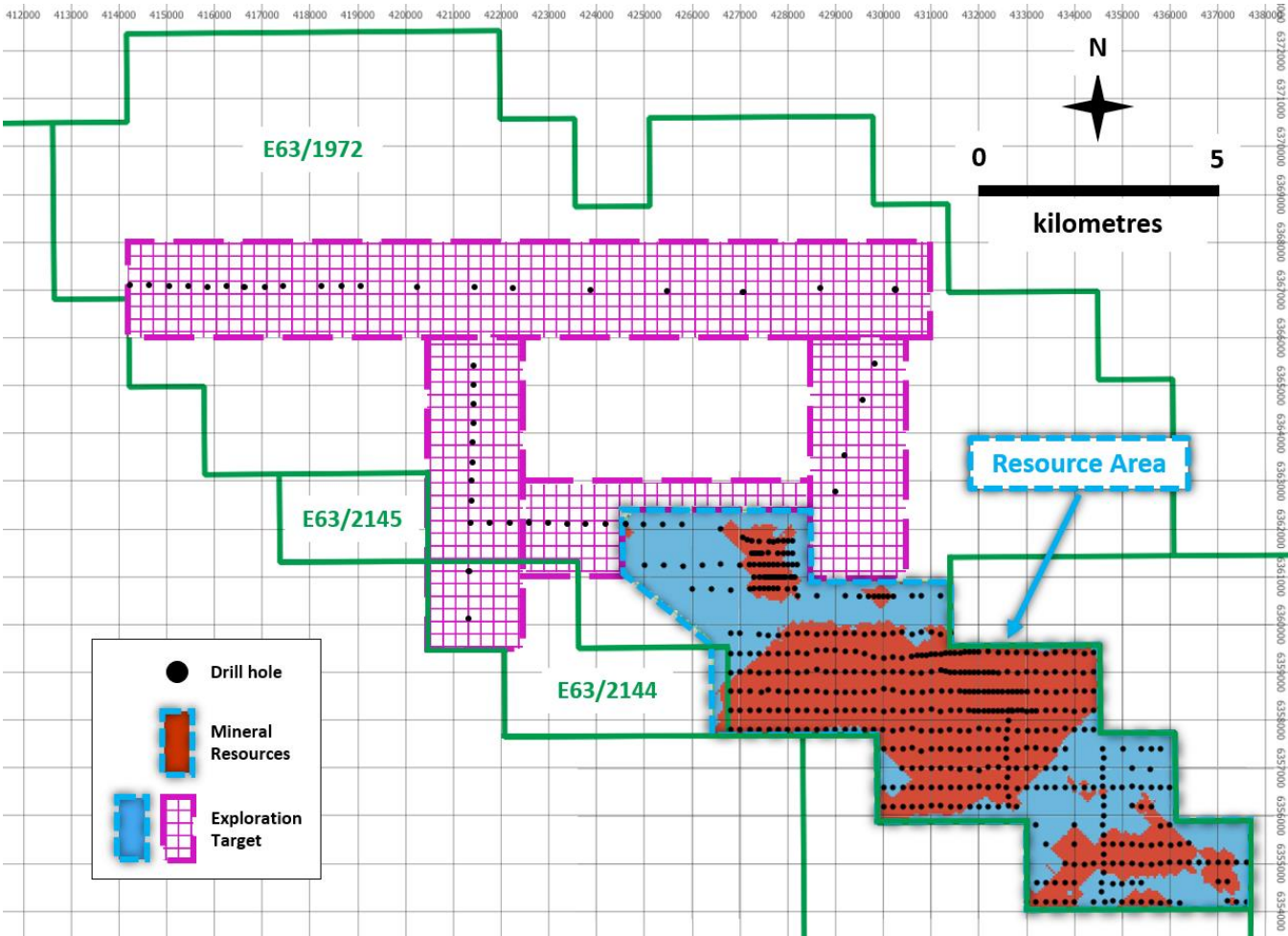


Figure 1: Cowalinya Mineral Resources and Exploration Target.

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 (domain)	JORC Resource	Cut-off ⁰ TREO ¹ -CeO ₂ class	Total REO TREO ¹ Total (ppm)	Individual "Light" REOs					Individual "Heavy" REOs										Potentially deleterious ⁵		Assoc. REO	
				La ₂ O ₃ (ppm)	CeO ₂ (ppm)	Pr ₆ O ₁₁ (ppm)	Nd ₂ O ₃ (ppm)	Sm ₂ O ₃ (ppm)	Eu ₂ O ₃ (ppm)	Gd ₂ O ₃ (ppm)	Tb ₄ O ₇ (ppm)	Dy ₂ O ₃ (ppm)	Ho ₂ O ₃ (ppm)	Er ₂ O ₃ (ppm)	Tm ₂ O ₃ (ppm)	Yb ₂ O ₃ (ppm)	Lu ₂ O ₃ (ppm)	Y ₂ O ₃ (ppm)	Th (ppm)	U (ppm)		Sc ₂ O ₂ (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 December 2023 quarter, the Company also reported a sizeable Exploration Target of **280-1390 million tonnes @ 330-1330 ppm TREO** for the Cowalinya project (Table 3). 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

During the March 2024 quarter, HRE reported the results of a comprehensive metallurgical variability program which commenced in mid-2023 and involved sizing and diagnostic leach testing of 63 (mainly 6-metre) mineralised saprolite composites from 55 drill holes across the Cowalinya project. Fifty-seven of the composites were from within the Cowalinya Inferred Mineral Resources and the remainder from the project's Exploration Target area (Figure 3). The variability work followed earlier phases of the metallurgical program in 2022 and early-2023 where simple screening of 13 mineralised composites demonstrated a two-fold rare earth upgrade to -25µm undersize in 37.2% of the bulk saprolite feed mass, and acid leaching of the undersize extracted an average of 82.9% of the payable magnet rare earths Pr, Nd, Tb and Dy, consuming an average of 18.1 kg of 32% hydrochloric acid per tonne of undersize feed for preferred material types.

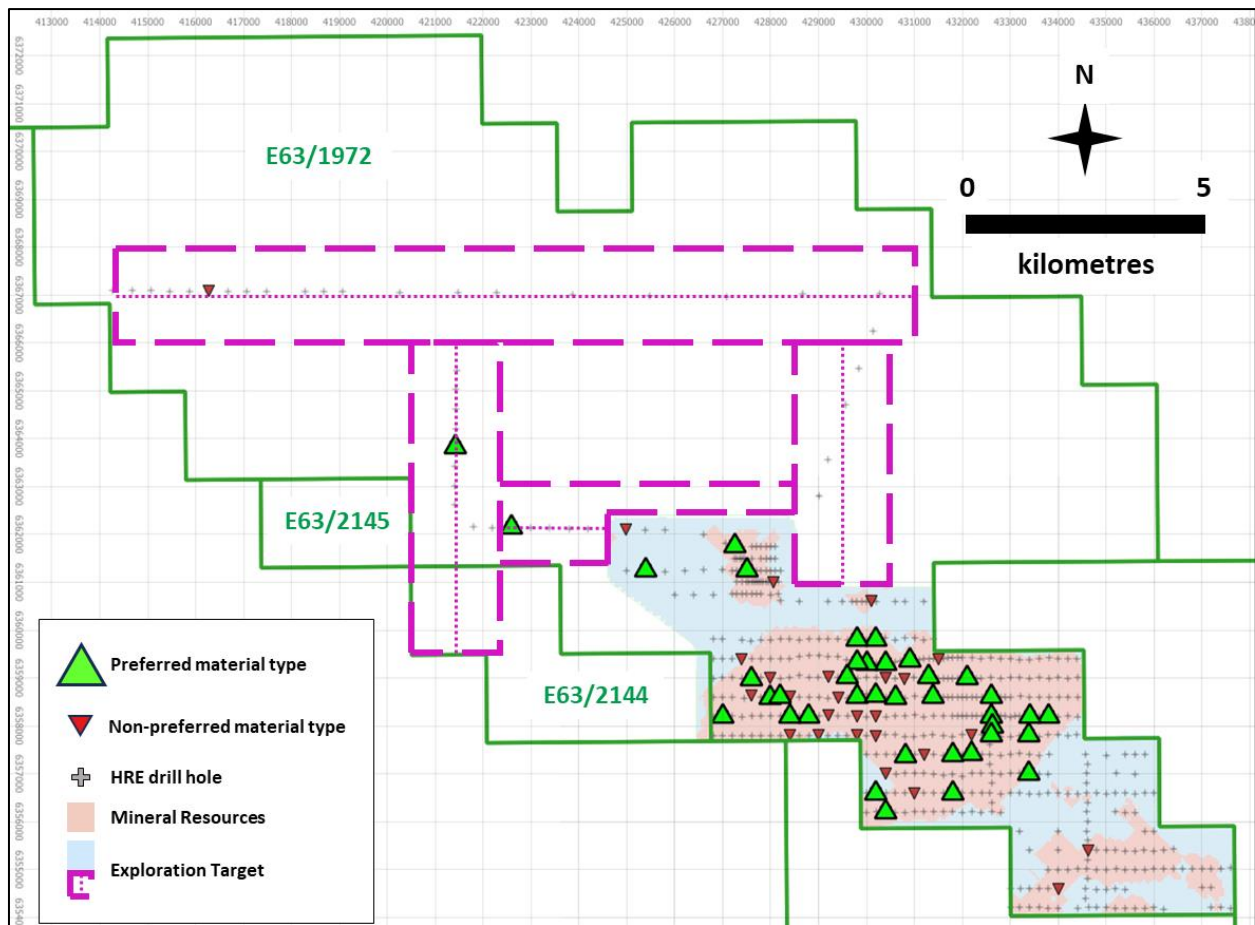


Figure 3: Cowalinya metallurgical composites showing distribution of preferred and non-preferred material types.

The results from the metallurgical variability program are consistent with earlier phases of the program and presented in Table 4. The most significant improvement has been the reduction in mass to $-25\mu\text{m}$ undersize rejects thereby reducing feed tonnage to the leach plant. All other measured parameters have largely remained the same, with preferred material types, characterised by high leachability ($>75\%$) of the magnet rare earths and low consumption (<40 kilograms per tonne of undersize leach feed) of 32% hydrochloric acid, potentially occupying a sizeable extent of the currently defined resource (Figure 3).

Table 4: Summary of expanded diagnostic leaching program (preferred material types).

	TREO UPGRADE	MASS RECOVERY TO UNDERSIZE (% of total mass)	MAGNET RARE EARTHS (MREO) EXTRACTION TO LEACH	TOTAL RARE EARTHS EXTRACTED (ppm TREO)	EXTRACTED MREO/TREO	ACID CONSUMPTION (kg HCl/t of leach feed)
AVERAGE	1.8	32.3%	84.9%	1486	30.6%	24.8
PREVIOUSLY REPORTED AVERAGE	1.8	42.1%	82.9%	1462	31.1%	18.1

TOTAL RARE EARTHS (TREO) = $\text{La}_2\text{O}_3 + \text{CeO}_2 + \text{Pr}_6\text{O}_{11} + \text{Nd}_2\text{O}_3 + \text{Sm}_2\text{O}_3 + \text{Eu}_2\text{O}_3 + \text{Gd}_2\text{O}_3 + \text{Tb}_4\text{O}_7 + \text{Dy}_2\text{O}_3 + \text{Ho}_2\text{O}_3 + \text{Er}_2\text{O}_3 + \text{Tm}_2\text{O}_3 + \text{Yb}_2\text{O}_3 + \text{Lu}_2\text{O}_3 + \text{Y}_2\text{O}_3$.

MAGNET RARE EARTHS (MREO) = $\text{Pr}_6\text{O}_{11} + \text{Nd}_2\text{O}_3 + \text{Tb}_4\text{O}_7 + \text{Dy}_2\text{O}_3$.

ACID is 32% hydrochloric acid (HCl).

AVERAGE calculated on 45 composites which satisfy both >75% MREO leach extraction and <40 kg of 32% HCl per tonne of leach feed (i.e., SM01, SM02, SM03, SM04, SM06, SM07, SM12, SM13, SM14, SM16, SM22, SM24, SM26, SM34, SM36, SM38, SM40, SM42, SM44, SM45, SM47, SM48, SM49, SM50, SM51, SM62, SM68, SM72, SM73, SM74, SM77, SM78, SM79, SM80, SM82, SM93, SM94, SM96, SM99, SM105, SM106, SM113, SM114, SM120, SM125).

PREVIOUSLY REPORTED AVERAGE calculated on 8 composites which satisfy both >75% MREO leach extraction and <40 kg of 32% HCl per tonne of leach feed (i.e., SM01, SM02, SM03, SM04, SM06, SM07, SM12, SM13) (refer to ASX announcements 12 July 2023 and 15 September 2023).

During the June 2024 quarter, HRE reported the results of its program to develop a downstream flowsheet to a mixed rare earth carbonate (MREC). The sale of MREC represents the first entry point by clay-hosted projects like Cowalinya into the rare earth supply chain.

The feed for the program was a 1 kg blend of screened undersize leach feed from 4 of 13 mineralised composites used in the project's original sizing and acid leaching sighter work in 2022. The sample blend had a TREO grade of 2,595 ppm and was subjected to the simple leach, purification and precipitation regime shown in Figure 4.

Without any optimisation, a high grade (51.8% TREO) MREC was produced containing a high proportion of the valuable magnet rare earths Pr, Nd, Tb and Dy representing 31.2% of the total rare earth content. A detailed analysis of the rare earth content in the leach feed and MREC solids is presented in Table 5. Whilst the total impurity content at 8.4% (mainly iron, copper and sodium) is over specification for a commercial rare earth separation plant (typically below 5%), the Company emphasises that this was a 'first pass' concept program to demonstrate that MREC can be produced from the Cowalinya deposit.

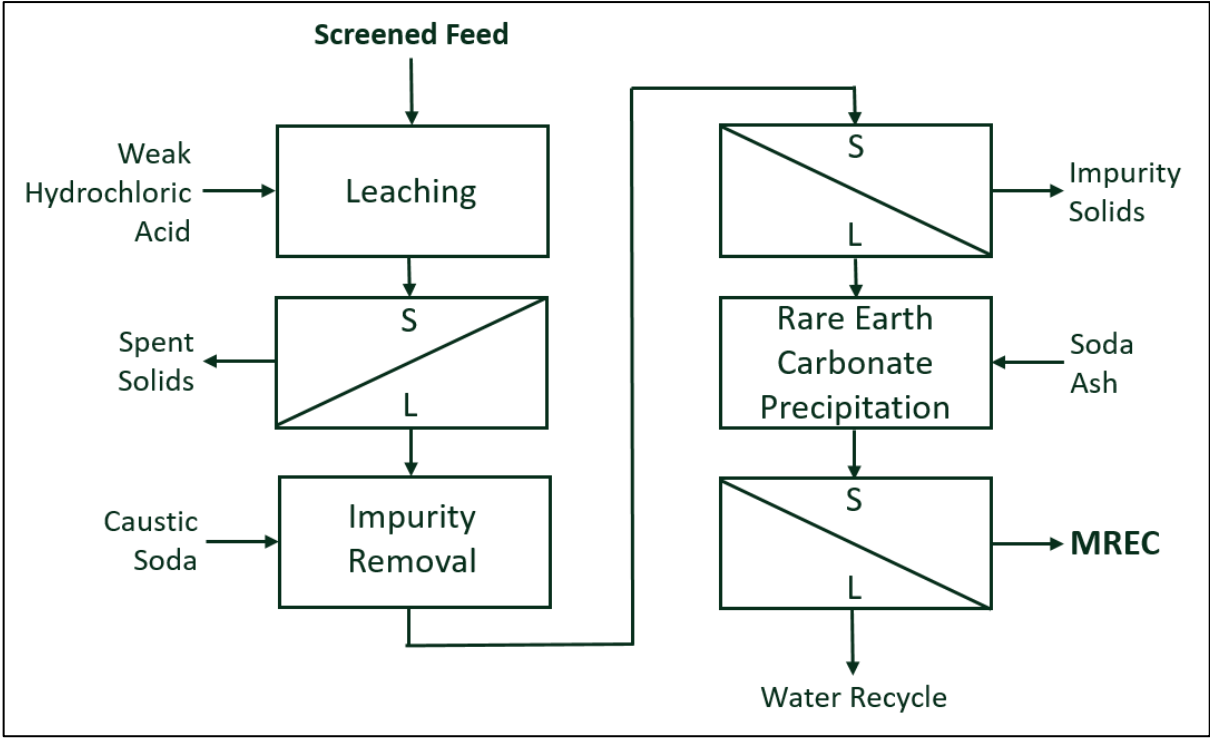


Figure 4: MREC testwork flowsheet.

HRE has collected material from 167 drill holes across the project area for a 3-tonne metallurgical bulk sample (Figure 5) which includes all metallurgical composites from the Company’s variability program. The bulk sample is anticipated to grade ~900 ppm TREO (c.f., Cowalinya average resource grade of 870 ppm TREO). It will then be homogenised and screened to produce approximately 1 tonne of undersize leach feed for a larger scale metallurgical program focused on optimising magnet rare earth recovery and reagent use, and producing an MREC product acceptable to downstream commercial separation plants.

Table 5: Mixed rare earth carbonate (MREC) assay.

	GRADE (ppm)	
	UNDERSIZE LEACH FEED	MIXED RARE EARTH CARBONATE
La	384	91,590
Ce	436	106,000
Pr	110	24,580
Nd	451	101,400
Sm	86	18,810
Eu	16	3,409
Gd	90	15,850
Tb	13	1,989
Dy	70	10,100
Ho	15	1,863
Er	39	4,361
Tm	5.7	500
Yb	34	2,539
Lu	4.9	344
Y	410	50,280
TREE	2,164	433,616
TREO	2,595	518,383
TREO (%)	0.26%	51.8%
MREO	754	161,902
MREO (%)	0.08%	16.2%
MREO/TREO (%)	29.1%	31.2%

TREE (TOTAL RARE EARTH ELEMENTS) = La + Ce + Pr + Nd + Sm + Eu + Gd + Tb + Dy + Ho + Er + Tm + Yb + Lu + Y.

TREO (TOTAL RARE EARTH OXIDES) = La₂O₃ + CeO₂ + Pr₆O₁₁ + Nd₂O₃ + Sm₂O₃ + Eu₂O₃ + Gd₂O₃ + Tb₄O₇ + Dy₂O₃ + Ho₂O₃ + Er₂O₃ + Tm₂O₃ + Yb₂O₃ + Lu₂O₃ + Y₂O₃.

MREO (MAGNET RARE EARTHS) = Pr₆O₁₁ + Nd₂O₃ + Tb₄O₇ + Dy₂O₃.

GRADE in ppm except where indicated.

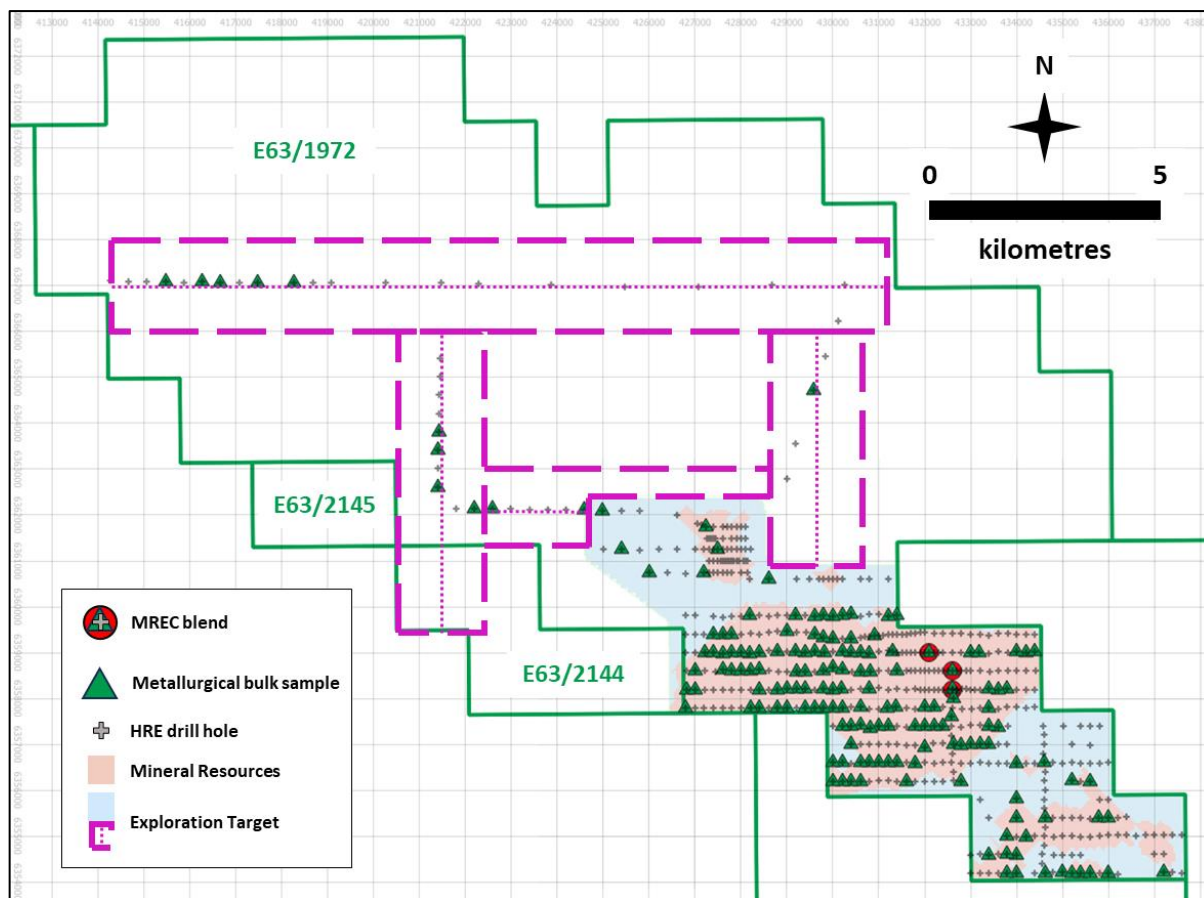


Figure 5: Location of mineralised samples used to produce MREC blend and 3-tonne metallurgical bulk sample, Cowalinya project.

Perenjori Uranium-Rare Earth Project, Western Australia

The Company's 100 per cent-owned Perenjori project is located 190 kilometres east-south-east of the port city of Geraldton. It comprises two granted exploration licences E70/6397 and E70/6398 and one application E59/2905. Perenjori shows potential to host ion adsorption-type rare earths in palaeochannels on Archaean granitic basement and "calcrete-type" uranium. Virtually no exploration for these deposit types is evident from historic reports

During the June 2024 quarter, the Company undertook a limited program of passive seismic at Perenjori to ascertain the location and depth of an inferred major palaeochannel system, and soil sampling to verify previously-reported surface uranium anomalism associated with an 8-kilometre-long airborne radiometric anomaly. Analysis using the Ultrafine™ method returned values of up to 138 ppm U.

These first-pass exploration results provided HRE with sufficient encouragement to apply for E59/2905 to cover the eastern extent of the Gingaba Well airborne radiometric anomaly (Figure 6). The Company is planning further soil sampling to detect buried uranium mineralisation in parts of the Perenjori palaeochannel lacking an airborne radiometric anomaly, and potentially drill the Gingaba Well area to test for the presence of uranium-vanadium deposits hosted deeper within the palaeochannel similar to Langer Heinrich (Namibia) and Yeelirrie (Western Australia).

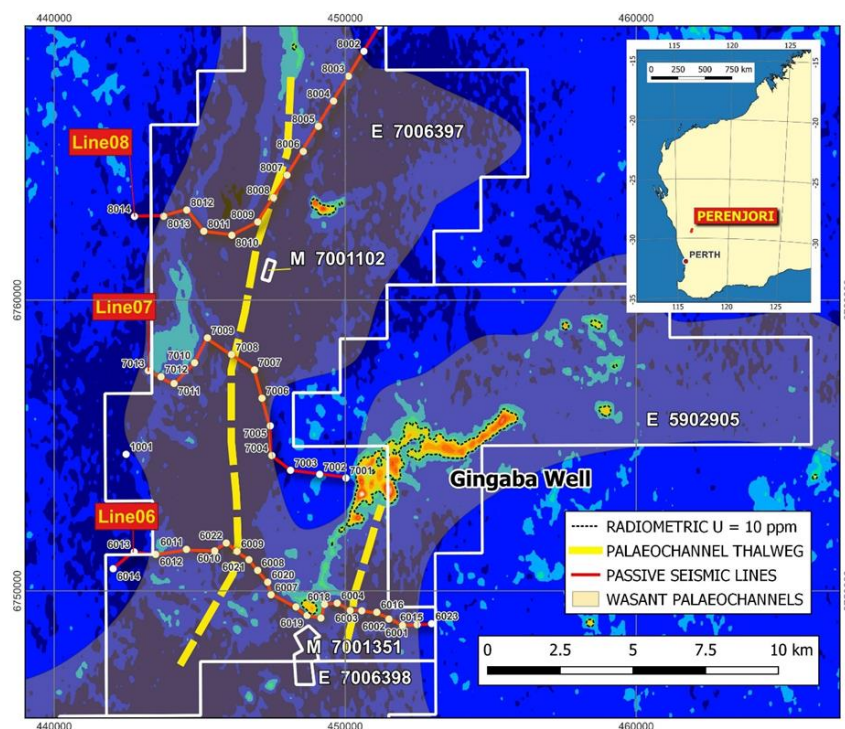


Figure 6: Location of passive seismic lines on airborne radiometric uranium image, Perenjori project.

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 REE system. A secondary target for exploration at Duke is ion-adsorption clay-type REE mineralisation hosted in saprolite developed on the extensive but poorly outcropping Warrego Granite.

During the December 2023 quarter, HRE received assays from a 450-sample soil survey covering prominent thorium (Th) and uranium (U) airborne radiometric anomalies from past explorers, and from two historic percussion drill holes that sampled saprolite over the Warrego Granite in the northern part and north of the soil survey. The soil survey identified a 7 km² zone of rare earth enrichment in the northeastern part of the area (Figure 7) and was also successful at extending a copper-bismuth-gold soil anomaly identified, but never drilled, by a previous explorer. 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.

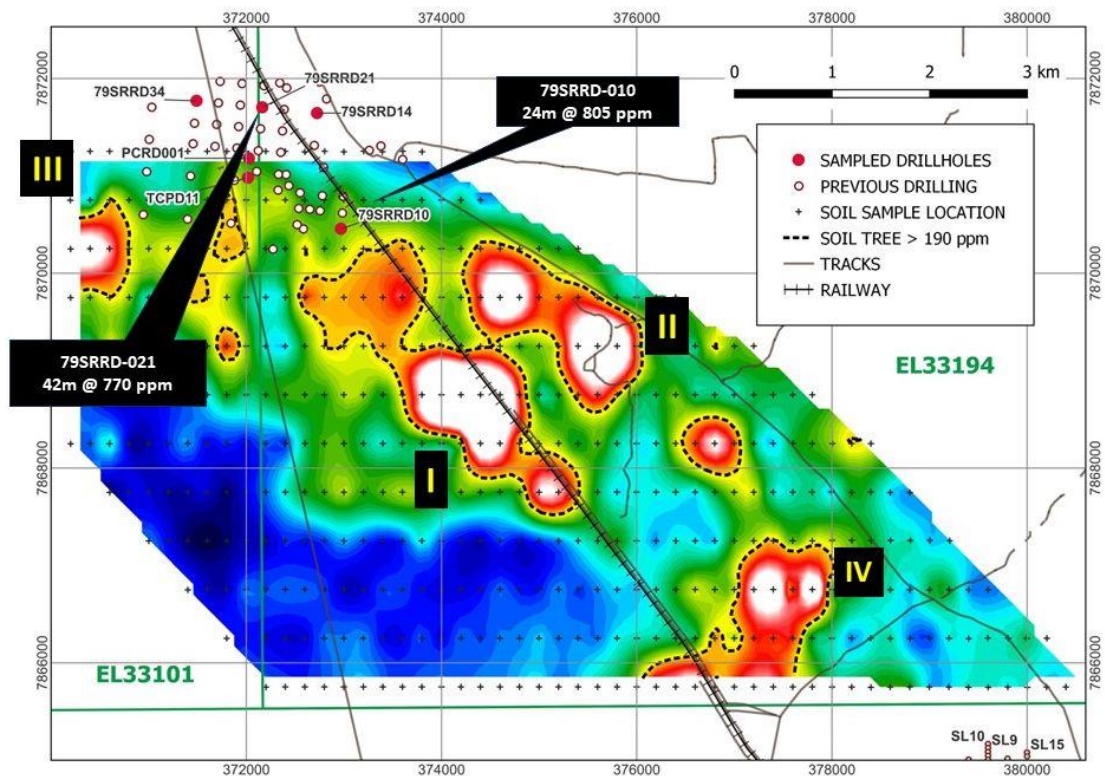


Figure 7: Image of rare earths in clay fraction of soils.
Assays of historic percussion drilling of saprolitic Warrego Granite also shown.

Interests in Mining Tenements

Below is a summary of the mining tenements held by the Company as at the date of this report.

Mining Tenement	Location	Beneficial Percentage held
E63/1972 – Cowalinya Project	WA, Australia	100%
E63/2144 – Cowalinya Project	WA, Australia	100%
E63/2145 – Cowalinya Project	WA, Australia	100%
EL33101 – Duke Project	NT, Australia	100%
EL33194 – Duke Project	NT, Australia	100%
E70/6397 – Perenjori Project	WA, Australia	100%
E70/6398 – Perenjori Project	WA, Australia	100%
E59/2905 – Perenjori Project	WA, Australia	100%*
E59/2844 – Merino Project	WA, Australia	100%

* Subject to grant.

Heavy Rare Earths Limited
Directors' report
30 June 2024

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

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 Technical Director)
Mr Ryan Skeen (Non-Executive Director)

Principal activities

The principal activities of the Company during the financial year 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 term objective is to undertake sufficient exploration on its Project to potentially build on the existing Inferred Mineral Resource estimate.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the company after providing for income tax amounted to \$1,308,284 (30 June 2023: \$4,373,520).

Significant changes in the state of affairs

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 since there was reasonable assurance that the monies would be received.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 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.

Likely developments and expected results of operations

The Company will continue to conduct exploration activities at its project areas and these activities will include sampling, drilling, assay, metallurgical test work and, if warranted, scoping level feasibility.

The Company continues to review potential new exploration and development opportunities. If the Directors are successful in acquiring new projects or entering into a joint venture, it is expected that part of the funding held by the Company may be directed to the purchase of that project and to the exploration and development plan for that project. It may be that additional cash will be required to fund any of these events should they eventuate. In that case the Directors will be required to review the funding options available to the Company.

Business risk management

The Company is committed to the effective management of risk to reduce uncertainty in the Company's business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the Company's strategic objectives and future prospects.

Key risks and mitigation activities associated with the Company's objectives are set out below:

Exploration risk

The Company has no operating revenue and is unlikely to generate any operating revenue in the foreseeable future. Exploration and development costs and pursuit of its business plan will use funds from the Company's current cash reserves and the amount raised under the IPO.

The development of one or more of its projects may require the Company to raise further capital in the future.

Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price (or Offer Price) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern. The Company's funding requirements are reviewed on a regular basis in order to mitigate future funding risk.

Regulatory risk

The Company's mining and exploration activities are dependent upon the maintenance (including renewal) of the tenements in which the Company has or acquires an interest. Maintenance of the Company's tenements is dependent on, among other things, the Company's ability to meet the licence conditions imposed by relevant authorities. Although the Company has no reason to think that the tenements in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant authority or whether the Company will be able to meet the conditions of renewal on commercially reasonable terms, if at all.

The Company works with local government and mining departments to ensure it meets the required level of reporting requirements and to reduce any potential for breach of regulatory requirements.

Future funding risk

Exploration and development involve significant financial risk and capital development. The Company may require further capital to achieve its objective of transitioning from explorer to producer. In addition, if the Company acquires any new project it may need to raise further capital to fund the acquisition or exploration at the project once acquired.

For the foreseeable future, it is expected that this funding will be obtained from equity financing. Any equity financing undertaken will dilute existing Shareholders.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern. The Company's funding requirements are reviewed on a regular basis in order to mitigate future funding risk.

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 financial year and up to the date of the Directors' report.

Information on directors

Name:	Mr John Byrne
Title:	Non-Executive Chairman
Experience and expertise:	Mr Byrne has 40 years' experience in the natural resource industry as a financial analyst, investor and mine developer. John formed and mentored Cambrian Mining Plc in 2002, which started with net assets of GBP£1.4 million and before being acquired in 2008 had net assets of GBP£149 million. John has been Chairman and CEO of numerous successful resource companies, including Western Coal Corp which was capitalised at less than C\$1 million when he joined, and was sold for C\$3.3billion in 2010.
Other current directorships:	Currently Mr Byrne is the Chairman of Lions Bay Capital Limited (LBI:TSXV) and Fidelity Minerals Limited (FMN:TSXV), both listed on the Toronto Ventures Exchange. Mr Byrne was previously Chairman of ASX listed Kalina Power Limited (ASX:KPO) and Jervois Global Limited (then Jervois Mining Limited) (ASX:JRV).
Former directorships (last 3 years):	Lions Bay Capital Limited (LBI: TSXV) and Fidelity Minerals Limited (FMM: TSXV)
Interests in shares:	None
Interests in options:	650,000 fully paid shares 2,000,000 options exercisable at \$0.30 expiring on 24 August 2025
Name:	Mr Richard Brescianini
Title:	Executive Technical Director
Qualifications:	B. Sc (Hons)
Experience and expertise:	Mr Brescianini is a qualified geoscientist with an Honours degree from the University of Tasmania and is a member of the Australian Institute of Geoscientists and Australian Society of Exploration Geophysicists. Richard commenced his career in mineral exploration with BHP Minerals in 1987 working in teams focused on the discovery of base and precious metal deposits across Australia and North America. Richard's experience includes working as the Director of the Northern Territory Government's Geological Survey and working for rare earths developer Arafura Resources for 14 years in its executive management team.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	170,000 fully paid shares
Interests in options:	2,000,000 options exercisable at \$0.30 expiring on 24 August 2025
Name:	Mr Ryan Skeen
Title:	Non-Executive Director
Qualifications:	Master Applied Fin. (Dis), B. Buss (Financial Risk Management)
Experience and expertise:	Mr Skeen has a deep understanding of financial and economic markets while providing investment and strategic advice in complex situations. He is well versed in various capital raisings including IPO's, placements and rights issues and is focused on business development and growth. Mr Skeen is the Chief Executive Officer of First Au Limited (ASX:FAU). He holds a Master of Applied Finance (Distinction) and a Bachelor of Business (Financial Risk Management).
Other current directorships:	First Au Limited (FAU: ASX)
Former directorships (last 3 years):	None
Interests in shares:	90,000 fully paid shares
Interests in options:	nil
Interests in rights:	nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Heavy Rare Earths Limited
Directors' report
30 June 2024

Company secretary
Mr Justin Mouchacca, CA FGIA

Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 16 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board Attended	Held
Mr John Byrne	4	4
Mr Richard Brescianini	4	4
Mr Ryan Skeen	4	4

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having financial performance as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Heavy Rare Earths Limited
Directors' report
30 June 2024

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 16 March 2022, where the shareholders approved a maximum annual aggregate remuneration of \$350,000.

Executive remuneration

The company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

The long-term incentives ('LTI') include share-based payments. During the financial year to 30 June 2024, there were no options issued to directors which formed part of their remuneration.

The Company did not use any external remuneration consultants during the financial period. financial year.

Company performance and link to remuneration

The remuneration of directors and executives are not linked to the performance, share price or earnings of the Company.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors of the company:

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

Heavy Rare Earths Limited
Directors' report
30 June 2024

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
30 June 2024	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr John Byrne	60,000	-	-	6,600	-	-	66,600
Mr Ryan Skeen	40,000	-	-	4,400	-	-	44,400
<i>Executive Directors:</i>							
Mr Richard Brescianini	176,525	-	-	18,333	-	-	194,858
	276,525	-	-	29,333	-	-	305,858

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
30 June 2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr John Byrne	51,613	-	-	-	-	141,909	193,522
Mr Ryan Skeen	41,290	-	-	4,355	-	-	45,645
Mr Wayne Kernaghan	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Mr Richard Brescianini	172,043	-	-	18,065	-	141,909	332,017
	264,946	-	-	22,420	-	283,818	571,184

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
<i>Non-Executive Directors:</i>						
Mr John Byrne	100%	27%	-	-	-	73%
Mr Ryan Skeen	100%	100%	-	-	-	-
Mr Wayne Kernaghan	-	-	-	-	-	-
<i>Executive Directors:</i>						
Mr Richard Brescianini	100%	58%	-	-	-	42%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Richard Brescianini
Title:	Executive Technical Director
Term of agreement:	This contract will continue from commencement date until terminated.
Details:	Mr Brescianini will be remunerated at \$200,000 per annum (plus superannuation). The contract may be terminated any time with 3 months' written notice being provided by either the Company or Mr Brescianini. There is no fixed term for this agreement.

Heavy Rare Earths Limited
Directors' report
30 June 2024

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Consolidated Entity in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024.

Options

The terms and conditions of each grant of options to directors and other key management personnel on issue as at 30 June 2024 are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
24 August 2022	24 August 2022	24 August 2025	\$0.30	\$0.071

Options granted carry no dividend or voting rights.

Additional information

The earnings of the company for the three financial periods to 30 June are summarised below:

	30 June 2024	30 June 2023	25 March 2021 - 30 June 2022
	\$	\$	\$
(Loss) before income tax	(1,308,284)	(1,794,211)	(446,139)
Share price at beginning of year (cents)*	9	20	-
Share price at year end (cents)	4	9	-

* The Company was admitted to ASX on 22 August 2022.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr John Byrne	650,000	-	-	-	650,000
Mr Richard Brescianini	120,000	-	50,000	-	170,000
Mr Ryan Skeen	90,000	-	-	-	90,000
	860,000	-	50,000	-	910,000

All shareholdings noted above are adjusted on a post consolidation basis.

Heavy Rare Earths Limited
Directors' report
30 June 2024

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr John Byrne	2,000,000	-	-	-	2,000,000
Mr Richard Brescianini	2,000,000	-	-	-	2,000,000
Mr Ryan Skeen	-	-	-	-	-
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>

Loans to key management personnel and their related parties

There were no loans to key management personnel at any time during the financial year.

Other transactions with key management personnel and their related parties

There were no transactions with key management personnel and their related parties.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
Class A Options	24 August 2025	\$0.30	9,850,000
Class B Options	24 August 2025	\$0.40	4,350,000
28 September 2023	24 August 2025	\$0.30	500,000
28 December 2023	24 August 2025	\$0.30	<u>1,000,000</u>
			<u><u>15,700,000</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Heavy Rare Earths Limited
Directors' report
30 June 2024

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of William Buck

There are no officers of the company who are former partners of William Buck.

Auditor's independence declaration

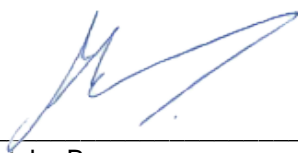
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

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



Mr John Byrne
Non-executive Chairman

30 September 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 audit of Heavy Rare Earths Limited for the year ended 30 June 2024, 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 audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Heavy Rare Earths Limited.



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



J. C. Luckins
Director
Melbourne, 30 September 2024

Heavy Rare Earths Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

		30 June 2023
	Note	30 June 2024
		\$
		Restated *
		\$
Revenue		
R&D Tax Incentive Income		312,168
Interest income		35,110
		<u>347,278</u>
		<u>28,303</u>
Expenses		
Exploration and evaluation expenditure		(789,414)
Corporate and administrative expenses		(584,322)
Employment expenses		(270,871)
Share based payments expense		(10,955)
IPO expenses		-
		<u>(1,308,284)</u>
		<u>(4,373,520)</u>
Loss before income tax expense		
		(1,308,284)
		<u>(4,373,520)</u>
Income tax expense		-
		<u>-</u>
Loss after income tax expense for the year attributable to the owners of Heavy Rare Earths Limited		
		(1,308,284)
		<u>(4,373,520)</u>
Other comprehensive income/(loss) for the year, net of tax		-
		<u>-</u>
Total comprehensive income/(loss) for the year attributable to the owners of Heavy Rare Earths Limited		
		<u>(1,308,284)</u>
		<u>(4,373,520)</u>
		Cents
		Cents
Basic earnings per share	18	(1.92)
Diluted earnings per share	18	(1.92)
		(6.86)
		(6.86)

*Refer to note 4 for detailed information on Restatement of comparatives.

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 30 June 2024

			30 June 2023	01 July 2022
	Note	30 June 2024	Restated *	Restated *
		\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents		957,586	2,124,052	141,389
Trade and other receivables	6	63,055	77,177	35,637
Total current assets		<u>1,020,641</u>	<u>2,201,229</u>	<u>177,026</u>
Total assets		<u>1,020,641</u>	<u>2,201,229</u>	<u>177,026</u>
Liabilities				
Current liabilities				
Trade and other payables	7	274,303	168,101	264,533
Employee benefits		15,808	5,417	-
Total current liabilities		<u>290,111</u>	<u>173,518</u>	<u>264,533</u>
Total liabilities		<u>290,111</u>	<u>173,518</u>	<u>264,533</u>
Net assets/(liabilities)		<u>730,530</u>	<u>2,027,711</u>	<u>(87,507)</u>
Equity				
Issued capital	8	6,684,119	6,683,971	1,139,601
Reserves		955,323	944,368	-
Accumulated losses		(6,908,912)	(5,600,628)	(1,227,108)
Total equity/(deficiency)		<u>730,530</u>	<u>2,027,711</u>	<u>(87,507)</u>

Refer to note 4 for detailed information on Restatement of comparatives.

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 30 June 2024

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	1,139,601	-	(443,893)	695,708
Adjustment for change in accounting policy (note 4)	-	-	(783,215)	(783,215)
Balance at 1 July 2022 - restated	1,139,601	-	(1,227,108)	(87,507)
Loss after income tax expense for the year	-	-	(4,373,520)	(4,373,520)
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(4,373,520)	(4,373,520)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	5,544,370	-	-	5,544,370
Share-based payments (note 19)	-	944,368	-	944,368
Balance at 30 June 2023 - restated	<u>6,683,971</u>	<u>944,368</u>	<u>(5,600,628)</u>	<u>2,027,711</u>

Refer to note 4 for detailed information on Restatement of comparatives.

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023 - restated	6,683,971	944,368	(5,600,628)	2,027,711
Loss after income tax expense for the year	-	-	(1,308,284)	(1,308,284)
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(1,308,284)	(1,308,284)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	148	-	-	148
Share-based payments (note 19)	-	10,955	-	10,955
Balance at 30 June 2024	<u>6,684,119</u>	<u>955,323</u>	<u>(6,908,912)</u>	<u>730,530</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 30 June 2024

		30 June 2023
	Note	30 June 2024
		\$
		Restated*
		\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)		(737,586)
Payments for security deposits		-
Interest received		35,110
R&D Tax Incentive		312,168
Payments for exploration and evaluation costs		(776,308)
		(2,430,815)
Net cash used in operating activities	17	(1,166,616)
		-
Net cash from investing activities		-
Cash flows from financing activities		
Proceeds from issue of shares	8	-
Payments for capital raising costs		6,000,000
Proceeds from issue of options		(419,971)
		150
Net cash from financing activities		5,580,029
Net increase/(decrease) in cash and cash equivalents		(1,166,466)
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 financial year		957,586
		2,124,052

*Refer to note 4 for detailed information on Restatement of comparatives.

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 30 September 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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 financial year. 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

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 year ended 30 June 2024, the Company incurred a net loss of \$1,308,284, net cash outflows from operating activities of \$1,166,616 and had a cash balance as at 30 June 2024 of \$957,586. 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.

As with all exploration and evaluation entities, the Company's proposed expenditure on exploration areas of interest is subject to sufficient funding being available to the Company. The Company secures funding requirements by way of either equity or debt transactions.

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 the deferment of forecast payments for exploration and evaluation expenses and any non-discretionary corporate and administrative expenditure.

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.

Note 2. Material accounting policy information (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The company recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Accounting policy for Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Other revenue

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 2. Material accounting policy information (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

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

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

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting year; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other payables

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

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Heavy Rare Earths Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Note 2. Material accounting policy information (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2024. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. 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.

Recognition of research and development tax incentive benefits

The Company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry-forward tax losses only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Restatement of comparatives

Change in accounting policy

During the year ended 30 June 2024, the Company changed its accounting policy relating to the capitalisation of tenement acquisition costs and all associated expenditures incurred, in accordance with AASB 6 Exploration and Evaluation of Mineral Resources. The Company concluded that it is more appropriate to expense all costs associated with the exploration and evaluation activities undertaken.

In accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the consolidated entity has retrospectively applied the aforementioned change in accounting policy and therefore comparative information presented herein has been restated.

Heavy Rare Earths Limited
Notes to the financial statements
30 June 2024

Note 4. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	30 June 2023		30 June 2023
	\$	\$	\$
	Reported	Adjustment	Restated
Revenue			
Interest income	28,303	-	28,303
Expenses			
Exploration and evaluation expenditure	-	(2,579,309)	(2,579,309)
Share based payments expense	(708,709)	-	(708,709)
Corporate and administrative expenses	(664,195)	-	(664,195)
Employment expenses	(280,151)	-	(280,151)
IPO expenses	(169,459)	-	(169,459)
Loss before income tax expense	(1,794,211)	(2,579,309)	(4,373,520)
Income tax expense	-	-	-
Loss after income tax expense for the year attributable to the owners of Heavy Rare Earths Limited	(1,794,211)	(2,579,309)	(4,373,520)
Other comprehensive income/(loss) for the year, net of tax	-	-	-
Total comprehensive income/(loss) for the year attributable to the owners of Heavy Rare Earths Limited	<u>(1,794,211)</u>	<u>(2,579,309)</u>	<u>(4,373,520)</u>
	Cents	Cents	Cents
	Reported	Adjustment	Restated
Basic earnings per share	(2.81)	(4.05)	(6.86)
Diluted earnings per share	(2.81)	(4.05)	(6.86)

Note 4. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

	1 July 2022 \$ Reported	\$ Adjustment	1 July 2022 \$ Restated
Assets			
Current assets			
Cash and cash equivalents	141,389	-	141,389
Trade and other receivables	35,637	-	35,637
Total current assets	<u>177,026</u>	<u>-</u>	<u>177,026</u>
Non-current assets			
Exploration and evaluation	783,215	(783,215)	-
Total non-current assets	<u>783,215</u>	<u>(783,215)</u>	<u>-</u>
Total assets	<u>960,241</u>	<u>(783,215)</u>	<u>177,026</u>
Liabilities			
Current liabilities			
Trade and other payables	264,533	-	264,533
Total current liabilities	<u>264,533</u>	<u>-</u>	<u>264,533</u>
Total liabilities	<u>264,533</u>	<u>-</u>	<u>264,533</u>
Net assets/(liabilities)	<u>695,708</u>	<u>(783,215)</u>	<u>(87,507)</u>
Equity			
Issued capital	1,139,601	-	1,139,601
Accumulated losses	<u>(443,893)</u>	<u>(783,215)</u>	<u>(1,227,108)</u>
Total equity/(deficiency)	<u>695,708</u>	<u>(783,215)</u>	<u>(87,507)</u>

Heavy Rare Earths Limited
Notes to the financial statements
30 June 2024

Note 4. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	30 June 2023		30 June 2023
	\$	\$	\$
	Reported	Adjustment	Restated
Assets			
Current assets			
Cash and cash equivalents	2,124,052	-	2,124,052
Trade and other receivables	77,177	-	77,177
Total current assets	<u>2,201,229</u>	<u>-</u>	<u>2,201,229</u>
Non-current assets			
Exploration and evaluation	3,362,524	(3,362,524)	-
Total non-current assets	<u>3,362,524</u>	<u>(3,362,524)</u>	<u>-</u>
Total assets	<u>5,563,753</u>	<u>(3,362,524)</u>	<u>2,201,229</u>
Liabilities			
Current liabilities			
Trade and other payables	168,101	-	168,101
Employee benefits	5,417	-	5,417
Total current liabilities	<u>173,518</u>	<u>-</u>	<u>173,518</u>
Total liabilities	<u>173,518</u>	<u>-</u>	<u>173,518</u>
Net assets	<u>5,390,235</u>	<u>(3,362,524)</u>	<u>2,027,711</u>
Equity			
Issued capital	6,683,971	-	6,683,971
Reserves	944,368	-	944,368
Accumulated losses	(2,238,104)	(3,362,524)	(5,600,628)
Total equity	<u>5,390,235</u>	<u>(3,362,524)</u>	<u>2,027,711</u>

Note 4. Restatement of comparatives (continued)

Statement of cash flows

	30 June 2023 \$ Reported	\$ Adjustment	30 June 2023 \$ Restated
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)	(1,193,254)	-	(1,193,254)
Payments for security deposits	(1,500)	-	(1,500)
Interest received	28,203	-	28,203
Payments for exploration and evaluation costs	-	(2,430,815)	(2,430,815)
Net cash used in operating activities	(1,166,551)	(2,430,815)	(3,597,366)
Cash flows from investing activities			
Payments for exploration and evaluation	(2,430,815)	2,430,815	-
Net cash used in investing activities	(2,430,815)	2,430,815	-
Cash flows from financing activities			
Proceeds from issue of shares	6,000,000	-	6,000,000
Payments for capital raising costs	(419,971)	-	(419,971)
Net cash from financing activities	5,580,029	-	5,580,029
Net increase in cash and cash equivalents	1,982,663	-	1,982,663
Cash and cash equivalents at the beginning of the financial year	141,389	-	141,389
Cash and cash equivalents at the end of the financial year	<u>2,124,052</u>	<u>-</u>	<u>2,124,052</u>

Note 5. Operating segments

Identification of reportable 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 6. Current assets - trade and other receivables

	30 June 2024 \$	30 June 2023 \$
Trade receivables	13,750	6,050
Security deposit	17,332	13,290
GST receivable	26,964	39,819
Prepayments	5,009	18,018
	<u>63,055</u>	<u>77,177</u>

Note 7. Current liabilities - trade and other payables

	30 June 2024	30 June 2023
	\$	\$
Trade and other payables	176,182	107,902
Accrued expenses	84,814	29,428
Other payables	13,307	30,771
	<u>274,303</u>	<u>168,101</u>

Refer to note 10 for further information on financial instruments.

Note 8. Equity - issued capital

	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>68,275,150</u>	<u>68,275,150</u>	<u>6,684,119</u>	<u>6,683,971</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
Issue of shares for acquisition of Cowalinga Project	22 August 2022	1,000,000	\$0.20	200,000
Capital raising costs		-	-	(655,630)
Balance	30 June 2023	68,275,150		6,683,971
Issue of Options	22 December 2023	-	-	148
Balance	30 June 2024	<u>68,275,150</u>		<u>6,684,119</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.

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.

Note 8. Equity - issued capital (continued)

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 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 10. Financial instruments

Financial risk management objectives

The company's activities expose it to liquidity risk. It has no exposure to price risk, interest rate risk, market risk or credit risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Financial instruments of the company consist of cash and cash equivalents, goods and services tax credits and trade and other payables.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. As at balance date all financial liabilities had payable terms within 60 days.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. As at report date, all financial liabilities of the company had maturities of less than 60 days.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 11. Key management personnel disclosures

Directors

The following persons were directors of Heavy Rare Earths Limited during the financial year:

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

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	30 June 2024	30 June 2023
	\$	\$
Short-term employee benefits	276,525	264,946
Post-employment benefits	29,333	22,420
Share-based payments	-	283,818
	<u>305,858</u>	<u>571,184</u>

Note 12. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

Note 12. Remuneration of auditors (continued)

	30 June 2024	30 June 2023
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	<u>32,000</u>	<u>34,300</u>

Note 13. Contingent liabilities

There are no contingent liabilities as at the end of the financial year (2023: nil).

Note 14. Commitments

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts of the whole of tenements deemed on prospective. Should the Company wish to preserve interest in its current tenements the amount which may be required to be expended is as follows:

	30 June 2024	30 June 2023
	\$	\$
<i>Planned Exploration Expenditure</i>		
Within one year	384,500	371,000
One to five years	1,569,000	2,018,990
More than five years	<u>2,098,000</u>	<u>3,602,000</u>
Total commitment	<u>4,051,500</u>	<u>5,991,990</u>

Note 15. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 11 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	30 June 2024	30 June 2023
	\$	\$
Payment for other expenses:		
Consulting fees paid to Total Rare Earth Solutions (entity associated with Mr Brescianini)	-	27,950

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 16. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 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
Notes to the financial statements
30 June 2024

Note 17. Reconciliation of loss after income tax to net cash used in operating activities

	30 June 2024	30 June 2023
	\$	\$
Loss after income tax expense for the year	(1,308,284)	(4,373,520)
Adjustments for:		
Share-based payments	10,955	708,709
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	12,852	(17,622)
Decrease/(increase) in prepayments	5,309	(23,918)
Decrease in security deposits	(4,042)	-
Increase in trade and other payables	75,897	103,568
Increase in employee benefits	40,697	5,417
Net cash used in operating activities	<u>(1,166,616)</u>	<u>(3,597,366)</u>

Note 18. Earnings per share

	30 June 2024	30 June 2023
	\$	\$
Loss after income tax attributable to the owners of Heavy Rare Earths Limited	<u>(1,308,284)</u>	<u>(4,373,520)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	68,275,150	63,773,780
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>68,275,150</u>	<u>63,773,780</u>
	Cents	Cents
Basic earnings per share	(1.92)	(6.86)
Diluted earnings per share	(1.92)	(6.86)

Note 19. Share-based payments

Set out below are summaries of options on issue during the year:

30 June 2024

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
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>
Weighted average exercise price			\$0.33	\$0.30	\$0.00	\$0.00	\$0.33

Note 19. Share-based payments (continued)

30 June 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 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			\$0.00	\$0.33	\$0.00	\$0.00	\$0.33

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

Grant date	Expiry date	30 June 2024 Number	30 June 2023 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>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.151 years (2023: 2.153).

For the options currently on issue, 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%	-	11.00%	\$0.071
24/08/2022	24/08/2025	\$0.20	\$0.40	70.00%	-	11.00%	\$0.056
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
Consolidated entity disclosure statement
As at 30 June 2024

Heavy Rare Earths Limited does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, section 295(3A)(a) of the Corporations Act 2001 does not apply to the entity.

Heavy Rare Earths Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr John Byrne
Non-executive Chairman

30 September 2024

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

Report on the audit of the financial report



Our opinion on the financial report

In our opinion, the accompanying financial report of Heavy Rare Earths Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Company, which comprises:

- the statement of financial position as at 30 June 2024,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit 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 & 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that for the year ended 30 June 2024 the Company incurred a net loss of \$1,308,284 and net operating cash outflows of \$1,166,616. 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Change in accounting policy	Area of focus (refer also to notes 2, & 4)	How our audit addressed the key audit matter
	<p>The Company concluded that given the early stage of the development of its projects it is more appropriate to expense all costs associated with its exploration and evaluation activities undertaken, including the cost of acquisition of tenements and all associated expenditures incurred. Accordingly, the Company changed its accounting policy during the year to expense its exploration and evaluation costs as opposed to capitalising these costs as it had previously done in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> <p>This has resulted in a restatement of the comparative information presented in the Statement of Financial Position with a total of \$3,362,524 of non-current asset capitalised exploration expenditure at 30 June 2023 being reclassified to accumulated losses.</p> <p>The Statement of Profit or Loss and Other Comprehensive Income has been restated for the year ended 30 June 2023 to include \$2,579,309 in exploration expenditure increasing the loss after income tax for the year (net of Tax) to \$4,373,520 and the Statement of Cash Flows for the year ended 30 June 2023 has been restated to</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessing management's assertion that the change in accounting policy results in the financial statements providing relevant and more reliable information. — Assessing the amounts to be restated between costs capitalised and expensed in the respective period; and — Assessing the adequacy of disclosures in the financial report relating to the restatement of comparative information

re-allocate \$2,430,815 of payments for exploration expenditure from investing activities to operating activities.

There is a risk that the restatement is not fully understood within the context of the financial information presented and in comparison, to the previous financial year's results under a different accounting policy. This has required significant auditor attention to ensure that the amounts restated are correct and that the impact of the change in accounting policy has been disclosed appropriately. Therefore, we considered this to be a key audit matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report



Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Heavy Rare Earths Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

J. C. Luckins
Director

Melbourne, 30 September 2024

Heavy Rare Earths Limited
Shareholder information
30 June 2024

The shareholder information set out below was applicable as at 24 September 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	20	-	-	-
1,001 to 5,000	77	0.38	-	-
5,001 to 10,000	109	1.42	-	-
10,001 to 100,000	295	18.01	3	1.91
100,001 and over	108	80.19	11	98.09
	609	100.00	14	100.00
Holding less than a marketable parcel	254	2.75	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Dinwoodie Investments Pty Ltd	4,717,631	6.91
J P Morgan Nominees Australia Pty Limited	3,416,668	5.00
Bond Street Custodians Limited (Trylan - D83486 A/C)	2,400,000	3.52
Mr Bobby Vincent Li	1,839,545	2.69
Robbie Hunt Pty Ltd (Robbie Hunt Super A/C)	1,538,796	2.25
Ms Chunyan Niu	1,500,000	2.20
Dinwoodie Investments Pty Ltd (Dinwoodie Investments A/C)	1,486,667	2.18
Peter Vial & Amanda Vial (Vial Super Fund A/C)	1,400,000	2.05
Mr Nicholas Dermott McDonald	1,287,500	1.89
BNP Paribas Nominees Pty Ltd (IB AU NOMS Retail Client)	1,267,455	1.86
Beaumy Pty Ltd (Robert Frost Family A/C)	1,250,000	1.83
Bridge the Gap Trading Pty Ltd	1,102,916	1.62
Porpette Pty Ltd (Porpette Investments A/C)	1,046,667	1.53
Benprop Pty Ltd (Benprop Property A/C)	1,023,227	1.50
Highlands Investments Holdings Pty Ltd	1,000,000	1.46
Jomalco Pty Ltd	900,000	1.32
WFC Nominees Australia Pty Ltd	865,366	1.27
Mr Robert Jesse Hunt	857,612	1.26
Mr Yinghan he	842,677	1.23
Mr Matthew Stephen Millar	800,000	1.17
	30,542,727	44.74

Heavy Rare Earths Limited
Shareholder information
30 June 2024

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares - Class A options exercisable at \$0.30 on or before 24 August 2025	9,850,000	7
Options over ordinary shares - Class B options exercisable at \$0.40 on or before 24 August 2025	4,350,000	2
Options over ordinary shares - options exercisable at \$0.30 on or before 24 August 2025	1,500,000	5

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
Number held	
Dinwoodie Investments Pty Ltd	4,717,631 6.91

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

Consistency with business objectives – ASX Listing Rule 4.10.19

In accordance with ASX Listing Rule 4.10.9, the consolidated entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company. Consistent with the use of funds which were disclosed in the Company's Prospectus dated 5 July 2022, the consolidated entity believes it has used its cash in a consistent manner for the following purposes following listing on ASX in August 2022:

- drilling - exploration & resource upgrade,
- assaying;
- metallurgical process development;
- Duke project exploration (NT);
- Payment to Cowalinya vendors - exercise option to acquire;
- Costs of the offer;
- project studies; and
- administration & working capital.

The Company was admitted to the official list on ASX in August 2022.

Tenements

Description	Tenement number	Interest owned %
Exploration Licence - Western Australia	E63/1972	100.00
Exploration Licence - Western Australia	E63/2144	100.00
Exploration Licence - Western Australia	E63/2145	100.00
Exploration Licence - Northern Territory	EL33101	100.00
Exploration Licence - Northern Territory	EL33194	100.00
Exploration Licence - Western Australia	E70/6397	100.00
Exploration Licence - Western Australia	E59/2795	100.00
Exploration Licence - Western Australia	E59/2796	100.00
Exploration Licence - Western Australia	E59/2844	100.00