



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

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Corporate Directory

Directors

F Creagh O'Connor (Non-Executive Chairman)
Geoffrey Hill (Non-Executive Director & Deputy Chairman)
Chris Gibbs (CEO & Managing Director)
Denis Geldard (Non-Executive Director)
Clarence McAllister (Non-Executive Director)
Melissa Sanderson (Non-Executive Director)
Sten L. Gustafson (Non-Executive Director)
Richard Hudson (Non-Executive Director)

Company Secretary

Noel Whitcher
Wayne Kernaghan

Registered Office

17B Farnham Street
Parnell
Auckland 1052
New Zealand

Australian Office

Suite 706, Level 7
89 York Street
Sydney 2000
GPO Box 1546
SYDNEY NSW 2001
Tel. +61 2 8054 9779

Auditor

Hall Chadwick NZ Limited
Level 26, 188 Quay Street, Auckland
New Zealand

Bankers

National Australia Bank
Wells Fargo Bank
Listed Securities
Australian Securities Exchanges
Code: ARR

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
Tel. 1300 555 159 (within Australia)
Tel. +61 3 9415 4062 (outside Australia)
www.computershare.com.au

Interests in Mining Tenements As at 30 June 2022

Tenement Name	Tenement Type and Number	Location	Group Ownership
La Paz	Lease Number 008-120965-00	Arizona United States	100%
La Paz	La Paz 1 - 14	Arizona United States	100%
La Paz	La Paz 33 - 69	Arizona United States	100%
La Paz	La Paz 71, 73, 75	Arizona United States	100%
La Paz	La Paz 92 - 101	Arizona United States	100%
La Paz	La Paz 108 - 219	Arizona United States	100%
La Paz	La Paz 220 - 281	Arizona United States	100%
La Paz	La Paz 282 - 376	Arizona United States	100%
Halleck Creek	REX 1 - 5	Wyoming United States	100%
Halleck Creek	REX 10 - 23	Wyoming United States	100%
Halleck Creek	REX 25 - 43	Wyoming United States	100%
Halleck Creek	REX 44 - 72	Wyoming United States	100%
Halleck Creek	REX 75 - 257	Wyoming United States	100%
Halleck Creek	0-43568 - 0-43571	Wyoming United States	100%
Western Rare	Nevada T-01 - T80	Nevada United States	100%

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Chairman's Message

F. Creagh O'Connor AM



Dear Shareholders,

It is my great pleasure to present you with the 2022 Annual Report for American Rare Earths Limited.

The past year has seen considerable growth and development within American Rare Earths as our projects continue to mature and we build our presence in North America. During the financial year, the Board was privileged to welcome three new North American Directors: Mr Clarence McAllister, Ms Melissa Sanderson and Mr Sten Gustafson, while Mr Richard Hudson joined us in Australia. The new Directors bring considerable experience and strategic capabilities, which I know will serve our Company well in the years ahead as we move our rare earth projects towards production.

Continuing the transitional nature of the past year, I had the privilege to welcome Mr Chris Gibbs as the new Managing Director and CEO. Chris joined us in November 2021, bringing extensive experience and expertise. He will provide the leadership to drive our Company to new heights. While we welcomed Chris, we said goodbye to Mr Keith Middleton, who decided to retire as Managing Director and CEO. Keith was instrumental in his tenure by

securing new projects and establishing the foundations to execute our North American strategy successfully. On behalf of the Board, I extend my gratitude to Keith and wish him well in his future endeavours. While no longer serving the Board, Keith continues in a consulting role providing invaluable support to myself, Chris and the Management Team.

Significant events over the past year have created uncertainty in financial markets, disrupted supply chains and provided exciting challenges. These events, combined with the rapid unwinding of Covid-19 monetary settings by reserve banks globally, are causing some volatility in global financial markets. Exploration companies such as ours are clearly exposed to this market volatility. Despite this uncertainty, we continually achieved significant milestones during the year setting the foundations for a bright future. Of note, in December, we took on a new strategic shareholder, Fidelity International Limited, which took up a significant holding of 9.9%. The ability to attract significant investors of the calibre of Fidelity to the register should be seen as a clear validation of the strategy, direction and ability of the officers.

Following a US Presidential Executive Order announced on 30 September 2020 to stimulate US domestic production and processing of critical minerals, including rare earths, the Board was delighted to see significant progress on this issue in January. It came with the tabling of the Restoring Essential Energy and Security Holdings Onshore for Rare Earths Act of 2022, or the "REEShore Act". The Act, currently before the Committee on Energy and Natural Resources, aims to develop

a US domestic critical minerals and rare earth processing capability in the near future. Our Company already realises the benefits of this significant policy and increasing US government support for research and development into critical minerals processing. I am pleased to update you on this and draw your attention to announcements over the course of the year where our Company has been admitted to the Critical Materials Institute and, more recently, has become a key member of a research consortium attracting funding from the US Department of Energy.

I would like to take this opportunity to thank Managing Director and CEO Chris Gibbs, my fellow Directors and the Management Team, together with all the employees and contractors who have worked to advance American Rare Earths' projects over the past year. I also extend my sincere thanks for his service to the company and efforts over many years, to Mr. Denis Geldard who has decided to retire from the board.

On behalf of the American Rare Earths Board, I would like to extend my sincere appreciation to all shareholders for their ongoing loyalty and support. The coming year is filled with opportunity and promises to be one of the most exciting as we rapidly progress our current North American projects, unlocking the potential value these assets hold for you, our loyal shareholders.

F. Creagh O'Connor AM
Chairman

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CEO & Managing Director's Letter

Chris Gibbs

Dear fellow Shareholders,

I'm delighted to present our Annual Report for 2022, my first as Managing Director and CEO at American Rare Earths.

Our vision is to be a leading supplier of minerals critical for the clean energy transition, creating value for our shareholders, opportunities for our people and benefits for the wider community.

Our timing could not be more perfect. It's no secret the United States Government recognises the need to develop domestic critical minerals processing capability to reduce national security and supply chain risks. During the past year, bipartisan support for onshoring rare earths in the US has been increasingly evident. One example is a Bill introduced into the United States Senate that would force defense contractors to source rare earths from domestic production by 2026. The US Government is backing up this Bill with billions of dollars of funding opportunities. We have long recognised the need to play a key role in onshoring these critical materials in the United States and are excited to collaborate on US Government supported sustainable rare earths R&D programs.

Through our involvement in these programs and our United States projects, we are well positioned to play a key role in a domestic critical minerals supply chain and establish ourselves as the next major rare earths business in North America.

Our vision is supported by our large-scale foundational assets in mining-friendly jurisdictions. We continue moving these projects through the development life cycle to create additional shareholder value while also undertaking work to build our portfolio.

Our 100% owned projects have:

- The potential to meet the rapidly growing market demand for critical minerals;
- Position our Company to be eligible to benefit from multiple Government initiatives;

- Target raw materials essential for national security and the global transition to clean energy; and
- Low penalty elements, such as uranium and thorium, which reduces permitting risk.

We are collaborating with US Government supported organisations at the forefront of R&D in the clean and green recovery of rare earths to develop a sustainable and secure domestic supply chain. Our partner organisations include:

- The United States Department of Energy (DOE) Innovation Hub;
- The Critical Materials Institute (CMI);
- US Department of Defense's DARPA EMBER program; and
- DOE Office of Energy Efficiency and Renewable Energy (EERE).

We are also growing our investor base by:

- Completing a placement with leading fund Fidelity International. The ESG-focused fund now holds 9.9% of American Rare Earths;
- Cross-listing on the OTC Markets QB level in the US, the largest alternative trading system in the US; and
- Completing a placement with Institutional, sophisticated, and professional investors, raising A\$14m, providing the balance sheet strength we need to execute our project development plans without delay.

At the same time, we are ensuring we are well placed to seize the continuing market opportunities by:

Adding a diversity of skills and backgrounds by recently appointing four Board members, three of them American based, to further boost our presence in the United States; and Integrating best-practice Environmental Social and Governance (ESG) actions across our operations for long-term, sustainable growth.

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Our review of operations section provides more detail on our achievements and milestones across the year.

I would like to take the opportunity to express my sincere gratitude to long-standing shareholders for their continued loyalty and support while welcoming new investors. I look forward to a successful future as we progress these projects and unlock the true value for all shareholders.

I extend a warm thanks to our Chairman Creagh O'Connor for his wealth of experience, which continues to be invaluable to the Board, as well as our Directors who generously give of their time and wisdom.

I also thank our management team, staff and contractors for your dedication and enthusiasm in pursuing our vision as it is through the creativity, passion and enterprise of all of us working together that we will establish ourselves as the next major rare earths business in North America.

Chris Gibbs
Managing Director and CEO

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La Paz Arizona

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Plans accelerated to target 742–928MT additional to 170MT resource.

Extra 95 claims staked after positive drill results in SW Zone.

Positive metallurgy results to allow reductions in CAPEX and OPEX.

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Halleck Creek Wyoming

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Exploration target up by 328% to 1+ billion tonnes of rare earth mineralised rocks.

New claims acquired and drilling permits submitted.

Next drill campaign to define a JORC resource as soon as feasible.

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Supply Chain R&D



Supporting US Department of Defense Advanced Research Projects Agency's rare earths bioengineering research program.

Team Member of Critical Materials Institute, a US Department of Energy funded Innovation Hub.

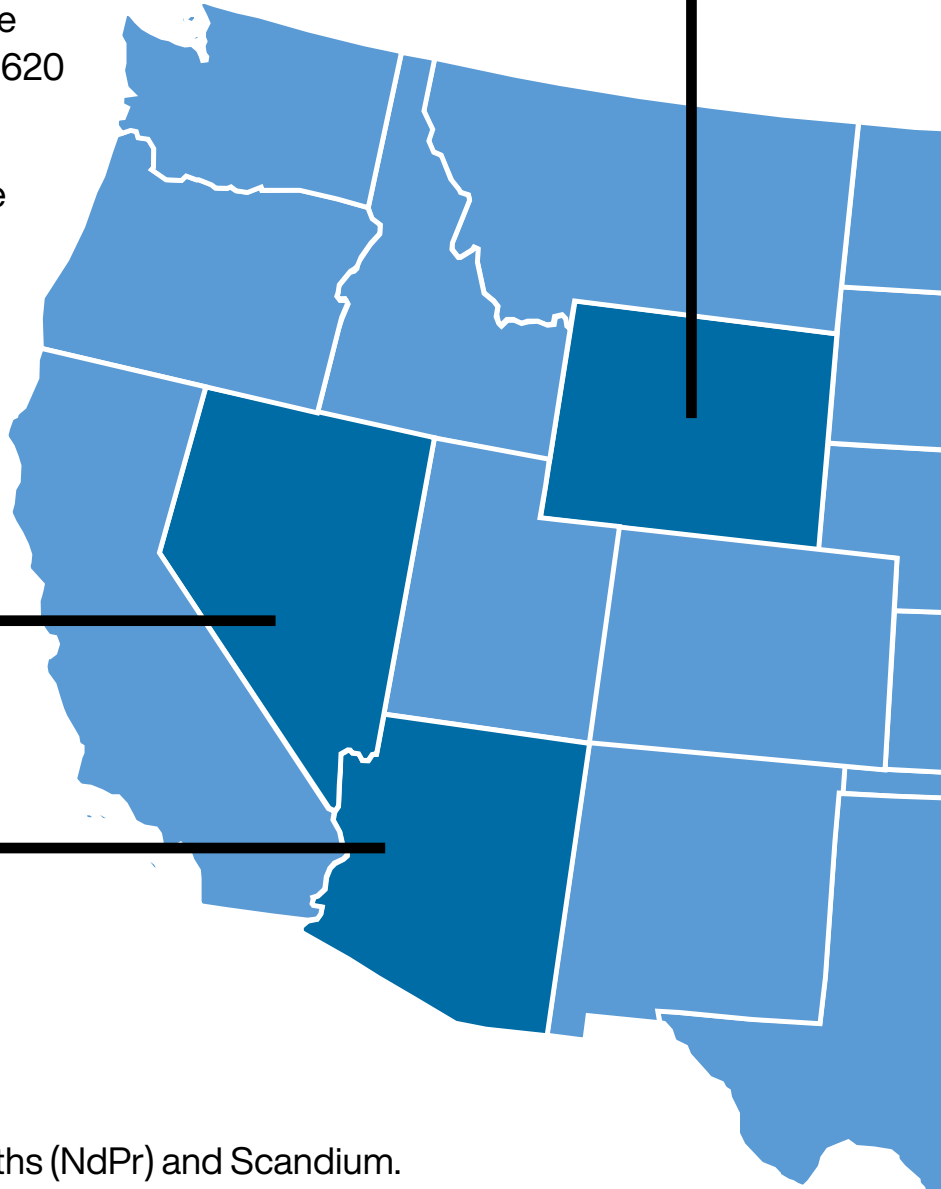
Programs include top-tier institutions such as Columbia University and national laboratories.

Major Projects

Searchlight, NV

Sampling encountered substantial grades of heavy and magnet rare earth elements at 655 hectare (1620 acre) project.

<30km from only producing rare earths mine in US.



La Paz, AZ

High volume of magnet rare earths (NdPr) and Scandium.

Targeting 742–928MT additional to 170MT resource.

Ultra-low radioactive elements across 890 hectares (2,200 acres).

Halleck Creek, WY

Exploration target boosted to 1+ billion tonnes of rare earth mineralised rocks after completion of maiden drill program.

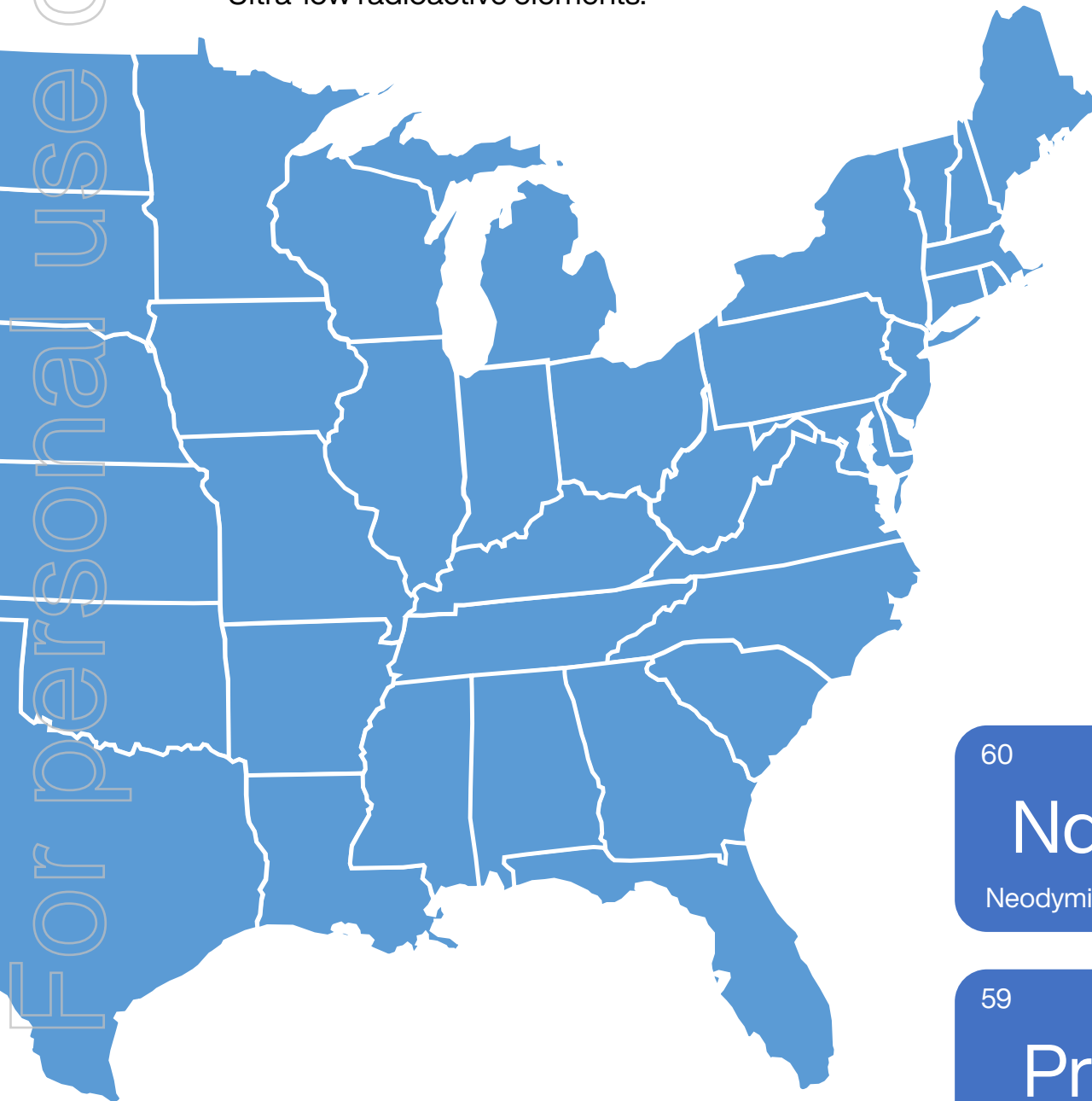
Next drill campaign to define JORC resource as soon as feasible.

Drilling shows high-grade mineralisation from surface at 2428+ hectare (6,000+ acre) project.

High volume of magnet rare earths (NdPr).

Ultra-low radioactive elements.

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60

Nd

Neodymium

59

Pr

Praseodymium

American Rare Earths ESG Commitment



At American Rare Earths, we are keenly aware of our role and responsibilities as temporary custodians of the concessions we explore/operate, as employers and leaders and as partners to the communities in which we work.

Even before beginning exploration in Arizona and Wyoming, we introduced ourselves to the small towns and ranches near our respective properties to share our vision and passion – developing secure sources of the materials needed for a Greener US economy. We began a dialog to ensure we would understand, and respond appropriately to, concerns, questions or desires of our neighbors so that those matters would be built into our operations from Day One. Likewise, we invited politicians and experts from both States to visit our respective sites, see our operations and get to know us, because we understand that transparency is key to sustainable success.

Our drilling programs have not only adhered to regulations but, especially in remediation, have surpassed what is required of us. We have ensured that our hiring practices attract the best and brightest in a gender-inclusive manner, because American Rare Earths knows there is strength in diversity and value-added from unique points of view.

We have put in place strict standards of behavior to guide and protect our employees not only today, but as we continue to grow and expand. Ours is a close-knit team built on shared values and best practices – human and technical. As we grow, so too will our ESG program, because it is an integral part of who we are.

Directors' Report

Financial Review

- **\$5,794,200 raised in additional capital during the financial year (before costs)**
- **Cash balance at 30 June 2022 of \$6,339,542, up \$2,638,853 from \$3,700,689 in 2021**
- **Total assets of \$16,927,072, up \$6,978,033 from \$9,949,039 in 2021**
- **Total liabilities of \$925,977 up \$530,906 from \$395,071 in 2021**
- **Loss after income tax for the year of \$2,039,992 compared to a \$258,920 loss in 2021**

During the financial year the Company successfully raised \$5,794,200 (before costs) from a placement of 39,150,000 fully paid shares to professional and sophisticated investors at an issue price of \$0.148 per share.

Due to the additional capital raised during the year of \$5,794,200, cash and cash equivalents increased to \$6,339,542 as at 30 June 2022 (2021: \$3,700,689).

Total assets increased by \$6,978,033 to \$16,927,072 as at 30 June 2022 (2021: \$9,949,039) and total liabilities increased by \$530,906 to \$925,977 (2021: \$395,071).

Total assets at 30 June 2022 include investments in listed company shares of \$2,480,000 (2021: \$1,590,119).

Loss after income tax for the financial year was \$2,039,992 (2021: \$258,920).

During January 2022, American Rare Earths Limited sold 2,000,448 shares in Cobalt Blue Holdings Limited ("COB") generating proceeds of \$1,036,232. Subsequent to the share sale, ARR held 4,000,000 shares in COB.

During the year a total of \$1,557,139 was realised by the Company through the exercise of options.

Review of Operations

As we advance towards our vision of becoming a leading supplier of critical minerals, it's important to recap our achievements of the past year that have set us up for further progress in 2022 and beyond.

These achievements were in the following key areas:

La Paz JORC Resource Expanded

Updated scale and grades of the 890 hectare La Paz project in Arizona released place it firmly in a leading position to become one of North America's largest, rare earths projects. 2021 drilling results delivered an indicated resource estimate increase of 117% to 35.2 million tonnes (MT). A culmination of drilling work conducted across the first half of 2021; the results also confirmed the overall Total Rare Earth Element (TREE) grade is up 5.2% to 391 parts per million at the project. Total resource tonnes jumped by 33.1% to 170.6 million, equating to about 66.6 million kilograms of TREE.

The updated resource also contains 4.4 million kilograms of scandium oxide. While not classified as an Rare Earth Element (REE), scandium is a highly sought after critical used in aluminium products. Later in August assay results revealed a 216% increase in TREE grade and a 90% rise in scandium grade at La Paz, along with a 76% drop in ore mass. Additionally, assays revealed that La Paz has the lowest thorium levels of any US REE mine. This is a big advantage for us because it means the ore doesn't incur extra processing costs to remove the radioactive materials. The results therefore indicate that La Paz ore can be processed using conventional methods at a lower cost. All results were classified in accordance with the 2012 edition of The Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).

Exploration Permits Approved

Following the significant upgrades to our total resources we received the highly anticipated exploration permits for our flagship US projects, La Paz and Halleck Creek in Wyoming in December 2021.

La Paz SW Area Drilling

The company completed exploration drilling at the La Paz SW exploration area. The campaign was targeting a further 700 to 900 million tonnes at the 170.6 million tonne JORC compliant total resource. These nine new core holes provide ARR with additional geological data across the La Paz SW area and provide insight into alteration types and TREE mineralisation. 821 meters of core was drilled and collected 677 samples from nine holes during February to April 2022. This first set

of assay results from four core holes drilled during this program demonstrate rock type associated with rare earth grades as well as two drill holes showing extensive rare earth enrichment over lengths exceeding 50 meters. The company is now looking forward to the remaining results. Significant intercepts confirm mineralization of Total Rare Earth Oxides (TREO).

Halleck Creek Footprint Expanded

The Company staked 181 additional mining claims covering an area of approximately 1191ha (2,944 acres).

The Company has announced results from surface sampling that revealed an expanded area of elevated Rare Earth Mineralisation. The growth brings the Halleck Creek Rare Earth Project to 2449ha (6005+ acres). The company has additional projects in Arizona and Nevada. Totalling over 5260ha (13,000+ acres) under exploration, the Company's holdings are believed to have the potential to be one of the largest suites of Rare Earths projects in North America.

Halleck Creek Maiden Drill Campaign Completed

In May 2022 the company announced the successful completion of the maiden exploration drill program at the Halleck Creek Rare Earths Project. The campaign provided encouraging preliminary data from the Exploration Target Area. 917 metres (3,008 feet) of core was drilled and collected 822 samples from nine holes in the Red Mountain and Overton Mountain zones of the larger Red Mountain Pluton, with core recovery from most holes exceeding 99%.

La Paz Metallurgy

In April 2022 announced that the current metallurgical test work on ore from our flagship La Paz project has responded well to conventional processing technology. The results provide further opportunities to reduce operating and capital costs and will help underpin a future Preliminary Economic Assessment (PEA) for La Paz. With the ore responding well to conventional processing technology, capital and operating costs will be reduced. The results showed that 75% of the gangue (nonmineralised) material removed prior to the floatation circuit. The next testing phase will focus on floatation to further increase TREO recoveries. The new metallurgical testing campaign initiated by the Company has been designed to investigate how composites prepared from diamond drill core produced during 2021 respond to currently used processing technologies. The campaign follows encouraging beneficiation work completed on surface rock chips involving magnetic

separation and flotation combinations at Saskatchewan Research in Canada in 2021.

Watts & Fisher Leach technology

In early 2022 as part of the Wood Metallurgical testing we also entered a relationship with Watts and Fisher. There is further potential to significantly cut operating and capital costs for La Paz using their Watts and Fisher's proprietary leaching technology. Work to date has shown good results, and the company looks forward providing further updates on this exciting project.

Engagement of US government agencies and elected officials

In March 2021 La Paz received the backing of government officials at a national level, in addition to its support from the State of Arizona, after being one of few projects to be exempted from the Biden Administration's 60-day halt on ground disturbing activity approvals.

The exemption reinforced the potential of the project to become a mine of national significance; boosting validation that La Paz sits within a mining-friendly jurisdiction.

In a show of bipartisan support for one of our flagship projects, in March 2022 we welcomed a delegation of elected officials from all levels of government to the La Paz project. Key members of the group of 25 dignitaries delivered enthusiastic and encouraging speeches about American Rare Earths and its work underway to help secure the United States' domestic critical minerals supply chain. The federal, state and county officials and staff were updated by company geologists on progress across eight diamond drill holes in the La Paz Southwest Project area.

Collaboration with US government agencies

The US team worked diligently to establish our presence on several top tier rare earths processing innovation efforts focused on extraction, separation and purification through cleaner, greener technologies funded by US Government programs.

Thanks to the team's efforts we joined R&D projects that are part of concerted government efforts to develop a more diverse and secure supply chain for the critical minerals market, which is essential for American competitiveness in clean energy technology and manufacturing.

Our involvement with these R&D projects provides a boost to our profile with the US Government agencies and US investors, while giving impetus to our strategy to be not just an explorer but also potentially evolving to become a fully vertically integrated major rare earths supplier with mine to metal capabilities.

The La Paz and Halleck Creek projects are among the few REE mineral deposits that qualify for use in these US Government funded R&D programs because they are non-radioactive (containing little to near-negligible thorium) and give access to all 16 naturally occurring rare earth elements. This means the researchers do not have to manage potentially radioactive feedstock, as they do with other REE feedstocks.

Early this year we were named as a Team Member of the Critical Materials Institute, a Department of Energy funded R&D innovation hub. Fellow Team Members in the highly esteemed Critical Materials Institute (CMI) include the world's second-largest metals producer Rio Tinto (as the only other rare earths miner involved in the project), leading universities and the five US national laboratories. As a Team Member, the Company has access to emerging technologies, the best rare earths processing researchers and non-dilutive funding opportunities with the DOE.

The CMI membership lead to an invitation to supply feedstock for researchers associated with a US Defense Advanced Research Projects Agency's (DARPA) Rare Earth Elements (REE) bioengineering research program in October. This fascinating program encourages US scientists to engineer a new REE supply chain by using 'biomining' approaches through the Environmental Microbes as a Bio-Engineering Resource (EMBER) program.

Searchlight Project

During late 2021 and early 2022 we completed geological mapping and geochemical sampling at the Searchlight Rare Earths Project. The mapping and sampling program covered approximately 80 mining claims (tenements) and included the collection of 26 surface geochemical samples. The sampling and mapping campaign did not focus on known mineralised veins. Based on the mapping and sampling results and the claim footprint it has been decided to focus our efforts on other priorities. We will continue to maintain mining claims in good standing for potential future exploration.

Investment in Cobalt Blue Holdings Limited

At 30 June 2022, the Company had an investment in 4,000,000 Cobalt Blue Holdings Limited ("COB") ordinary shares and based on the closing bid price of \$0.62 were worth \$2,480,000. In addition, ARR has a \$3 million Promissory Note which is interest free for the first three years with interest then payable at 6% per annum in years four and five. The note is currently in year three and is secured over title to certain tenements.

The Company also holds the rights to a 2% Net Smelter Return ("NSR") royalty on all cobalt production from the Thackaringa Project, which was sold to COB in February 2020.

Corporate activities

On 1 November, Mr Chris Gibbs joined the Company as Managing Director and CEO of the Company. Chris joins ARR from Argonaut Gold and has over 28 years' experience in the resource sector within Australia, Canada, USA, South America, Africa, and Europe. He is an innovative leader with a proven track record for implementing organisational change and delivering business results. He succeeds Mr Keith Middleton in the role.

Mr Noel Whitcher joined the company on November 1st, to take up the position of CFO. Noel joins ARR from Leigh Creek Energy and has over 18 years' experience as a finance professional in the government, resources, and energy sectors. Noel was appointed joint Company Secretary on 25th March 2022.

RISK MANGEMENT

American Rare Earths manages risks inherent in its business with the objective to ensuring risks are identified, measured, and managed to an acceptable level. The Executive and management perform risk assessments on activities on a regular basis with a continuous improvement mindset to risk identification, management and mitigation.

A summary of key risks groups associated with company are discussed here:

COVID-19

The Company is continuing to review the ongoing situation relating to the COVID-19 pandemic and the implications for the health and wellbeing of our employees, contractors, and stakeholders.

The Company has been pro-active with respect to its response to COVID-19 and has developed operational procedures and plans in line with official health advice and government directives. American Rare Earths will continue to operate within these guidelines and will adapt its procedures as required.

The impact on the Company's operations to date has not been material and whilst the situation with regards to COVID-19 remains uncertain, the Company remains an active explorer across its projects and does not foresee, at this time, that it will have a material impact on future operations.

Exploration

Exploration is a speculative activity with associated risk to discovery. ARR utilises established methodologies and experienced personnel to evaluate prospects and manage the risk associated with exploration. The Company also ensures all major exploration decisions are subjected to assurance reviews, including external experts and contractors where appropriate.

Reserves

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Dwight Kinnes and Mr Jim Guilinger. Mr Kinnes and Mr Guilinger are Members of a Recognised Overseas Professional Organisation included in a list promulgated by the ASX (SME Registered Member of the Society of Mining, Metallurgy and Exploration Inc). Mr Kinnes is employed by American Rare Earths, Ltd. as Chief Technical Officer. Mr Guilinger is Principal of independent consultants World Industrial Minerals LLC. Mr Kinnes and Mr Guilinger have sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Kinnes and Mr Guilinger consent to the inclusion in this report of the matters based on their information in the form and context that the information appears.

Regulatory

American Rare Earths operates in a highly regulated environment and complies with regulatory requirements. There is a risk that regulatory approvals are withheld, take longer than expected, or unforeseen circumstances arise where requirements may not be adequately addressed in the eyes of the regulator, and costs may be incurred to remediate non-compliance

and/or obtain approval(s). Changes in personnel, government, monetary, taxation and other laws in Australia or internationally may impact the Company's operations.

Operating

There are several risks associated with operating. The occurrence of any event associated with these risks could result in substantial losses to the Company that may have a material adverse effect on the business of ARR, results of operations and financial condition. To the extent that it is reasonable, ARR mitigates the risk of loss associated with operating events through insurance contracts and management systems.

Funding

ARR's development appraisal and exploration activities, are reliant on access to adequate funding, and restrictions on this access could have a material adverse effect on the business, results from operations, financial conditions, and prospects. ARR's business and development of our projects rely on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all. ARR endeavours to ensure the best source of funding is obtained to maximise shareholder value, having regard to prudent risk management supported by economic and commercial analysis of all business undertakings.

Board of Directors

The names of the Directors of the Company during the year and up to the date of this report are:

In addition, several matters were resolved during the period by circular resolution.

F Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Geoffrey Hill	Non-Executive Director and Vice Chairman	Appointed 27 August 2015
Chris Gibbs	CEO & Managing Director	Appointed 1 November 2021
Denis Geldard	Non-Executive Director	Appointed 3 August 2015 Retired 31 August 2022
Clarence McAllister	Non-Executive Director	Appointed 21 September 2021
Melissa Sanderson	Non-Executive Director	Appointed 12 November 2021
Sten Gustafson	Non-Executive Director	Appointed 7 January 2022
Richard Hudson	Non-Executive Director	Appointed 8 February 2022
Keith Middleton	Non-Executive Director	Appointed 19 March 2020 Retired Managing Director 31 October 2021. Retired Non-Executive Director 7 February 2022.

Directors' Meetings: The number of meetings of the Board of Directors and Audit Committee held during the year ended 30 June 2022 and the numbers of meetings attended by each director were:

Directors	Board of Directors		Audit Committee		Remuneration Committee	
	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>
FC O'Connor	10	10	2	2	1	1
G Hill	10	10	5	5	1	1
D Geldard	10	9	1	1	-	-
K Middleton	6	6	-	-	-	-
C Gibbs	7	7	5	5	1	1
C McAllister	7	6	-	-	-	-
Mel Sanderson	6	6	-	-	-	-
Sten Gustafson	5	4	3	2	-	-
Richard Hudson	4	4	4	4	-	-

Director Details

F Creagh O'Connor AM

FAIM, FAICD.

Chairman & Non-Executive Director (Independent).
Member of the Remuneration Committee, Member of the Audit Committee.

Appointed 22 June 2000.

Creagh O'Connor was appointed to the Board in 2000 and to the role of Chairman in 2004. He has approximately 40 years' senior management experience in providing consulting and advisory services for oil, gas, and mineral projects throughout Australia and overseas. He is a leading consultant for Australian construction and development consortiums. He has served as a Director and Chairman on a number of listed and private companies.

Geoffrey Hill

B.Ec., MBA, FCPA, ASIA, FAICD.

Deputy Chairman and Non-Executive Director, Member of the Remuneration Committee.

Appointed 27 August 2015.

Geoff Hill was a founding director of the Company, serving from 1989 to 30 June 2014. He re-joined the Board on 27 August 2015. Geoff is a merchant banker based in Hong Kong, with experience in mergers and capital raising and has acted for a wide range of corporate clients in Australia and overseas, particularly in the resources sector. He is Chairman of the International Pacific Securities Group and Chairman of ASX listed company Pacific American Holdings Limited.

Chris Gibbs

B.A., AIM, AICD

Appointed CEO & Managing Director

Appointed 1 November 2021.

Chris has over 28 years experience in the resource sector within Australia, Canada, USA, South America, Africa and Europe. He is an innovative leader with a proven track record for implementing organization change and delivering business results. Prior to joining the company, he was Vice President General Manager for Argonaut Gold's Canada business and leading the development of the Magino Gold Project.

He has also held various leadership roles with Centerra Gold and Thompson Creek Metals, including VP of Operations, VP Operational Excellence and VP General Manager of the Langeloth Metallurgical Company in Pittsburgh and VP General Manager of the Endako Mine in British Columbia. Chris has also held various leadership roles with Barrick Gold, Placer Dome, and Millennium Chemicals. He holds a master's degree in Project Management and a Bachelor of Business Degree from Curtin University of Western Australia.

Denis Geldard

AWASM, MAIMM.

Non-Executive Director (Independent).

Appointed 3 August 2015.

Retired 31 August 2022.

Denis Geldard was appointed to the Board on 3 August 2015 and has over 40 years' technical and operational experience in exploration and project development in Australia and internationally. He has over 20 years' experience specifically in the Heavy Mineral Sands Industry with companies such as Western Titanium Ltd, Associated Minerals Consolidated and Iluka Resources. Denis is a Mining Engineering graduate from the Kalgoorlie School of Mines in Western Australia. He has managed and run several junior and mid-tier mining and exploration companies and mining operations over the past 40 years including directorships of several Australian listed mining and exploration companies.

Clarence McAllister

B.SEE., MS, MBA, PE, RCDD.

Non-Executive Director.

Appointed 21 September 2021.

Mr McAllister has over 30 years of international experience in engineering and construction and has been the Chairman of the Board of the wholly owned subsidiary Western Rare Earths for the last two years. He is also the Founder and Chief Executive Officer of Fortis Engineers, a world-class electrical and mechanical engineering firm based in Phoenix, Arizona. Mr McAllister is a member of the Arizona Board of Technical Registration which regulates the professions of Architecture, Engineering and Land Surveying and serves on the Arizona Supreme Court Alternative Business Structure Board.

Melissa (Mel) Sanderson

**B.Ec., BA English Literature, MBA, Professor,
Thunderbird School of Global Management.**

Non-Executive Director, Member of the Remuneration Committee.

Appointed 12 November 2021.

Her international career has spanned diplomacy and mining for 30+ years. Mel is adept at cross-cultural communication and brings leadership experience in inclusivity and diversity issues. At global mining leader Freeport-McMoRan, Mel sited, staffed, and ran a corporate office focused on government and public relations, as well as social responsibility programs. She served our nation as a senior diplomat in the U.S. Department of State.

Sten L. Gustafson

B.A., J.D.

Non-Executive Director.

Appointed 7 January 2022.

Sten L. Gustafson currently serves as the Chief Executive Officer and a director of Pyrophyte Acquisition Corp. (NYSE: PHYT), a SPAC focused on companies that provide products, services, equipment, and technologies that support a variety of energy transition solutions. Mr. Gustafson is a highly experienced energy service industry executive, investment banker, and corporate securities attorney. With over 25 years of experience in the global energy sector, Mr. Gustafson has advised on over 100 corporate transactions around the world for over \$100 billion of transaction value.

Richard Hudson

B.Com. FCA.

Non-Executive Director, Chair of the Audit Committee.

Appointed 8 February 2022.

Richard is experienced in strong corporate governance & strong internal controls, resolving shareholder disputes, advising on business sales, acquisitions & mergers. He is currently Chairman of a private Contract Research Organisation in Animal Health operating in Australia & New Zealand. He is Company Secretary of a group of Emergency Veterinary Practices operating throughout Australia. He was previously Chairman for many years of manufacturing business operating in the marine industry in Australia, New Zealand, and Asia.

Keith Middleton

B.A., AIM, AICD

Appointed Non-Executive Director (Independent) 19 March 2020, Managing Director from 11 November 2020.

Retired 7 February 2022.

Keith is a corporate advisor and director of ASX listed companies specialising in the Australian and International resource sector. He has extensive experience in financial analysis, risk management, major capital works expenditure, corporate governance and ESG regulations. Keith has direct accountability for mining operations and exploration activities coupled with strategy formulation, project evaluation and investor presentations.

Company Secretaries

Noel Whitcher

B.Com., ACA, MBA.

CFO & Company Secretary

Appointed 25 March 2022.

Noel is a qualified Chartered Accountant, with qualifications in Commerce, Business Administration and Human Resource Management. He has over 18 years' experience as a finance professional in the government, resources and energy sectors in Australia and the UK. He has a track record of implementing continuous improvement initiatives, advising companies financing options along with statutory and regulatory reporting in listed environments.

Wayne Kernaghan

B.Bus., ACA, FAICD, ACIS

Company Secretary.

Appointed 25 September 2020.

Wayne is a member of the Institute of Chartered Accountants in Australia with a number of years' experience in various areas of the mining industry. He is also a Fellow of the Australian Institute of Company Directors and a Chartered Secretary.

Remuneration Report

The Company is incorporated in New Zealand and is a foreign company in terms of the Australian Corporations Act 2001 (Cth) so a separate remuneration report is not required. An abridged report (unaudited) on remuneration of the key management personnel (KMP) of the Group which follows most of the principles required by the Corporation Act 2001 (Cth) is included below.

Remuneration policy

The remuneration policy, which sets the terms and conditions for KMP, was developed by the Company's Remuneration Committee and approved by the Board.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors and key management of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The remuneration of the Non-Executive Chairman and Directors is paid by fixed sum plus a long-term share-option equity plan (the "Plan").

Remuneration of the Managing Director is a fixed salary package plus remuneration based on Company performance.

In the 2012 financial year the Company established the Plan for the purpose of providing a long-term equity incentive structure to deliver equity-based benefits to the Directors, contractors, and employees. The Board strongly believes that the Plan better aligns the rewards of the key management personnel with the interests of the shareholders.

At the Company's Annual General Meeting held on 9 November 2021, it was approved to issue:

- i. 3,000,000 options at a deemed issue price of \$0.10 to a Director, FC O'Connor as remuneration for no cash consideration. The options were issued on 1 December 2021;
- ii. 8,000,000 options at a strike price of \$0.20 to Directors, GG Hill, D Geldard, C McAllister and K Middleton as remuneration for no cash consideration. Each director received 2,000,000 options. The options were issued on 1 December 2021;
- iii. 1,500,000 shares at an issue price of \$0.18 each to

a Director, C Gibbs as a sign on bonus. The shares were issued on 6 December 2021;

- iv. 1,500,000 options at a strike price of \$0.20 to a Director, C Gibbs as remuneration for no cash consideration. The options vesting conditions are contingent on C Gibbs achievement of STI/LTI obligations. The options were issued on 6 December 2021;

There was a total 4,000,000 options issued to consultants who subsequently became Board Members for remuneration during 2022 and 2021 financial years.

For the 2022 financial year the key management personnel of the Company consisted of the Directors of the Company and its subsidiaries.

Non-Executive Director's fees

The current maximum aggregate limit for Non-Executive Directors' fees is A\$400,000 per annum. (Limit)

If a Non-Executive Director performs extra services which, in the opinion of non-associated Directors, are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director on normal commercial terms and conditions no more favourable than those available to other parties. The remuneration would be in addition to the fees referred to above.

A non-executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

Service agreement – Managing Director

Mr C Gibbs was appointed Managing Director of the Company on 1 November 2021. A service agreement was executed on the same day. The Agreement can be terminated by either party with three months' notice. Mr Gibbs's remuneration under the Agreement is

1. Base salary of \$350,000 per annum, inclusive of statutory superannuation.
2. Subject to the ASX Listing Rules and as determined by the Company's Board, Mr Gibbs is further

entitled to participate in the Company's short-term incentive (STI) and long-term incentive (LTI) scheme.

Mr K Middleton was appointed Managing Director of the Company on 11 November 2020, retiring as Managing Director 31 October 2021. Mr Middleton's service continued as a Non-Executive Director between 1 November and 7 February, before retiring from the Board. A service agreement was executed on the same day as appointment. The Agreement can be terminated by either party with one month's notice. Mr Middleton's remuneration under the Agreement is

3. Base salary of \$259,800 per annum, inclusive of statutory superannuation.
4. Subject to the ASX Listing Rules and as determined by the Company's Board, Mr Middleton is further entitled to participate in the Company's short-term incentive (STI) and long-term incentive (LTI) scheme

Directors and Officers insurance and indemnity

During the financial year, as provided for under the Company's Constitution, the Company paid an insurance premium, insuring the Company's Directors and Officers against liabilities not prohibited from insurance by the Companies Act 1993.

Details of remuneration

Details of the remuneration and benefits of the Directors and key management personnel for the current and prior financial year are set out in Note 17 of the financial statements.

There was a total of 16,500,000 options issued as remuneration during 2022, the balances and movements of the options held by the Directors and key management personnel issued as remuneration package at year end were:

Director	Vested	Quoted	Expiry Date	Exercise Price	Number of options				
					Opening 1 July 2021	Exercised	Expired	Lapsed	Closing 30 June 2022
2022									
FC O'Connor	Yes	No	30/11/2026	\$0.10	-	-	-	-	3,000,000
GG Hill	Yes	No	30/11/2024	\$0.20	-	-	-	-	2,000,000
D Geldard	Yes	No	30/11/2024	\$0.20	-	-	-	-	2,000,000
C Gibbs	Partial	No	6/12/2024	\$0.20	-	-	-	-	1,500,000
C McAllister	Yes	No	30/11/2024	\$0.20	-	-	-	-	2,000,000
M Sanderson	Yes	No	8/11/2024	\$0.20	-	-	-	-	2,000,000
S Gustafson	Yes	No	8/11/2024	\$0.20	-	-	-	-	2,000,000
R Hudson	-	-	-	-	-	-	-	-	-
K Middleton Retired 7 Feb. 2022	Yes	No	30/11/2024	\$0.20	-	-	-	-	2,000,000
MG Hill Resigned 24 Sep. 2020	Yes	No	10/01/2023	\$0.06	500,000	(500,000)	-	-	-
					500,000	(500,000)	-	-	16,500,000
2021									
					Opening 1 July 2020		Expired	Lapsed	Closing 30 June 2021
FC O'Connor	-	-	-	-	-	-	-	-	-
GG Hill	-	-	-	-	-	-	-	-	-
D Geldard	-	-	-	-	-	-	-	-	-
K Middleton	-	-	-	-	-	-	-	-	-
MG Hill Resigned 24 Sep. 2020	Yes	No	10/01/2023	\$0.06	500,000	-	-	-	500,000
					500,000	-	-	-	500,000

End of Remuneration Report.

ARR ASX Announcements 2021/2022

Below is a list of significant corporate announcement made during the year 2021/2022:

27 July 2021	Quarterly Activities/Appendix 5B Cash Flow Report
03 August 2021	117% increase in Indicated Resource at La Paz
17 August 2021	Magnetic separation increases TREE grade by 126% at La Paz
26 August 2021	High-Grade Surface Sampling - Halleck Creek Project
20 September 2021	Annual Report to shareholders
21 September 2021	Appointment of Non-Executive Director Clarence McAllister
29 September 2021	Exploration Drilling planned for La Paz Southwest
05 October 2021	New Managing Director Appointed
12 October 2021	Feedstock supplied to researchers REE bioengineering program
22 October 2021	Quarterly Activities/Appendix 5B Cash Flow Report
26 October 2021	Investor Presentation
05 November 2021	Maiden Exploration Core Drilling planned for Halleck Creek
09 November 2021	Chairman's AGM Address and Investor Presentation
12 November 2021	Appointment of Melissa Sanderson as a Non-Executive Director
23 November 2021	Non-Dilutive US Cross Listing on OTCQB Market
06 December 2021	Strategic Capital Raising to Fidelity International Limited
16 December 2021	Exploration permits approved to advance Rare Earths Projects
07 January 2022	Appointment of Sten Gustafson as a Non-Executive Director
12 January 2022	Team Member of the US Critical Materials Institute
21 January 2022	Quarterly Activities/Appendix 5B Cash Flow Report
28 January 2022	Letter to Shareholders
8 February 2022	Appointment of Non-Executive Director Richard Hudson
14 February 2022	ARR Partners with US Government Funded R&D Projects
10 March 2022	Interim Financial Statements 31 December 2021
10 March 2022	Summary Interim Financial Results 31 December
18 March 2022	Maiden Drilling at Halleck Creek
24 March 2022	Positive field assay results for La Paz
25 March 2022	Company Secretary Appointment Noel Whitcher
07 April 2022	ARR provides an update on La Paz Metallurgy
26 April 2022	Exploration Grows Wyoming Rare Earths Project
29 April 2022	La Paz Exploration Area confirms rare earth Mineralisation
02 May 2022	Quarterly Activities/Appendix 5B Cash Flow Report
09 May 2022	Major Rare Earths Deposit Confirmed at Halleck Creek
17 May 2022	Investor presentation
14 June 2022	Assay Results Demonstrate Significant Expansion Potential
28 June 2022	Outstanding Drill Assay Results for Halleck Creek
30 June 2022	ARR Teams up for Defense Rare Earths R&D Processing

**AMERICAN RARE EARTHS LIMITED
ABN 83 003 453 503
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF AMERICAN RARE EARTHS LIMITED**

Opinion

We have audited the accompanying financial report of American Rare Earths Limited (the company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). 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 group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, American Rare Earths Limited or any of its subsidiaries.

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 for the year ended 30 June 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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AMERICAN RARE EARTHS LIMITED
 ABN 83 003 453 503
 AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
 THE MEMBERS OF AMERICAN RARE EARTHS LIMITED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
------------------	--

Capitalised Exploration and Evaluation Assets

Refer to Note 9 "Deferred Exploration and Evaluation Costs" and Note 1 "Significant Accounting Policies"

As at 30 June 2022 the group's statement of financial position includes capitalised exploration and evaluation assets amounting to \$4,897,590.

This is a key audit matter due to significant management judgement applied in determining whether capitalised exploration and evaluation expenditure meets the requirements of Accounting Standard NZ IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Our procedures included:

- Evaluating the nature of the type of the exploration and evaluation expenditure that was capitalised to verify such expenditure had met the capitalisation criteria as prescribed in NZ IFRS 6.
- Assessing the renewal of exploration licences to confirm the exploration licences are current.
- Tested a sample of additions of capitalised exploration and evaluation expenditure incurred during the year to supporting documentation.
- Conducting a review for any impairment indicators to assess the carrying value of capitalised exploration expenditure.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the ability of the Group's ability 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 group 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 consolidated financial statements 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 ISAs (NZ) 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 these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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**AMERICAN RARE EARTHS LIMITED
ABN 83 003 453 503
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF AMERICAN RARE EARTHS LIMITED**

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**AMERICAN RARE EARTHS LIMITED
ABN 83 003 453 503
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF AMERICAN RARE EARTHS LIMITED**

Restriction on Use

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement director on the audit resulting in this independent auditor's report is Tadius Munapeyi.

Hall Chadwick NZ Limited



Tadius Munapeyi

Director

Auckland, New Zealand

Dated: 21 September 2022

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Consolidated 2022 A\$	2021 A\$
Continuing operations			
Other Income	2	2,168,013	2,291,137
		<u>2,168,013</u>	<u>2,291,137</u>
Administrative, exploration and other expenses	3	(4,208,005)	(2,550,057)
(Loss) / profit for the year before income tax		(2,039,992)	(258,920)
Income tax expenses	4	-	-
(Loss) / profit for the year		(2,039,992)	(258,920)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		108,271	(95,172)
Total other comprehensive income		108,271	(95,172)
Total (losses) / comprehensive income to members of the parent entity		(1,931,721)	(354,092)

Losses/earnings per Share		Cents per share	Cents per share
Continued operations:			
Basic (loss)/earning	22	(0.55)	(0.08)
Diluted (loss)/earning	22	(0.55)	(0.08)

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Consolidated

	Share Capital A\$ (Note 13)	Options Reserve A\$ (Note 14)	Accumulated Losses A\$ (Note 15)	Foreign Currency Translation A\$	Total Equity A\$
2022					
Equity at beginning of year	13,168,308	832,467	(4,319,858)	(126,949)	9,553,968
Loss for the year	-	-	(2,039,992)	-	(2,039,992)
Share based payments	270,000	1,166,052	-	-	1,436,052
Share issue net of costs	7,390,504	(498,991)	-	-	6,891,513
Options issue to consultant	-	51,283	-	-	51,283
Exchange difference arising on foreign operations	-	-	-	108,271	108,271
Movement in equity for the year	7,660,504	718,344	(2,039,992)	108,271	6,447,127
Equity at end of year	20,828,812	1,550,811	(6,359,850)	(18,678)	16,001,095
2021					
Equity at beginning of year	10,374,714	25,800	(4,060,938)	(31,777)	6,307,799
Loss for the year	-	-	(258,920)	-	(258,920)
Share based payments	575,000	-	-	-	575,000
Share issue net of costs	1,993,594	806,667	-	-	2,800,261
Shares issued to acquired controlled entities	225,000	-	-	-	225,000
Exchange difference arising on foreign operations	-	-	-	(95,172)	(95,172)
Movement in equity for the year	2,793,594	806,667	(258,920)	(95,172)	3,246,169
Equity at end of year	13,168,308	832,467	(4,319,858)	(126,949)	9,553,968

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		Consolidated	
	Note	2022 A\$	2021 A\$
ASSETS			
Current assets			
Cash and cash equivalents		6,339,542	3,700,689
Other Receivables	5	69,109	66,081
Other Assets	6	89,471	37,938
Total current assets		6,498,122	3,804,708
Non-current assets			
Property, plant & equipment	7	36,115	11,380
Right-of-use assets	8	171,353	47,076
Exploration and evaluation assets	9	4,897,590	1,922,022
Security deposits	10	69,727	-
Financial assets	11	5,254,165	4,163,853
Total non-current assets		10,428,950	6,144,331
Total assets		16,927,072	9,949,039
LIABILITIES			
Current liabilities			
Trade and other payables	12	752,616	346,560
Lease liability		57,206	48,511
Total current liabilities		809,822	395,071
Non-current liabilities			
Lease liability		116,155	-
Total non-current liabilities		116,155	-
Total liabilities		925,977	395,071
Net assets		16,001,095	9,553,968
EQUITY			
Share capital	13	20,828,812	13,168,308
Options reserves	14	1,550,811	832,467
Foreign currency reserve		(18,678)	(126,949)
Accumulated Losses	15	(6,359,850)	(4,319,858)
Total equity		16,001,095	9,553,968

The accompanying notes form part of these financial statements.

For and on behalf of the Board



F. Creagh O'Connor AM
Chairman
21 September 2022



Chris Gibbs
Director
21 September 2022

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated 2022 A\$	2021 A\$
Cash flows from operating activities			
Interest received		2,048	60,560
Other amounts received		2,184	112,737
Income tax (paid) / refunded		-	-
Interest paid on lease liabilities		(23,318)	(11,386)
Payments to suppliers and employees		(2,320,315)	(1,329,823)
Net cash (applied to) operating activities	19	(2,339,401)	(1,167,912)
Cash flows from investing activities			
Exploration and evaluation expenditure		(2,796,022)	(1,214,576)
Payment for plant, property & equipment		(30,431)	(8,667)
Acquisition of controlled entities		-	(53,845)
Proceeds from sale of financial assets		1,061,683	2,468,821
Security deposits paid		(69,727)	-
Net cash (applied to) investing activities		(1,834,497)	1,191,733
Cash flows from financing activities			
Issue of shares		7,379,880	1,783,333
Value of options issued under placement		-	806,667
Share issue costs		(430,896)	(239,739)
Repayment of lease liabilities		(62,080)	(61,537)
Net cash provided from financing activities		6,886,904	2,288,724
Net increase / (decrease) in cash and cash equivalents held		2,713,006	2,312,545
Effects of exchange rate changes		(74,153)	(45,640)
Cash and cash equivalents at the beginning of the year		3,700,689	1,433,784
Cash and cash equivalents at the end of the year		6,339,542	3,700,689
Cash comprises:			
Cash at bank		6,339,542	3,700,689

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of accounting policies

Reporting entity: American Rare Earths Limited (**ARR** or **Company**) is a profit-oriented company incorporated in New Zealand registered under the New Zealand *Companies Act 1993* and listed on the Australian Securities Exchange (ASX).

ARR is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The financial statements of American Rare Earths Limited have been prepared in accordance with the New Zealand Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The group consists of American Rare Earths Limited and its 100% owned subsidiaries (the "Group") as at 30 June 2022. A list of the subsidiaries is provided in Note 24. These financial statements comprise the separate financial statements of the Company and the consolidated financial statement of the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation.

The Company and its subsidiaries are engaged in minerals exploration.

The Directors authorised these financial statements for issue on 21 September 2022.

Statement of compliance: These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP), the requirements of the *Companies Act 1993* and comply with New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for-profit oriented entities. These financial statements also comply with the New Zealand Financial Markets Conduct Act 2013.

Measurement base: The accounting principles adopted are those recognised as appropriate for the measurement and reporting of financial performance and financial position on the historical cost basis modified by the revaluation of certain assets. The accruals basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

Reporting currency: The functional and presentation currency is Australian dollars (A\$).

Significant accounting policies: The following accounting policies which materially affect the measurement of profit and financial position have been applied:

1. Current versus non-current classification: The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
 - Expected to be realised or intended to be sold or consumed in the normal operating cycle;
 - Held primarily for the purpose of trading; and
 - Expected to be realised within twelve months after the reporting period; or
 - Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; and
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2. Fair value measurement: The Group measures financial instruments such as derivatives and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized using the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measure as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3. Revenue recognition: The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

For the year ended 30 June 2022, revenue was only related to interest received and the rent received from the share of office. Interest revenue is recognised using the effective interest rate method.

4. Research and development tax incentive: incentive is recognised where there is reasonable assurance that the incentive will be received, and all attached conditions will be complied with. When the incentive relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the incentive relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.
5. Foreign currencies: The functional and presentation currency is Australian dollars. Monetary assets and liabilities in foreign currencies are translated into Australian currency at the closing rates of exchange.

Transactions in foreign currencies are converted into Australian currency at the rate of exchange ruling at the date of receipt or payment.

All exchange variations are included in the statement of comprehensive income.

6. Income tax: The income tax benefit (expense) for the year comprises current income tax benefit (expense) and deferred tax benefit (expense). Current income tax benefit (expense) credited (charged) to profit or loss is the tax receivable (payable) on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the years, as well as unused tax losses.

The credit (charge) for current income tax benefit (expense) is based on the profit (loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted, or are substantially enacted, by the reporting date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when

the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

7. Financial instruments:

Financial instruments recognised in the consolidated statement of financial position include cash at bank, receivables, payables and borrowings. Receivables and payables are initially recorded at fair value and subsequently amortised using the effective interest method. Borrowings are initially recorded at fair value net of transaction costs and subsequently at amortised cost using the effective interest method. Borrowing costs are recognized as an expense in the period incurred.

The Company's promissory note receivable is measured at fair value using market rates for comparable transactions. Judgment is required in determining market and comparable lending or discount rates.

A fair value measurement of an asset using a present value technique captures an estimate of future cash flows, expectations about possible variations in the amount and timing of the cash flows, the time value of money (risk-free rate), a risk premium, and other factors that market participants would take into account in the circumstances.

The Company has no off-balance sheet financial instruments.

The consolidated entity has adopted NZ IFRS 9 to classify and measure financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). Impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

8. Prospecting costs: Acquisition, exploration and development expenditure on exploration and mining tenements is initially recorded at cost. Exploration and evaluation costs are capitalised as deferred expenditure.

In the event where exploration demonstrates a tenement is no longer prospective for economically recoverable reserves, or the exploration licence is relinquished, the value or cost of the tenement is immediately recognised as an expense in the statement of comprehensive income.

Prospecting costs are expected to be recovered from future mining revenues. The recoverability of the exploration and evaluation asset is contingent upon future events, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of the tenement licences.

9. Mining tenements: When a tenement is assessed as capable of sustaining commercial mining operations, capitalised exploration and evaluation expenditure is reclassified as assets under construction and is disclosed as a component of property, plant and equipment. All subsequent development expenditure, net of any proceeds from ore sales during the development stage, is capitalised and classified as assets under construction. On completion of development, the value or cost of accumulated exploration and development costs will be reclassified as other mineral assets and amortised on the basis of units of production over the expected productive life of the mine.

Provision is made for any estimated future rehabilitation and reinstatement costs following mining. These costs will be amortised over the life of the mine.

10. Impairment of non-financial assets:

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (cash generating unit's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from

other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

11. Cash and cash equivalent: cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and at call deposits, which are subject to an insignificant risk of changes in value.
12. Segment information: Operating segments are reported if:
- Revenue is 10% or more of combined operating segment revenues;
 - The absolute value of profit or loss is greater than 10% of the combined reported profits or losses of all operating segments, whichever is greater;
 - Assets are 10% or more of combined assets of all operating segments; or
 - Information about the segment would be useful to users of the financial statements.
13. Share capital: Ordinary shares and options are classified as equity. Direct costs of issuing shares and options are deducted from the proceeds of the issue.
14. Property, plant, and equipment: The Group has one class of property, plant and equipment - office equipment. All property, plant and equipment is initially recorded at cost.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item. Depreciation is provided for on a straight-line basis on all plant and equipment at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual value over their estimated useful lives.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

Major depreciation periods are:

Computer and Office equipment 4 years

15. Cashflows: For the purpose of the statement of cash flows, cash includes cash on hand and deposits held on term deposit or at call with banks.

16. Goods and service tax: All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of the receivables or payables balance in the statement of financial position.

17. Lease liabilities: A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

18. (Losses) / Earnings per share: The Company presents basic and diluted (losses) earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the

weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for shares held for the effects of all dilutive potential ordinary shares which comprise share options.

19. Consolidation: The consolidated financial statements incorporate the financial statements of the Company and all subsidiaries over which the Company has the power to control the financial reporting and operating policies. The purchase method is used to prepare the consolidated financial statements, which involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All significant intercompany transactions are eliminated on consolidation. In the Company's separate financial statements, the investment in subsidiaries is stated at cost less any impairment losses.

20. Restoration and rehabilitation provisions: For any close-down restoration and environmental clean-up costs from exploration programs, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

21. Provision for employee entitlements: Provision is made in the accounts for obligations in respect of annual leave entitlements not taken by employees at balance sheet date.

22. Share-based payments: The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Use of estimates and judgements:

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant Note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Changes in accounting policies:

There have been no significant changes in accounting policies. All policies have been applied on bases consistent with those used in the prior period. The impact of new Standards is not expected to be material. Reclassification of prior period amounts to aid classification and presentation of balances may occur.

New and amended standards and interpretations:

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the New Zealand Accounting Standards Board ("NZASB") that are mandatory for the current reporting period.

2. Other Income

	Consolidated	
	2022 A\$	2021 A\$
Other Income		
Interest received	2,048	39,683
Other income	40,970	93,903
Profit on disposal of financial assets	734,616	1,268,881
Revaluation of financial assets	1,390,379	884,199
Gains on consolidation	-	4,471
Total Other Income	2,168,013	2,291,137

3. Administrative, exploration and other expenses

	Consolidated	
	2022 A\$	2021 A\$
Auditors' remuneration – auditing the accounts	(59,743)	(83,581)
Accounting, company secretarial, legal	(252,108)	(169,023)
Consulting fees	(149,955)	(192,151)
Directors' fees	(463,834)	(291,845)
Fair value adjustments on equity instruments	-	(450,000)
Share based payment expenses	(1,436,052)	(575,000)
Depreciation	(68,350)	(65,083)
Salaries and related expenses	(650,603)	(150,280)
Listing and registry	(221,097)	-
Relocation expenses	(95,522)	-
Marketing and promotion	(114,490)	(98,028)
Other administrative and exploration expenses	(374,538)	(329,555)
Uncapitalized exploration expenses	(122,229)	-
Investor Relations	(176,166)	-
Interest paid on lease liabilities	(23,318)	(11,386)
Tenements annual rent	-	(31,087)
Impairment loss of tenements	-	(103,038)
Total administrative and exploration expenses	<u>(4,208,005)</u>	<u>(2,550,057)</u>

4. Taxation

	Consolidated	
	2022 A\$	2021 A\$
(Loss) / profit for the year before income tax	<u>(2,039,992)</u>	(258,920)
Prima facie income tax benefit/(expense) at 26.0% (2021: 26%)	530,398	67,319
Subtract effect of permanent differences	<u>(153,576)</u>	(141,697)
	376,822	(74,378)
Temporary differences	<u>5,120</u>	(3,405)
Income tax benefit/(expense)	381,942	(77,783)
Prior year tax under-provided	-	-
Income tax benefit (not recognised)/(not recognised)	<u>(381,942)</u>	77,783
Income tax expense recognised	<u>-</u>	<u>-</u>

Deferred tax and income tax benefits are not recognised unless future taxable income is probable.

The Company has established that the business operations and the central management and control are currently in Australia. It follows that in accordance with the double tax agreement between Australia and New Zealand, the Company is treated as a resident of Australia.

Losses accrued in Australia will be available to offset future taxable income only if:

- (a.) The Company derives future assessable income of a nature and amount sufficient to offset the losses.
- (b.) The Company continues to comply with the conditions for deductibility imposed by the Law; and
- (c.) There are no changes in the legislation that would adversely affect the deductibility of the losses.

From 1 July 2014, the Company is part of a consolidated tax group. Carried forward losses of the Group are A\$3,136,675 (2021: A\$3,010,582), calculated before research & development adjustments.

5. Receivables

	Consolidated	
	2022 A\$	2021 A\$
GST refundable	26,975	24,234
Other receivables:		
- security deposit refundable	-	38,619
- miscellaneous receivables	42,134	3,228
	69,109	66,081

All financial assets are within the contracted terms.

6. Other Assets

	Consolidated	
	2022 A\$	2021 A\$
Prepayments	89,471	37,938

7. Property, plant and equipment

	Consolidated	
	2022 A\$	2021 A\$
Computer and office equipment		
Opening balance	11,380	5,027
Additions	30,431	8,667
Depreciation	(5,696)	(2,314)
Total Computer and office equipment	36,115	11,380

8. Right-of-use assets: office lease

Opening balance	47,076	109,845
Additions	186,931	-
Depreciation	(62,654)	(62,769)
Total right-of-use assets	171,353	47,076

Additional information on right-of-use assets:

Office lease

(i) Depreciation charge	(62,654)	(62,769)
(ii) Income on sub-leasing	36,033	37,770
(iii) Total cash outflow on lease	(62,080)	(61,537)
(iv) Interest paid on lease liabilities	(23,318)	(11,386)

9. Exploration and evaluation assets

Prospecting costs and mining tenements

Balance at the beginning of the year	1,922,022	576,699
Exploration and evaluation expenses	3,124,190	1,214,576
Addition through acquisition of controlled entities	-	283,315
Exchange difference	(148,622)	(49,530)
Exploration costs impaired	-	(103,038)
Balance at year end	4,897,590	1,922,022

Prospecting expenditure including exploration and evaluation expenditure is recorded as a non-current asset and carried at historic cost less any adjustment for impairment.

The ultimate recovery of the carrying amount in the exploration and evaluation expenditure is dependent on the establishment of economic operations or the realisation of the Group's economic interest in the relevant mining tenements.

In accordance with NZ IFRS 6, management has verified that there are no facts and circumstances that may suggest that the carrying value of the exploration and evaluation asset may exceed its recoverable amount.

10. Security deposits

	Consolidated	
	2022 A\$	2021 A\$
Security deposits for tenements	69,727	-

11. Financial assets

	Consolidated	
	2022 A\$	2021 A\$
Shares in listed entity at fair value	2,480,000	1,590,119
5-year promissory note at fair value	2,774,165	2,573,734
	5,254,165	4,163,853

The promissory note was measured at fair value using a present value technique capturing an estimate of future cash flows, expectations about possible variations in the amount and timing of the cash flows, the time value of money (risk-free rate), a risk premium, and other factors that market participants would take into account in the circumstances.

12. Trade and other payables

	Consolidated	
	2022 A\$	2021 A\$
Trade payables	402,451	102,117
Other payables and accrued expenses	350,165	244,443
	752,616	346,560

13. Issued Share Capital

	Consolidated	
	2022 A\$	2021 A\$
395,704,936 ordinary shares (2021: 344,308,326)	20,828,812	13,168,308
Movement in share capital	No. of shares	A\$
Share capital at 30 June 2020	290,919,592	10,374,714
Movements during the year ended 30 June 2021:		
Shares issued under placement 18 Nov 2020	6,000,000	90,000
Fair value adjustments on share placement		450,000
Shares issued under share-based payment at fair value	5,000,000	575,000
Share issued under placement 11 Dec 2020	26,666,667	1,593,333
Shares issued to acquire subsidiaries 21 Dec 2020	1,250,000	112,500
Loyalty shares issued 20 Jan 2021 ¹	1,737,444	-
Loyalty shares issued 15 Feb 2021 ¹	1,402,114	-
Loyalty shares issued 01 Mar 2021 ¹	5,082,509	-
Shares issued on exercising options 24 Jun 2021	5,000,000	100,000
Value of exercised options	-	472,500
Shares issued to acquire subsidiaries 30 Jun 2021	1,250,000	112,500
Share issue costs	-	(239,739)
Options issued under share-based payments	-	(472,500)
Share capital at 30 June 2021	344,308,326	13,168,308
Movements during the year ended 30 June 2022:		
Shares issued from placement 9 Dec 2021	39,150,000	5,794,200
Shares issued from share-based payment at fair value	1,500,000	270,000
Share issued on exercising options Aug 2021	1,000,000	210,500
Share issued on exercising options Oct 2021	4,157,778	873,133
Share issued on exercising options Dec 2021	250,000	27,900
Share issued on exercising options Jan 2022	2,709,721	471,266
Share issued on exercising options Feb 2022	78,000	14,060
Share issued on exercising options Mar 2022	1,111,111	200,278
Share issued on exercising options Mar 2022	190,000	42,961
Share issued on exercising options May 2022	1,100,000	198,275
Share issued on exercising options June 2022	150,000	40,110
Share issue costs	-	(482,179)
Share capital at 30 June 2022	395,704,936	20,828,812

¹ Loyalty shares issued under rights offer:

1 loyalty share for each 8 shares held continuously for 12 months from date of issue.

14. Options Reserve

	Consolidated	
	2022 A\$	2021 A\$
22,936,723 options (2021: 13,833,333)	1,550,811	832,467
Movement in options		
	No of options	A\$
Options at 30 June 2020	500,000	25,800
Movements during the year ending 30 June 2021:		
Options issued under share-based payments 23 Nov 2020	5,000,000	472,500
Options issued under placement 11 Dec 2020	13,333,333	806,667
Options exercised	(5,000,000)	(472,500)
Options at 30 June 2021	13,833,333	832,467
Movements during the year ending 30 June 2022:		
Options issued from share-based payments 9 November 2021	4,000,000	300,112
Options issued from share-based payments 1 December 2021	11,000,000	771,875
Options issued from share-based payments 6 December 2021	1,500,000	25,547
Options issued from placement 9 December 2021	1,000,000	51,283
Options issued from share-based payments 31 December 2021	2,350,000	68,518
Options exercised	(10,746,610)	(498,991)
Options at 30 June 2022	22,936,723	1,550,811

Details of outstanding options at 30 June 2022 are:

Unquoted	Expiry Date	Exercise Price	No. of options
	11 December 2023	\$0.20	1,000,000
	11 December 2023	\$0.15	3,336,723
	8 November 2024	\$0.20	4,000,000
	30 November 2024	\$0.20	8,000,000
	6 December 2024	\$0.20	1,000,000
	31 December 2024	\$0.20	2,100,000
	30 November 2026	\$0.20	3,000,000
	6 December 2026	\$0.20	500,000
			22,936,723

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are entitled to any proceeds of liquidation. Ordinary shares have no par value and the Company has an unlimited amount of authorised capital.

Capital Management

Management controls the capital of the Company in order to provide capital growth to shareholders and ensure the Company can fund its operations

and continue as a going concern. The Company's capital includes ordinary share capital, reserves and accumulated losses as disclosed in the Statement of Financial Position. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

15. Accumulated Losses

	Consolidated	
	2022 A\$	2021 A\$
Balance at the beginning of the year	(4,319,858)	(4,060,938)
(Loss)/profit for the year	(2,039,992)	(258,920)
Balance at the end of the year	<u>(6,359,850)</u>	<u>(4,319,858)</u>

16. Related parties

Details of key management personnel for the year were:

Name	Position
FC O'Connor	Non-executive director
GG Hill	Non-executive director
C Gibbs	Managing Director
D Geldard	Non-executive director
R Hudson	Non-executive director
C McAllister	Non-executive director
M Sanderson	Non-executive director
S Gustafson	Non-executive director
K Middleton (retired 7 February 2022)	Non-executive director

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

for consulting and other services were both for the Company and for the Group A\$2,088,701 (2021: A\$1,481,845) as below:

Entity relating to	2022 A\$	2021 A\$
Directors' fees	463,834	316,845
Shares issued to:		
D Geldard – 4 million shares each at \$0.09	-	360,000
K Middleton – 2 million shares each at \$0.09	-	180,000
C Gibbs – 1.5 million shares each at \$0.18	270,000	-
Share based payment:		
FC O'Connor – 3 million options each at \$0.10	306,231	-
GG Hill – 2 million options each at \$0.20	116,411	-
D Geldard – 2 million options each at \$0.20	116,411	-
C McAllister – 2 million options each at \$0.20	116,411	-
K Middleton – 2 million options each at \$0.20	116,411	-
K Middleton – 5 million shares each at \$0.115	-	575,000
M Sanderson – 2 million options each at \$0.20	150,056	-
S Gustafson – 2 million options each at \$0.20	150,056	-
C Gibbs – 1.5 million options each at \$0.20	25,547	-
Salary and oncosts:		
C Gibbs	233,333	-
Consulting fees:		
K Middleton	24,000	-
MG Hill (retired 24 September 2020)	-	50,000
	2,088,701	1,481,845

Amounts due to directors related entities as at balance date was \$Nil (2021: A\$ Nil).

No related party debts were written off during the year.

Amounts charged to a director related entity for share of office rental and use of office facilities during the year A\$40,986 (2021: A\$39,489).

Entity relating to	2022 A\$	2021 A\$
GG Hill	40,986	39,489

Amounts due from directors related entities as at balance date was A\$8,521 (2021: A\$ Nil).

17. Key management personnel

	Consolidated				
	Fixed Fees	Salary & Oncosts	Share Based Payment	Consulting & Management Fees	Total
	A\$	A\$	A\$	A\$	A\$
2022					
<u>Directors' fees</u>					
i) The Company:					
FC O'Connor	25,000	-	306,231	-	331,231
GG Hill	20,000	-	116,411	-	136,411
D Geldard	20,000	-	116,411	-	136,411
C McAllister	43,548	-	116,411	-	159,959
M Sanderson	29,031	-	150,056	-	179,087
S Gustafson	29,031	-	150,056	-	179,087
R Hudson	9,849	-	-	-	9,849
C Gibbs	-	233,333	295,547	-	528,880
K Middleton ¹ (Retired 7 Feb 2022)	242,375	-	116,411	24,000	382,786
Sub-total	418,834	233,333	1,367,534	24,000	2,043,701
ii) Controlled entities:					
FC O'Connor	15,000	-	-	-	15,000
GG Hill	15,000	-	-	-	15,000
D Geldard	15,000	-	-	-	15,000
Subtotal	45,000	-	-	-	45,000
Total	463,834	233,333	1,367,534	24,000	2,088,701
2021					
<u>Directors' fees</u>					
i) The Company:					
FC O'Connor	25,000	-	-	-	25,000
GG Hill	20,000	-	-	-	20,000
D Geldard	20,000	-	-	-	20,000
K Middleton	184,345	-	575,000	-	759,345
MG Hill (Retired 24 Sep 2020)	22,500	-	-	50,000	72,500
Sub-total	271,845	-	575,000	50,000	896,845
ii) Controlled entities:					
FC O'Connor	15,000	-	-	-	15,000
GG Hill	15,000	-	-	-	15,000
D Geldard	15,000	-	-	-	15,000
Subtotal	45,000	-	-	-	45,000
Total	316,845	-	575,000	50,000	941,845

¹ Fixed fees paid to Mr Middleton during the 2022 year include a performance bonus of \$80,000 in relation to his duties as Managing Director.

Remuneration of employees:

The number of employees who are not Directors and whose remuneration and benefits exceeded A\$100,000 during the financial year, was 3 (2021: 1).

18. Share-based payments

The Board determined to issue 4,000,000 options at a strike price of \$0.20 to Directors, M Sanderson, and S Gustafson as remuneration for no cash consideration. Each director received 2,000,000 options. The options were issued on 9 November 2021.

At the Company's Annual General Meeting held on 9 November 2021, it was approved to issue:

- i. 3,000,000 options at a deemed issue price of \$0.10 to a Director, FC O'Connor as remuneration for no cash consideration. The options were issued on 1 December 2021;
- ii. 8,000,000 options at a strike price of \$0.20 to Directors, GG Hill, D Geldard, C McAllister and K Middleton as remuneration for no cash consideration. Each director received 2,000,000 options. The options were issued on 1 December 2021;

iii. 1,500,000 shares at an issue price of \$0.18 each to a Director, C Gibbs as a sign on bonus. The shares were issued on 6 December 2021;

iv. 1,500,000 options at a strike price of \$0.20 to a Director, C Gibbs as remuneration for no cash consideration. The options vesting conditions are contingent on C Gibbs achievement of STI/LTI obligations. The options were issued on 6 December 2021;

2,350,000 options at a strike price of \$0.20 each were issued to staff of the company under the employee share purchase plan. The vesting of the options are subject to continued employment with the Company. The options were issued on 31 December 2021.

A summary of the movements of all Company options issued as equity-settled share-based payments and related weighted average exercise price (WAEP) is as follows:

	Number of options 2022	Consolidated	
		WAEP A\$ 2022	Number of options 2021 WAEP A\$ 2021
Options outstanding as at 1 st July	500,000	0.06	500,000 0.06
Lapsed	-	-	-
Exercised	(750,000)	0.15	-
Granted	18,850,000	0.18	-
Options outstanding as at 30 June	18,600,000	0.18	500,000 0.06

Of these outstanding options, 15,999,999 options are vested and exercisable.

The weighted average contractual life of options outstanding at year-end was 2.7 years (2021: 1.5 years). Share based payments that were included in the

statement of comprehensive income was \$1,436,052 (2021: \$575,000).

Upon expiry of the options, the balance of the share-based payments reserve relating to those options is transferred to accumulated losses.

19. Reconciliation of operating cash flow & net income

	Consolidated	
	2022 A\$	2021 A\$
(Loss)/profit after tax	(2,039,992)	(258,920)
Non-cash items:		
Depreciation	68,350	65,083
Fair value adjustments on equity instruments	-	450,000
Share based payments	1,436,052	575,000
(Gain)/Loss on revaluation of financial assets	(1,390,379)	(884,199)
Impairment loss of tenements	-	103,038
Profit on sale of financial assets	(734,616)	(1,268,881)
Gains on consolidation	-	(4,471)
Add / (less) movement in working capital:		
(Increase)/decrease in other receivable	(3,028)	34,100
(Increase)/decrease in prepayments	(51,533)	(22,594)
Increase in payables and accruals	375,745	43,932
Net cash flows applied to operating activities	<u>(2,339,401)</u>	<u>(1,167,912)</u>

20. Financial instruments

Credit Risk: Financial instruments, which potentially subject the Group to credit risk, principally consist of bank balances and receivables. Maximum exposure to credit risk at balance date is represented by the carrying value of the financial instruments. No collateral is held on these assets, and none are considered overdue or impaired. All bank deposits were held with an authorised bank in Australia and United States with at least an A credit rating and represent 100% of cash.

Currency Risk: The Group has little direct exposure to foreign currency exchange risk as the majority of cash held are denominated in Australian currencies. On balancing date, the Group had cash balances made up of Australian and United States Dollars as follows:

Currency	2022 \$	2021 \$
AUD	6,150,693	3,454,539
USD	188,849	246,150
	<u>6,339,542</u>	<u>3,700,689</u>

At 30 June, if the AUD:USD exchange rate had moved as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	\$	\$	\$	\$
Group				
+10.00%	13,975	18,215	13,975	18,215
-10.00%	(13,975)	(18,215)	(13,975)	(18,215)

Liquidity Risk: Management supervises liquidity by budgeting and by carefully monitoring cash inflows from receivables and controlling cash outflows on payables from existing cash resources. The Group relies on new equity to fund exploration expenditure.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its instruments which arises

on floating rate instruments. The Group's exposure to market interest rates relates primarily to cash and cash equivalents.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Financial Assets:	2022	2021
	\$	\$
Cash assets	6,339,542	3,700,689
	6,339,542	3,700,689

interest rates over the 12-month period were analysed and a sensitivity analysis determined to show the effect on profit and equity after tax if the interest rates at the reporting date had been 1.0% higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	\$	\$	\$	\$
Group				
+1.00%	46,912	27,385	46,912	27,385
-1.00%	(46,912)	(27,385)	(46,912)	(27,385)

Fair Values: Estimated fair values of financial instruments are considered to be the same as carrying values.

21. Segment information

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The Company does not yet have any products or services from which it derives an income.

During the year to 30 June 2022, CODM has identified the Company as having two reportable segments, being the geographic location of assets in United States and Australia.

The CODM review EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	USA A\$	Australia A\$	Total A\$
Consolidated Year Ended June 2022			
Other revenue			
Interest received	21	2,027	2,048
Other income	-	40,970	40,970
Profit on disposal of financial assets	-	734,616	734,616
Revaluation of financial assets	-	1,390,379	1,390,379
	21	2,167,992	2,168,013
Expenses			
General operating expenses	(661,203)	(3,523,505)	(4,184,708)
Interest paid on lease liabilities	-	(23,318)	(23,318)
Loss before income tax	(661,182)	(1,378,831)	(2,039,992)
	USA A\$	Australia A\$	Total A\$
Consolidated Year Ended June 2021			
Other revenue			
Interest received	12	39,671	39,683
Other income	-	93,903	93,903
Profit on disposal of financial assets	-	1,268,881	1,268,881
Revaluation of financial assets	-	884,199	884,199
Gains of consolidation	-	4,471	4,471
	12	2,291,125	2,291,137
Expenses			
General operating expenses	(389,750)	(2,045,883)	(2,435,633)
Interest paid on lease liabilities	-	(11,386)	(11,386)
Impairment of tenements	(103,038)	-	(103,038)
Loss before income tax	(492,776)	233,856	(258,920)

Below is an analysis of the Company's assets and liabilities from reportable segments:

	USA A\$	Australia A\$	Total A\$
Consolidated June 2022			
Current assets	203,495	6,294,627	6,498,122
Non-current assets	4,960,520	5,468,430	10,428,950
Total assets	<u>5,164,015</u>	<u>11,763,057</u>	16,927,072
Current liabilities	272,182	537,640	809,822
Non-current liabilities	-	116,155	116,155
Total liabilities	<u>272,182</u>	<u>653,795</u>	925,977
Net segment assets	4,891,833	11,109,262	16,001,095
Consolidated June 2021			
Current assets	261,119	3,543,589	3,804,708
Non-current assets	1,869,491	4,274,840	6,144,331
Total assets	<u>2,130,610</u>	<u>7,818,429</u>	9,949,039
Current liabilities	79,811	315,260	395,071
Non-current liabilities	-	-	-
Total liabilities	<u>79,811</u>	<u>315,260</u>	395,071
Net segment assets	2,050,799	7,503,169	9,553,968

22. Earnings per Share

	Consolidated 2022 A\$	2021 A\$
(Loss)/profit from continued operations	(2,039,992)	(258,920)
Weighted average number of shares on issue	371,543,402	316,061,366
Basic (loss)/earnings per share	(0.55) cents	(0.08) cents
Diluted average shares on issue	385,156,385	324,767,345
Diluted (loss)/earnings per share	(0.55) cents	(0.08) cents

Earnings per share is based on the average weighted number of ordinary shares on issue during the year and on the operating deficit after tax attributable to shareholders. Movement in the number of shares on issue is shown in Note 13.

23. Commitments

Expenditure requirements for tenements

The Parent entity had no expenditure requirements for tenements as at 30 June 2022. (2021: \$ Nil).

24. Interests in subsidiaries

Name of Entity	Equity Held		Country of Incorporation	Reporting Date	Activity
	2022	2021			
Broken Hill Uranium Pty Ltd	100%	100%	Australia	30 June	Inactive
Broken Hill Chemical Pty Ltd	100%	100%	Australia	30 June	Inactive
Broken Hill Minerals Pty Ltd	100%	100%	Australia	30 June	Inactive
Murray Basin Minerals Pty Ltd	100%	100%	Australia	30 June	Inactive
Wyoming Rare Pty Ltd	100%	100%	Australia	30 June	Mineral Exploration
Western Rare Earth LLC	100%	100%	USA	30 June	Mineral Exploration
La Paz Rare Earth LLC	100%	100%	USA	31 December	Mineral Exploration
Wyoming Rare (USA) Inc.	100%	100%	USA	30 June	Mineral Exploration

The investment in each subsidiary is recorded at cost in the company's statement of financial position.

25. Contingencies

The Company did not have any contingencies at the balance date 30 June 2022 (2021: A\$ nil).

26. Going Concern

The financial report has been prepared on a going concern basis.

The Group had a net loss of \$2,039,992 and had operating cash outflows of \$2,378,401 for the year ended 30 June 2022. As at 30 June 2022, the Group has cash and cash equivalents of \$6,339,542, net current assets of \$5,688,300, financial assets of \$5,254,165 and net assets of \$16,001,095.

Management believes that current cash levels are sufficient to fund ongoing administration and budgeted exploration.

Current cash levels are sufficient to fund ongoing administration and budgeted exploration. In the event additional exploration activities are undertaken, there may be a requirement to raise capital.

Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- The Group has cash and financial assets of \$11,593,707 in total and
- The current cash levels are sufficient to fund ongoing administration and budgeted exploration activities.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

27. Judgement and estimation uncertainty

The preparation of financial statements of necessity involves judgement and estimation. The effect of judgement is greatest in the assessment of impairment to capitalised exploration expenditure.

Directors have reviewed facts and circumstances surrounding the capitalised exploration expenditure and have impaired those assets which no longer have any value.

28. Parent entity information

The parent entity within the Group is American Rare Earths Limited.
The ultimate parent entity in Australia is American Rare Earths Limited.

	2022 A\$	2021 A\$
Current assets	12,623,618	6,461,487
Non-current assets	5,690,397	4,556,841
Total assets	18,314,015	11,018,328
Current liabilities	1,843,863	1,665,578
Non-current liabilities	116,155	-
Total liabilities	1,960,018	1,665,578
Net assets	16,353,997	9,352,750
Equity		
Share capital	20,828,812	13,168,308
Options Reserve	1,550,811	832,467
Accumulated Losses	(6,025,626)	(4,648,025)
Total equity	16,353,997	9,352,750
(Loss) / Profit for the year	(1,377,601)	262,231
Total (loss) / profit for the year	(1,377,601)	262,231

Guarantees entered into by the parent entity

- (a.) The parent entity has not provided any financial guarantees as at 30 June 2022 (2021: \$ Nil)
- (b.) Contractual commitments for acquisition of property, plant and equipment

As at 30 June 2022, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

29. Auditor's Remuneration

	Consolidated	
	2022	2021
	A\$	A\$
Hall Chadwick NZ Limited formerly known as IRCS Limited		
- Audit and review of financial reports paid	27,243	20,700
- Audit fees accrued	-	25,000
		<hr/>
Nexia Sydney Audit Pty Ltd		
- Audit and review of financial reports paid	-	37,881
		<hr/>
Accell Audit & Compliance, P.A.		
- Audit fees accrued	32,500	-
		<hr/>
Total	59,743	83,581
		<hr/> <hr/>

30. Matters subsequent to the end of the financial year

Subsequent to reporting date, Winkara Pty Ltd, an entity related to Mr Geldard sold 1,000,000 Ordinary Shares on the 8th of July 2022. The sale was to satisfy personal expenditure commitments. No further share sales are currently contemplated by entities related to Mr Geldard.

On the 14th of July, the Company released drill assay results from the Overton Mountain area confirming Halleck Creek's potential as one of the largest, rare earths deposits in North America. These recent results are consistent with the previously released high grade drill assay results from the Red Mountain area of the 6,000+ acre Halleck Creek Project. Using a TREO cut-off value of 1,500ppm, 352 samples exceed the cut-off and have an average TREO of 3,285ppm.

On the 4th August, the Company released assay results from newly staked claim area "Bluegrass". These results indicated consistent rare earth mineralisation throughout the expanded Halleck Creek project, demonstrating significant upside potential well beyond the current exploration target. Halleck Creek has now grown to over 6,000 acres, an area encompassing 24.5 km². Average Total Rare Earth Oxides (TREO) of 3051 ppm, Magnet Rare Earth Oxides (MREO) of 812 ppm, and Light Rare Earth Elements (LREE) of 2738 ppm were observed from 71 new surface samples in the "Bluegrass" area.

On the 17th August, the Company announced amendments to the remuneration package of Managing Director Mr Chris Gibbs. The remuneration package has been updated to add both short term and long-term performance targets to his employment contract and is subject to approval by shareholders.

On the 23rd August, the Company announced that its wholly owned US subsidiary, Western Rare Earths, has joined as the industrial partner in a research consortium that includes the technology company, Phinix, LLC and Virginia Tech University. The consortium will receive up to \$500K USD to fund the work from the US Department of Energy. WRE will provide rare earths bearing ores as feedstock for extraction and separation focused processing technology studies.

On the 25th August 2022, the Company announced it had completed a capital raise to institutional, sophisticated, and professional investors, raising \$14,000,000 before fees at a price of \$0.29 per share. Subsequently the Company issued 48,275,863 ordinary shares to participants of the capital raise. Additionally, the Company agreed to issue 6,000,000 options at a strike price of \$0.435 each to the Lead Manager of the placement, subject to shareholder approval.

On the 31st August 2022, Mr Denis Geldard, Non-Executive Director, retired from the Board of American Rare Earths.

On the 1st September, the Company announced a significantly upgraded JORC compliant Exploration Target estimate for its Halleck Creek project in Wyoming, based on the latest surface sampling, and 2022 maiden drilling results. The updated exploration targets outline between 1.01 and 1.27 billion tonnes of rare earth mineralised rocks with TREO grades ranging between 2,245 ppm and 2,807 ppm. This is an update and an increase from the original Exploration Target of 308 – 385 million tonnes of rare earth mineralised rocks previously disclosed to market.

Directors' Statement

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the financial statements to 30 June 2022:
 - a. Comply with New Zealand International Financial Reporting Standards (IFRS); and
 - a. Give a true and fair view of the Group's financial position as at 30 June 2022 and its performance and cash flows for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

For and on behalf of the Board



F. Creagh O'Connor AM

Chairman

21 September 2022



Chris Gibbs

Director

21 September 2022

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Additional Information

Directors' Information

The following general disclosures of interests were received in relation to the year ended 30 June 2022:

Director	Relevant Interest in Ordinary Shares	Relevant Interest in Listed Options	Relevant Interest in Unquoted Options
FC O'Connor	-	-	3,000,000
D Geldard	6,018,475	-	2,000,000
GG Hill	77,797,392	-	2,000,000
C Gibbs	1,500,000	-	1,500,000
C McAllister	-	-	2,000,000
S Gustafson	-	-	2,000,000
M Sanderson	-	-	2,000,000

Directors' Disclosure of Interests

No general disclosures of interests were received in relation to the year ended 30 June 2022.

Shareholders' Information as at 07 September 2022

Substantial Shareholder

Name	No. of Ordinary shares	% of Total Ordinary Shares
Hill Family Group Pty Ltd	56,871,000	12.80%

Distribution of Equity Securities

SIZE OF HOLDING	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	146	27,454
1,001 - 5,000	1,125	3,448,605
5,001 - 10,000	944	7,842,367
10,001 to 100,000	2,149	79,560,510
100,001 and over	516	353,501,863
Totals	4,880	444,380,799

There were 2,128 holders of less than a marketable parcel of ordinary shares (23.5 cents each share).

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hand.

20 Largest Shareholders 07 September 2022

Rank	Name	Units	% Units
1	HILL FAMILY GROUP PTY LTD	56,871,000	12.80
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,506,687	9.57
3	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	13,962,607	3.14
4	IPS NOMINEES LIMITED	7,432,100	1.67
5	BNP PARIBAS NOMS PTY LTD <DRP>	6,860,076	1.54
6	WILLYAMA ASSET MANAGEMENT PTY LTD <SD INVESTMENT A/C>	4,486,500	1.01
7	MS PHAIK CHIN LIM	4,383,334	0.99
8	AIKEN & ASSOCIATES LIMITED	4,288,979	0.97
9	REG INVESTMENTS PTY LTD	4,106,250	0.92
10	CLEANCARE NOMINEES PTY LTD <F BELLI EXE SUPER FUND A/C>	4,000,000	0.90
11	WINKARA PTY LTD	3,818,475	0.86
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,713,458	0.84
13	MR JOHN WARDMAN	3,500,000	0.79
14	COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	3,400,000	0.77
15	ACM GROUP PTY LIMITED	3,319,946	0.75
16	CITICORP NOMINEES PTY LIMITED	3,316,693	0.75
17	FRANCO BELLI INVESTMENTS PTY LTD <BELLI FAMILY A/C>	3,000,000	0.68
18	HONG KONG NOMINEES LIMITED	3,000,000	0.68
19	MR KAIDE WANG	3,000,000	0.68
20	DOVIDO PTY LTD	2,950,000	0.66
		181,916,105	40.99

Unquoted Options

At 07 September there were 22,536,723 unquoted options.

Exercise Price	Grant Date	Vesting Date	Expiry Date	Number
\$0.15	11 Dec 2020	11 Dec 2020	11 Dec 2023	2,936,723
\$0.20	09 Dec 2021	09 Dec 2021	08 Dec 2023	1,000,000
\$0.20	07 Dec 2021	Various	06 Dec 2024	1,000,000
\$0.20	06 Dec 2021	Various	06 Dec 2026	500,000
\$0.20	09 Nov 2021	09 Nov 2021	08 Nov 2024	4,000,000
\$0.10	01 Dec 2021	01 Dec 2021	30 Nov 2026	3,000,000
\$0.20	01 Dec 2021	01 Dec 2021	30 Nov 2024	8,000,000
\$0.20	31 Dec 2021	Various	31 Dec 2024	2,100,000

Each option provides the right for the option holder to be issued one fully paid share by the Company, upon payment of the exercise price of each option.

Over 20% Holders by Name of Unquoted Options and their Option Holdings at 07 September 2022:

There were Nil holders of unquoted options over 20% as at 07 September 2022.

Additional ASX Disclosure Requirements

1. The Company is incorporated in New Zealand.
2. The Company is listed on the Australian Securities Exchange (ASX tickers ARR).
3. There is no current on market buy back.
4. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act (Australia) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).
5. Limitations on the acquisition of securities imposed by the jurisdiction in which it is incorporated or registered: The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares of the Company.
6. The Corporate Governance Statement is listed in our website at www.americanrareearths.com.au

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AMERICAN RARE EARTHS LIMITED

(Incorporated in New Zealand)

NZ Company Number: 322887, NZ Overseas Issuer Number: 2541657

ARBN: 003 453 503 (Australia)

ABN: 83 003 453 503 (Australia)

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