

23

AMERICAN RARE EARTHS LIMITED
ANNUAL REPORT

Year ended 30 June 2023

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American Rare Earths Limited



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CORPORATE DIRECTORY

Directors

F Creagh O'Connor (Non-Executive Chairman)
Geoffrey Hill (Non-Executive Director & Deputy Chairman)
Chris Gibbs (Non-Executive Director)
Sten L. Gustafson (Non-Executive Director)
Richard Hudson (Non-Executive Director)
John Mansanti (Non-Executive Director)
Melissa Sanderson (Executive Director)
Ken Traub (Non-Executive Director)
Paul Zink (Non-Executive Director)

Chief Executive Officer

Donald Swartz II

Company Secretary

Wayne Kernaghan

Registered Office

40/2 Park Street
Sydney NSW 2000
Australia

Australian Office

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89 York Street
Sydney 2000

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Sydney NSW 2001

Phone: (+61 2) 8054 9779

Website: www.americanrareearths.com.au

Email: info@americanree.com

Auditor

Hall Chadwick
40/2 Park Street
Sydney NSW 2000
Australia

Bankers

National Australia Bank
Commonwealth Bank of Australia
Wells Fargo Bank

Listed Securities

Australian Securities Exchanges ASX Code: ARR
OTCQX – ADRs: AMRRY
OTCQB – Common shares: ARRNF
HSE: 1BHA

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

US Office

1658 Cole Boulevard, Suite G30
Lakewood
Colorado 80401

TENEMENT SCHEDULE 30 JUNE 2023

<i>Tenement Name</i>	<i>Tenement Type & Number</i>	<i>Location</i>	<i>Group Ownership</i>
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 - 375	Wyoming United States	100%
Halleck Creek	0-43568 – 0-43571	Wyoming United States	100%
Western Rare	Nevada T-01 – T80	Nevada United States	100%

FINANCIAL YEAR ENDING 30 JUNE 2023

MESSAGE FROM THE CHAIRMAN

F. Creagh O'Connor AM



Dear Shareholders

It's my pleasure to share the annual report for the financial year ending 30 June 2023 with you. Like many of our peers, sadly, our share price continues to languish at levels that we believe do not reflect the significant value of the rare earth resources that we have within our portfolio. We remain confident that this will change as we continue to advance our projects.

Our strategic vision is to play a crucial role in helping to restore the United States rare earths supply chain for the clean energy future. Underpinning this is our expertise as a successful exploration and development company.

To reach our goals, we continued to gain ground with our exploration development work that commenced in the prior financial year. Major steps forward in FY23 were defining our 1.43 billion-tonne rare earth project at Halleck Creek on 25% of our tenements and identifying a further rare earth deposit at Beaver Creek in Wyoming. Already Halleck Creek has the potential to be one of the world's largest rare earths deposits and we have not yet completed our exploration work there.

Our decision to move management and operations to the United States has continued post year end with the opening of our new Head Office in Denver, Colorado and our three new American directors joining us, subsequently, we also upgraded our OTC listing in the USA as a precursor to listing on Nasdaq.

While we remained firmly focused on the direction in the USA, macroeconomic challenges were a feature of FY23, as capital markets suffered from the impacts of interest rate rises across the globe, changing valuations, particularly for explorers, as commodity prices and exchange rates trended downwards. More broadly, Neodymium (Nd) oxide and Praseodymium (Pr) oxide prices trended downward following February's record high prices and had nearly

halved by May. This decline has directly impacted our share price in the recent short term.

Strategically, we completed an AUD \$14.0 million capital raise in August 2022, which has kept our Company in a strong financial position. The capital raise enables us to continue our program of work for the next 12 months, pleasingly, the raise was supported by our key institutional investor, Fidelity, which maintained its 9.9% stake.

Looking forward, there are a number of macroeconomic and strategic ingredients that we believe will benefit our share price in the longer term. Among these is strong US Government support for the rare earths industry, our strategically significant deposit with a current JORC resource including an estimated 4.73 million tonnes of total rare earth oxides, escalating demand for minerals needed for decarbonisation and growing focus on ESG credentials. These are just a few of the many factors that will assist us as this industry develops.

With the building blocks now in place, we look forward to progressing the preliminary economic assessment (PEA), due for completion this financial year.

Alongside progressing our projects, we continued our work with leading United States R&D programs and in FY23 joined a consortium for the Critical Materials Next Generation Technologies and Field Validation. We were delighted to become the only ASX-listed rare earths company to join this group. We also partnered with a consortium of research companies and universities led by Virginia Tech University to research carbon capture during precipitation of rare earth elements. We are supplying feedstock material from Halleck Creek for this three-year project, which received USD \$2.2 million in funding from the United States Department of Energy (ARPA-E MINER).

After FY23, we acquired a 13.21% strategic investment in Godolphin Resources at approximately AUD \$1 million. This investment provides us with exposure to strategic metals in an Australian context that is viewed as a long-term asset analogous to the investment in Cobalt Blue.

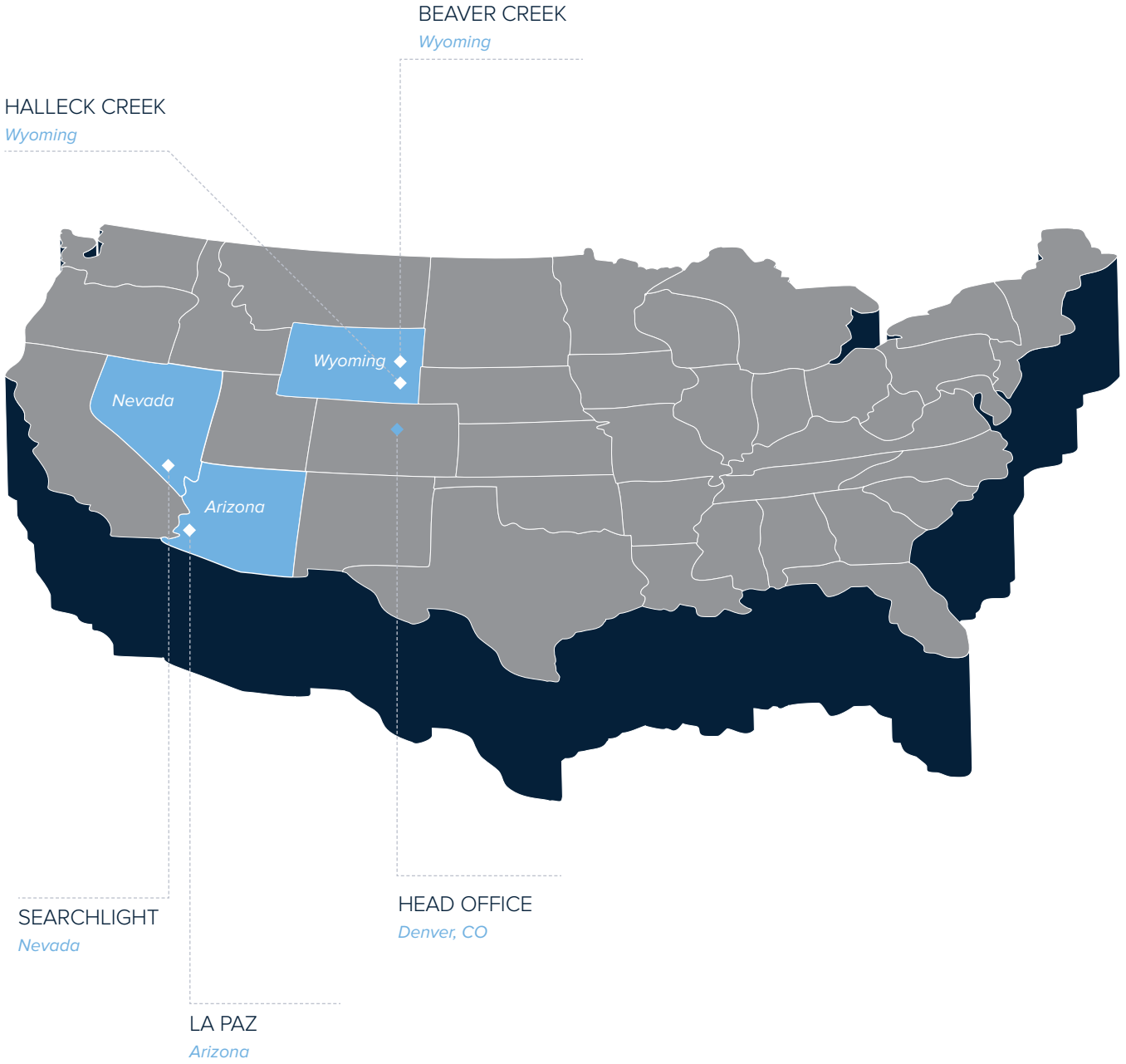
I would like to thank Managing Director and CEO Chris Gibbs, who is transitioning to a Non-Executive role for his endeavours and commitment, and welcome Donald S. Swartz II, who, on 1 August 2023, commenced as CEO based in Denver, Colorado. Along with Donald's appointment, we have made additional appointments to the Board and I would like to welcome Ken Traub, John Mansanti and Paul Zink. I also acknowledge and thank Clarence McAllister for his involvement and commitment to the Board.

On behalf of the Company and Board of directors, I thank all shareholders for their loyalty and support in FY23. The coming year is filled with fresh opportunities as our projects continue to advance, we develop our standing within the American capital markets, and we invest in R&D that will enable us to be successful as a leading North American rare earths company with, the management, resources and technology that create shareholder value.



F. CREAGH O'CONNOR AM
Chairman

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MAJOR PROJECTS

Expanding high value resources, including two of the potentially largest rare earths projects in the USA.

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PROJECT
HALLECK CREEK, WYOMING

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With a maiden JORC Resource of 1.43 billion tonnes, our 100% owned Halleck Creek project has the potential to be among the largest rare earths deposits in the US.

Potential to increase the JORC Resource with 75% of the project yet to be drilled.

24% of highly valuable magnetic rare earth elements, Neodymium and Praseodymium (NdPr).



HALLECK CREEK,
WYOMING

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- » An estimated 4.73 million tonnes of contained Total Rare Earth Oxides (TREO)
- » Average TREO grade of 3,309ppm
- » Consistent grades from surface to a depth of 175.5m
- » Expansion to 3,304 hectares (8,165 acres)
- » Test work shows rare earths elements (REE) rich allanite is the primary REE bearing mineral at the project
- » Metallurgical test work shows a simple flow sheet to produce a rare earth concentrate
- » Results confirm very low Thorium and Uranium penalty elements
- » 77% of the gangue (waste) material is removed through the WHIMS process



PROJECT
LA PAZ, ARIZONA

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Our 100% owned La Paz is a bulk tonnage project with a 170MT JORC Resource estimate already in place and an exploration program that could lift its Resource to over one billion tonnes of mineralised rare earth rocks. Very few rare earths resource estimates across the world exceed one billion tonnes of rare earth metal oxide content; like Halleck Creek, La Paz has the potential to be one of the largest rare earths projects in the US.



-
- » Metallurgical test work successfully completed
 - » Leach technology demonstrated high levels of rare earth metals extraction and rapid dissolution times
 - » Recovery rates of up to 66.4% TREO and 71.5% Scandium achieved
 - » Results confirm very low Thorium and Uranium penalty elements



PROJECT
BEAVER CREEK, WYOMING

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BEAVER CREEK,
WYOMING

- » Identified a significant rare earth deposit in Wyoming, USA
- » Grades between 1.7% and 9.1% of Lanthanum, Cerium, Neodymium, Praseodymium, and Yttrium (La + Ce + Nd + Pr + Y) were observed
- » 37 federal unpatented lode claims were staked covering 303 hectares (749 acres)
- » Applications have been lodged with the state of Wyoming for a further 259 hectares (640 acres)



SUPPLY CHAIN R&D

Across our R&D projects, we have partnered with global top 100 universities and American national laboratories.

» Team member of the US Department of Defense DARPA EMBER program, as part of the SynBREE project led by Lawrence Livermore National Laboratory

» Team member of the Critical Materials Institute, recently granted 5 years' additional funding by the US Department of Energy

» Provide feedstock material for the ARPA-E MINER program funded by the US Department of Energy

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AMERICAN RARE EARTHS ESG COMMITMENT

Our role and responsibilities as temporary custodians of the lands we explore.

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

Our flagship project, Halleck Creek, Wyoming, is where we are working hard to begin the development of a major strategic rare earth resource. During the year, we partnered with environmental specialists and local authorities to identify and map the flora and fauna in the Overton and Red Mountain areas. The resulting information will serve as bedrock in our operational planning, ensuring we consider what we have today and plan for full restoration after operations cease.

Water is a vital resource to our neighbours and ourselves. Despite a welcome snowy winter, Wyoming essentially is a high plateau engulfed in an ongoing drought of 20-year duration. Taking advantage of runoff from the winter snows, we conducted a thorough survey of the water sources in our district, including so-called transitory waters, which, in some cases, were running for the first time in several years. We also made special note of ponds essential to migratory species and cataloged those species' appearance times. Our goal is to utilise the best water conservation and recycling technologies when building our structures, to minimise our impact and to share responsibly with our neighbours, both human and wild.

This year we also did more survey work at our project in La Paz, Arizona, to better understand the resource and how it can best be developed. While there, we made field notes on flora and fauna, although we are not yet at the stage to commission a formal study.

We continue to build and maintain good relationships with the ranchers and small towns near our respective properties to share our vision and passion – developing secure sources of the materials needed for a greener and more secure US economy. We want to ensure we understand and respond appropriately to our neighbours' concerns, questions, or desires. Likewise, we continue to brief local and national politicians from both Wyoming and Arizona about our activities because we understand that transparency is key to sustainable success.

Our drilling programs in Wyoming and Arizona have not only adhered to regulations but, especially in remediation, have surpassed what is required of us.

This year, we aggressively advanced our vision of fully Americanizing the Company. To that end, we hired a new senior leadership team – CEO, CFO and Corporate Counsel – as well as three new American members of the Board. These changes have greatly enhanced our governance and oversight capacity by bringing experienced mining personnel and non-mining professionals aboard. We will also adhere to the highest ethical and professional standards and practices as we continue to grow.

We have put strict standards of behaviour in place to guide and protect our employees today and tomorrow. The newest members of our team reflect our shared values and best practices – human and technical. Our ESG program continues to expand, not just because of measures that are required, but because it is an integral part of who we are.

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We continue to build and maintain good relationships with the ranchers and small towns near our respective properties to share our vision and passion – developing secure sources of the materials needed for a greener and more secure US economy

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2023.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated:

Current Directors

F Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Geoffrey Hill	Non-Executive Director and Deputy Chairman	Appointed 27 August 2015
Chris Gibbs	CEO & Managing Director	Appointed 1 November 2021 Retired 31 August 2023
	Non-Executive Director	Appointed 31 August 2023
Melissa Sanderson	Non-Executive Director	Appointed 12 November 2021
	Executive Director	Appointed 6 January 2023
Sten Gustafson	Non-Executive Director	Appointed 7 January 2022
Richard Hudson	Non-Executive Director	Appointed 8 February 2022
Ken Traub	Non-Executive Director	Appointed 18 August 2023
John Mansanti	Non-Executive Director	Appointed 21 August 2023
Paul Zink	Non-Executive Director	Appointed 21 August 2023

Former Directors

Clarence McAllister	Non-Executive Director	Appointed 21 September 2021 Resigned 29 June 2023
Denis Geldard	Non-Executive Director	Appointed 3 August 2015 Resigned 31 August 2022

Details of Directors

Current

F. Creagh O'Connor: AM, FAIM, FAICD. Chairman and 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. Mr O'Connor has had no other directorships of ASX listed companies in the last three years.

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 Sydney, with specialist 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 Capital Group and Chairman of ASX listed company Advanced Metals limited.

During the past 3 years Mr Hill was a Director of the following listed companies:

- Advance Metals Limited (ASX:AVM)

Chris Gibbs: BA, AIM, AICD Non-Executive Director (transitioned from CEO & Managing Director on 31 August 2023). 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. Mr Gibbs has had no other directorships of ASX listed companies in the last three years.

Melissa (Mel) Sanderson: B.Ec., BA English Literature, MBA, Professor, Thunderbird School of Global Management. President North America, Executive Director (transitioned from Non-Executive to Executive Director on 6 January 2023). 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 the nation as a senior diplomat in the U.S. Department of State.

During the past 3 years Ms Sanderson was a Director of the following listed companies:

- Advance Metals Limited (ASX:AVM) from 14 April 2022.

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. Mr Gustafson has had no other directorships of ASX listed companies in the last three years.

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. Mr Hudson has had no other directorships of ASX listed companies in the last three years.

Kenneth H. Traub: MBA, NACD.DC Non-Executive Director. Appointed 18 August 2023

Since 2019, Kenneth H. Traub has been the Managing Partner of Delta Value Advisors, a strategic consulting and investment advisory firm, specializing in corporate governance and turnarounds. Mr. Traub also currently serves on the Board of Directors and is Chairman of the Nominating and Corporate Governance Committee of Tidewater, Inc. (NYSE: TDW), the leading global owner and operator of offshore support vessels for the energy industry. He has over 30 years of experience as a CEO, chairman, director, investor, and consultant in public companies with a successful track record of driving strategic, financial, operational and governance improvements to enhance shareholder value. Mr Traub has had no other directorships of ASX listed companies in the last three years.

John G. Mansanti: Non-Executive Director. Appointed 21 August 2023

John G. Mansanti is a consultant to the minerals industry. He has more than four decades of mining experience, primarily in operations, technical support, and capital projects. Mr. Mansanti is an experienced CEO, Non-Executive Director and leader of major US mines. He has more than 45 years of experience leading successful teams in mining. Those teams were successful in project development, engineering, project financing, capital execution, and operations. Mr. Mansanti was CEO of Pacific Soda, CEO and President of Crystal Peak Minerals, and Senior VP of Operations for Intrepid Potash. He served as a director for Rye Patch Gold and Alio Gold. Mr Mansanti has had no other directorships of ASX listed companies in the last three years.

Paul Zink: B.A.: Non-Executive Director. Appointed 21 August 2023

Paul Zink is currently a Professor of Practice in the Economics and Business and Mining Engineering departments at the Colorado School of Mines. Mr. Zink has more than 45 years of experience in leading and building cross functional teams in mineral royalties, mineral economics, financial management, strategic planning, and acquisition targeting. He has served as a director for several companies including Timberline Resources, Rare Element Resources and Atna Resources, where he chaired the Audit Committees. Also former CFO of Rare Element Resources Limited. Mr Zink has had no other directorships of ASX listed companies in the last three years.

Former Directors**Denis Geldard: AWASM, MAIMM. Non-Executive Director (Independent). Appointed 3 August 2015. Resigned 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. Mr Geldard has had no other directorships of ASX listed companies in the last three years.

Clarence McAllister: BSEE, MS, MBA, PE, RCDD. Non-Executive Director. Appointed 21 September 2021. Resigned 29 June 2023

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. Mr McAllister has had no other directorships of ASX listed companies in the last three years.

Company Secretaries**Wayne Kernaghan: BBus, 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.

Former Company Secretary**Noel Whitcher: BCom, ACA, MBA. Appointed 25 March 2022. Resigned 31 January 2023**

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.

Principal Activities

The principal activity for the Consolidated Entity comprising American Rare Earths Limited ("the Company") and its controlled entities (together "the Consolidated Entity") during the course of the financial year was mineral exploration. There was no significant change in the nature of the Consolidated Entity's activities during the year.

Results

The loss attributable to the Consolidated Entity for the financial year was \$4,846,560 (2022: loss \$2,039,992). No income tax was attributable to this result (2022: \$Nil).

Dividends

The directors do not recommend the payment of a dividend for this financial year. No dividend has been declared or paid by the Company since the end of the previous financial year.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years other than:

- On 1 August 2023 Mr Donald Swartz was appointed as the Chief Executive Officer of the Company based in Denver replacing Mr Chris Gibbs who remains with Company as a Non-Executive Director and consultant based in Australia.
- In August 2023, Mr Ken Traub, Mr John Mansanti and Mr Paul Zink were appointed to the Board of Directors of the Company as Non-Executive Directors based in the United States. The three appointments demonstrate the Company's commitment to strengthening its position in the rare earths industry and expanding its presence in the United States.
- On 1 September 2023 the Company became a substantial shareholder of Godolphin Resources Limited holding a 13.21% interest.

Likely Developments and Future Results

Other than as referred to in this report, further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the Consolidated Entity.

Options

As at the date of this report the Company has 46,994,223 (2022: 22,536,723) unquoted options on issue. During the year 25,250,000 (2022: 19,850,000) options were issued and 5,692,500 (2022: 10,746,610) options were exercised/cancelled. Refer to Note 14 of the financial statements for further details of the options outstanding.

During the year 442,500 fully paid ordinary shares were issued by virtue of the exercise of options (2022: 10,746,610). Since the end of the financial year no shares have been issued by virtue of the exercise of options (2022: 400,000).

Directors' Interest

At the date of this report, the interest of the directors in the shares and options of the company were:

2023	Direct		Indirect	
	Fully Paid Shares	Options	Fully Paid Shares	Options
FC O'Connor	-	3,000,000	-	-
G Hill	-	2,000,000	79,973,392	-
C Gibbs	2,000,000	-	1,500,000	11,500,000
M Sanderson	-	2,000,000	-	-
S Gustafson	-	2,000,000	-	-
R Hudson	-	-	300,000	2,000,000
K Traub	-	1,500,000	-	-
J Mansanti	-	1,500,000	-	-
P Zink	-	1,500,000	-	-

Directors' Meetings

The number of meetings of the Directors Audit Committee and Remuneration Committee held during the year ended 30 June 2023 and the numbers of meetings eligible to attend while a director were:

Directors:	Board of Directors		Audit & Risk Committee		Remuneration & Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
FC O'Connor	8	8	-	-	5	5
G Hill	8	8	9	8	5	5
C Gibbs	8	8	-	-	-	-
C McAllister	8	6	-	-	-	-
Mel Sanderson	8	7	-	-	2	2
S Gustafson	8	8	9	9	-	-
R Hudson	8	8	9	9	4	4
D Geldard	-	-	-	-	-	-

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

As well as formal directors' meetings, executive and non-executive directors are in frequent communication.

FINANCIAL REVIEW

- **\$14,362,375 raised in additional capital during the financial year (before costs)**
- **Cash balance at 30 June 2023 was \$12,485,220 (2022: \$6,339,542)**
- **Total assets at 30 June 2023 was \$25,914,657 (2022: \$16,927,072)**
- **Total liabilities at 30 June 2023 was \$715,809 (2022: \$925,977)**

During the financial year the Company successfully raised \$14,000,000 (before costs) from a placement of 48,275,863 fully paid shares to professional and sophisticated investors at an issue price of \$0.29 per share undertaken by Canaccord Genuity (Australia) Limited. A further 442,500 shares were issued during the financial year due to exercise of options at \$0.15 each, which raised additional capital of \$66,375.

Additionally, in November 2022 shareholders voted to approve that Managing Director Mr Gibbs be able to subscribe 2,000,000 ordinary shares of the Company raising \$296,000. This share purchase was agreed in December 2021 as part of the institutional placement to Fidelity at \$0.148 per share but was subject to shareholder approval.

REVIEW OF OPERATIONS

American Rare Earths is one of the few listed companies with exposure to the rapidly expanding US market, developing its 100% owned magnet metals projects, Halleck Creek in Wyoming and La Paz in Arizona. Both have potential to be among the largest rare earths deposits in North America. The company is concurrently evaluating other exploration opportunities while collaborating with US Government supported R&D to develop a sustainable domestic supply chain for the renewable future.

Halleck Creek Rare Earths Project

During the year the company made significant progress advancing the development of its flagship project, Halleck Creek. Located in the mining friendly jurisdiction of Wyoming, the Halleck Creek Project is becoming a strategic asset for the USA to help onshore supply of rare earths and mitigate the long-term threat of China. The Halleck Creek Rare Earths project is 100% owned and is located in Wyoming.

In September 2022 the Company was excited to share that the Halleck Creek exploration target increased by 328%, exceeding expectations. The mass of mineralised rocks in the new exploration target was more than three times larger than previously estimated with the updated target outlines 1.01 – 1.27 billion tonnes, an increase from the original target of 308 – 385 million tonnes.

The newly staked claim in the Bluegrass area, provided assay results with consistent rare earth mineralisation. The 71 samples collected in this area exhibited an average TREO value of 3051 ppm, and the highest observed level of TREO was 5,065 ppm. The Bluegrass area assay results indicated that rare earth enrichment continues east of Overton Mountain. Very low levels of penalty elements thorium and uranium were displayed in the results.

In December 2022 the exploration team completed the second drill program on the project, which included a 38 hole Reverse Circulation (RC) drill campaign. Assay results showed consistent occurrences of rare earth mineralisation to depths of 175.5 metres, an increase of 75.5% over previous drill depths with the deposit remaining open laterally and at depth. Geological data continues to show substantial rare earth mineralisation and upside potential.

On 30 March 2023 the Company was pleased to announce a maiden JORC Resource estimate for the project. The JORC Resource at Halleck Creek is 1.43 billion tonnes with an average TREO grade of 3,309 ppm, and an average NdPr grade of 734 ppm. The JORC Resource estimate has exceeded expectations in comparison to previous exploration target estimates and has demonstrated the Halleck Creek project potential to become a world class deposit. The resource area covers 384 hectares (949 acres) of the total exploration area held by the Company which totals 3,304 hectares (8,165 acres), meaning the JORC Resource has the potential to greatly increase with future exploration campaigns.

Under the technical leadership of Wood PLC, the Company was pleased to receive outstanding mineralogy results from our testing partners, SGS Canada with Nagrom. This test work showed that rare earth elements (REE) rich Allanite is the primary REE bearing mineral at the project. A coarse grain structure was observed which indicates the Allanite will respond well to standard Wet High-Intensity Magnetic Separation (WHIMS) with potentially high recoveries and upgrading of rare earth elements, including neodymium and praseodymium. Considerable reductions in operating costs for production facilities could be achieved off the back of this information.

The metallurgical (comminution) tests conducted on Halleck Creek, indicate low mining and processing costs due to the less abrasive ore which will require less coarse grinding and a reduction in energy costs, allowing for increased capacity. Crushing and grinding are major costs associated with processing so this less abrasive ore is a positive result. Furthermore, with consistent mineralisation from surface to over 500 feet the project also lends itself to a large-scale open pit mining operation, with minimal stripping of waste.

In June 2023, further metallurgical test work supported previous results showing a simple process flow sheet to produce a rare earth concentrate and maximise the recovery of magnet metals Neodymium and Praseodymium (NdPr). The bulk rougher/scavenger (primary) Wet High Intensity Magnetic Separation (WHIMS) produced 72% recovery and rejected 77% of feed mass, an upgrade ratio of 3.1. The tests rejected a highly encouraging 77% of waste material in the early processing stages prior to the flotation circuit, demonstrating potential opportunities to reduce the project's operating and capital costs. This is a 5% improvement from preliminary test work results announced in December 2022. These promising results are further enhanced by the low levels of penalty elements thorium and uranium, which remain well below regulatory standard.

With a maiden JORC Resource estimate of 1.43 billion tonnes the Halleck Creek project is strategically significant, containing over 4.73 million tonnes of rare earth oxides. With only a quarter of the licence area drilled and remaining open at depth, the upside potential is significant. The Halleck Creek project is shaping up to be a strategic asset for the USA to supply rare earths for future generations.

La Paz Rare Earths Project

The La Paz Rare Earths project is 100% owned by the Company's wholly owned US based subsidiary, La Paz Rare Earth LLC ("LPRE") and is located approximately 200km northwest of Phoenix, in mining friendly Arizona. The Project incorporates a 170.6 million tonnes JORC compliant resource close to key infrastructure. The current resource estimate encompasses only 10.2% of the project area and is open laterally and at depth. Drill permits were approved for the new southwest area of the project with a target estimate of 742 to 928 million tonnes with 350 to 400 TREO. The exploration target is additive to the existing JORC resource.

The large-scale project has the advantages of excellent grades of magnet rare earths elements (NdPr) as well as Scandium, and importantly negligible radioactive elements (thorium) which is unusual for rare earths projects.

Results of metallurgical test-work showed recovery rates of up to 66.4% TREO and 71.5% Scandium achieved and confirmed very low thorium and uranium penalty elements. With metallurgical test-work completed at La Paz the Company requested Wood use the results to develop a conceptual flowsheet for the La Paz concentrator. La Paz remains a key project in the portfolio for the Company. With limited resources the Company's primary focus has since pivoted to the Halleck Creek project given the outstanding exploration results during the past year.

Details of JORC Resources at 30 June 2023

Halleck Creek

Table 1 summarises estimated in-situ resources at Halleck Creek by resource area and category using a TREO cut-off of 1,500 ppm.

Table 1 - Estimated Rare Earth Resources at Halleck Creek

Resource Area	Tonnes (millions)			Kg TREO (millions)			Kg NdPr (millions)			Grade (ppm)	
	Indicated	Inferred	Total	Indicated	Inferred	Total	Indicated	Inferred	Total	TREO	NdPr
Overton Mountain	348	434	782	1,202	1,464	2,666	274	326	600	3,408	767
Red Mountain	274	373	647	907	1,158	2,065	202	248	450	3,190	695
Grand Total	622	807	1,430	2,109	2,622	4,731	477	573	1,050	3,309	734

La Paz

Table 2: La Paz Rare Earths Project JORC 2012 Classified Mineral Resource Estimate

La Paz Resource Estimate 2012 JORC				
	Mt	Grade (%)	Contained REE (kg)	Contained REE (Mlbs)
Inferred	112	0.037	37,586,080	83.3
Indicated	16.2	0.037	5,436,558	12.1
Total	128.2	0.037	43,022,638	95.4

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 they are 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.

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RISK MANAGEMENT

American Rare Earths manages risks inherent in its business with the objective of 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:

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.

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 the United States, 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.

Indemnification and insurance of Directors and Officers

The Company has entered into deeds of indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law. The Company has paid premiums totalling \$60,733 (2022: \$58,500) in respect of Directors and Officers Liability Insurance and Company reimbursement policies, which covers all Directors and Officers of the Company. The policy conditions preclude the Company from any detailed disclosures.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Hall Chadwick, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Hall Chadwick during or since the financial year.

Employees

The Consolidated Entity employed 7 employees as at 30 June 2023 (2022: 9).

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of American Rare Earths Limited support and have adhered to the principles of good corporate governance. The Company's corporate governance statement is on our website.

Auditor Independence

The directors have received the auditor's independence declaration for the year ended 30 June 2023 which is on page 36 and forms part of this directors' report. For the year Hall Chadwick have provided non-audit services to the Consolidated Entity in the amount of \$2,349 (2022: \$Nil).

The directors are satisfied that non-audit services are compatible with the independence requirements of the Corporations Act 2001. The nature and scope of the non-audit services provided has meant that auditor independence was not compromised.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest Australian Dollar (unless otherwise stated) under the option available to the Company under the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the instrument applies.

REMUNERATION REPORT - AUDITED

This remuneration report outlines the director and executive remuneration arrangements of American Rare Earths Limited in accordance with the requirements of the Corporations Act 2001 and its Regulations

Remuneration Committee

The Company has a remuneration committee. The remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company and of other executives of the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the remuneration committee during the year were:

- Geoff Hill (Chairman) – Non-Executive Director
- F. Creagh O'Connor – Non-Executive Chairman
- Melissa Sanderson – Non-Executive Director – Resigned 6 January 2023
- Richard Hudson – Non-Executive Director – Appointed 11 October 2022

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for security holders. The remuneration structures take into account a range of factors, including the following:

- the capability and experience of the key management personnel;
- the requirement to utilise those skills in the furtherance of the Group's strategic objectives;
- the performance of key management in their particular role;
- the Group's overall performance;
- the remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent and smooth succession planning.

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 the issue of unlisted options.

Remuneration of the Managing Director is a fixed salary package plus short-term incentives (STI) and long-term incentives (LTI) linked to Company performance. In respect to executive directors and employees they may participate in a long-term share-option equity plan (the "Plan").

In the 2022 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 Executive Directors, employees, and contractors. 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 8 November 2022, it was approved to issue:

- i. 2,000,000 options at a deemed issue price of \$0.40 to a Director, R Hudson as remuneration for no cash consideration. The options were issued on 6 December 2022;
- ii. 5,000,000 options at an issue price of \$0.40 to a Director, C Gibbs as remuneration for no cash consideration. The options vesting conditions are contingent on C Gibbs achievement of STI obligations. The options were issued on 6 December 2022;
- iii. 5,000,000 options at an issue price of \$0.47 to a Director, C Gibbs as remuneration for no cash consideration. The options vesting conditions are contingent on C Gibbs achievement of LTI obligations. The options were issued on 6 December 2022;

For the 2023 financial year the key management personnel of the Company consisted of the Directors of the Company and its subsidiaries.

When considering the relationship between the Group's Remuneration Policy and the performance of the Group and Executives and the subsequent benefits the performance had on shareholders' wealth, the Remuneration Committee had regard to the following:

	2023	2022
Net loss (\$)	(4,846,560)	(2,039,992)
Loss per share (cents)	(1.11)	(0.55)
Dividends / distributions (\$)	-	-
Share price at year end (\$)	0.145	0.255
Market capitalisation (\$M)	64.731	100.904
Director & Key Management Personnel remuneration (\$)	<u>1,244,515</u>	<u>1,699,776</u>

The Remuneration Committee considers that the Group's remuneration policy is appropriate.

Non-Executive Director's fees

The current maximum aggregate limit for Non-Executive Directors' fees is A\$1,000,000 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.

On 1 September 2023, he ceased employment as Managing Director and transitioned to a Non-Executive Director.

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.

Details of Key Management Personnel

Directors

Name	Position
FC O'Connor	Non-Executive Chairman
G Hill	Non-Executive Director
C Gibbs	CEO & Managing Director
C McAllister	Non-Executive Director (Resigned 29 June 2023)
M Sanderson	Executive Director
S Gustafson	Non-Executive Director
R Hudson	Non-Executive Director
D Geldard	Non-Executive Director (Resigned 31 August 2022)

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the Group.

Details of the nature and amount of each element of the remuneration of Directors and other Key Management Personnel of the Company during the financial year are:

Key Management Personnel	Year	Short-Term Employee Benefits		Post-Employment	Share Based Payments		Proportion of Remuneration Performance Related	Value of Share-Based Payments as a Proportion of Remuneration	
		Salary & Fees	Bonus	Super-annuation Benefits	Shares	Options			Total
		\$	\$	\$	\$	\$			\$
Directors									
FC O'Connor	2023	37,500	-	-	-	-	37,500	-	-
	2022	40,000	-	-	-	306,229	346,229	-	88.4
G Hill	2023	20,000	-	-	-	-	20,000	-	-
	2022	35,000	-	-	-	116,412	151,412	-	76.9
C Gibbs	2023	322,499	-	27,447	-	265,457	615,403	43.1	43.1
	2022	212,121	-	21,212	270,000	25,547	528,880	4.8	55.9
C McAllister ^{1,2}	2023	141,478	-	-	-	-	141,478	-	-
	2022	40,917	-	-	-	116,412	157,329	-	74.0
M Sanderson ^{2,3}	2023	202,119	-	-	-	-	202,119	-	-
	2022	27,278	-	-	-	150,056	177,334	-	84.6
S Gustafson ²	2023	59,806	-	-	-	-	59,806	-	-
	2022	27,278	-	-	-	150,056	177,334	-	84.6
R Hudson	2023	22,624	-	2,376	-	139,876	164,876	-	84.8
	2022	9,091	-	758	-	-	9,849	-	-
D Geldard ⁴	2023	3,333	-	-	-	-	3,333	-	-
	2022	35,000	-	-	-	116,412	151,412	-	76.9
Total	2023	809,359	-	29,823	-	405,333	1,244,515	32.6	32.6
	2022	426,685	-	21,970	270,000	981,124	1,699,779	57.7	73.6

- 1) On 29 June 2023, Mr Clarence McAllister retired from the board and received a termination payment being 6-months payment in lieu (\$22,275). No other termination payments, bonuses or long-term benefits have been paid or accrued for any other director or key management personnel in the year ended 30 June 2023 (2022: \$Nil).
- 2) The following Directors received payments in 2023 in respect to the cancellation of unlisted options held in wholly owned subsidiary Western Rare Earth LLC - C McAllister \$74,653, M Sanderson \$30,106 and S Gustafson \$30,106.
- 3) On 6 January 2023, Ms Melissa Sanderson transitioned to an executive role within the Group as President of North American Operations.
- 4) On 31 August 2022, Mr Dennis Geldard retired from the board.

Equity Instruments held by Key Management Personnel

The number of shares and options over shares in the Company held during the financial year by each Director of and each of the other key management personnel, including their personally related entities, are set out below:

Movement in Shareholdings held by Key Management Personnel ¹

	Held at 30 June 2022	Other Changes During the Year	Held at 30 June 2023
2023			
Directors			
FC O'Connor	-	-	-
G Hill	78,897,392	876,000	79,773,392
C Gibbs	1,500,000	2,000,000	3,500,000
C McAllister ²	-	-	-
M Sanderson	-	-	-
S Gustafson	-	-	-
R Hudson	-	200,000	200,000
D Geldard ³	4,818,475	(4,818,475) ³	-
Total	85,215,867	(1,742,475)	83,473,392
	Held at 30 June 2021	Other Changes During the Year	Held at 30 June 2022
2022			
Directors			
FC O'Connor	-	-	-
G Hill	77,797,392	1,100,000	78,897,392
C Gibbs ⁴	-	1,500,000	1,500,000
C McAllister	-	-	-
S Gustafson	-	-	-
R Hudson ⁵	-	-	-
D Geldard	6,018,475	(1,200,000)	4,818,475
Total	83,815,867	1,400,000	85,215,867

¹ Held directly and in-direct

² C McAllister retired on 29 June 2023

³ D Geldard retired 31 August 2022

⁴ C Gibbs was appointed 1 November 2021

⁵ R Hudson was appointed on 8 February 2022

No shares were granted as remuneration during the year ending 30 June 2023.

Compensation options: Granted and vested during the year

There was a total of 12,000,000 options issued as remuneration during 2023. The balances and movements of the options held by the Directors and key management personnel are:

Director	Vested	Quoted	Expiry Date	Exercise Price	Number of Options				
					Opening 1 July 2022	Issued	Expired	Exercised	Closing 30 June 2023
2023									
FC O'Connor	Yes	No	30/11/2026	\$0.10	3,000,000	-	-	-	3,000,000
GG Hill	Yes	No	30/11/2024	\$0.20	2,000,000	-	-	-	2,000,000
C Gibbs	Partial	No	6/12/2024 7/12/2025 7/12/2027	\$0.20 \$0.40 \$0.47	1,500,000 - -	5,000,000 5,000,000	-	-	1,500,000 5,000,000 5,000,000
C McAllister (Resigned 29 June 2023)	Yes	No	30/11/2024	\$0.20	2,000,000	-	-	-	2,000,000
M Sanderson	Yes	No	8/11/2024	\$0.20	2,000,000	-	-	-	2,000,000
S Gustafson	Yes	No	8/11/2024	\$0.20	2,000,000	-	-	-	2,000,000
R Hudson	Yes	No	5/12/2025	\$0.40	-	2,000,000	-	-	2,000,000
D Geldard (Resigned 31 August 2022)	Yes	No	30/11/2024	\$0.20	2,000,000	-	-	-	2,000,000
					14,500,000	12,000,000	-	-	26,500,000

2022					Opening 1 July 2021	Issued	Expired	Exercised	Closing 30 June 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 (Resigned 7 February 2022)	Yes	No	30/11/2024	\$0.20	-	-	-	-	2,000,000
					-	-	-	-	16,500,000

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Loans to Key Management Personnel

There were no loans to key management personnel during the year.

Transactions with Related Entities

Amounts charged to a director related entity for share of office rental and use of office facilities during the year was \$39,343 (2022: \$40,986).

End of remuneration report – Audited.

Signed in accordance with a resolution of the directors



F. Creagh O'Connor AM

Chairman

27 September 2023



Chris Gibbs

Director

27 September 2023

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

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

In accordance with s 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of American Rare Earths Limited. As the lead audit partner for the audit of the financial report of American Rare Earths Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney, NSW 2000



DREW TOWNSEND
Partner

Dated: 27 September 2023

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 A\$	2022 A\$
Continuing operations			
Other Income / (Loss)	2	(721,789)	2,168,013
		<u>(721,789)</u>	<u>2,168,013</u>
Administrative, exploration and other expenses	3	(4,124,771)	(4,208,005)
(Loss) for the year before income tax		<u>(4,846,560)</u>	<u>(2,039,992)</u>
Income tax expenses	4	-	-
(Loss) for the year		<u>(4,846,560)</u>	<u>(2,039,992)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		125,176	108,271
Total other comprehensive income		<u>125,176</u>	<u>108,271</u>
Total (losses) / comprehensive income to members of the parent entity		<u>(4,721,384)</u>	<u>(1,931,721)</u>
Loss per Share			
		Cents per share	Cents per share
Continued operations:			
Basic (loss)	22	(1.11)	(0.55)
Diluted (loss)	22	(1.11)	(0.55)

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 2023

	Share capital	Options reserve	Consolidated accumulated losses	Foreign currency translation	Total equity
	A\$ (Note 13)	A\$ (Note 14)	A\$ (Note 15)	A\$	A\$
2023					
Equity at beginning of year	20,828,812	1,550,811	(6,359,850)	(18,678)	16,001,095
Loss for the year	-	-	(4,846,560)	-	(4,846,560)
Share based payments	-	520,729	-	-	520,729
Share issue net of costs	13,181,833	(175,225)	-	-	13,006,608
Options issued to consultant	-	391,800	-	-	391,800
Options cancelled	-	(22,465)	22,465	-	-
Exchange difference arising on foreign operations	-	-	-	125,176	125,176
Movement in equity for the year	13,181,833	714,839	(4,824,095)	125,176	9,197,753
Equity at end of year	34,010,645	2,265,650	(11,183,945)	106,498	25,198,848
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 issued 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

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Consolidated 2023 A\$	2022 A\$
ASSETS			
Current assets			
Cash and cash equivalents		12,485,220	6,339,542
Other receivables	5	76,269	69,109
Other assets	6	75,628	89,471
Total current assets		12,637,117	6,498,122
Non-current assets			
Property, plant & equipment	7	89,008	36,115
Right-of-use assets	8	109,043	171,353
Exploration and evaluation assets	9	8,682,600	4,897,590
Security deposits	10	240,683	69,727
Financial assets	11	4,156,206	5,254,165
Total non-current assets		13,277,540	10,428,950
Total assets		25,914,657	16,927,072
LIABILITIES			
Current liabilities			
Trade and other payables	12	525,224	725,457
Provisions		74,430	27,159
Lease liabilities		63,854	57,206
Total current liabilities		663,508	809,822
Non-current liabilities			
Lease liabilities		52,301	116,155
Total non-current liabilities		52,301	116,155
Total liabilities		715,809	925,977
Net assets		25,198,848	16,001,095
EQUITY			
Share capital	13	34,010,645	20,828,812
Options reserves	14	2,265,650	1,550,811
Foreign currency reserve		106,498	(18,678)
Accumulated losses	15	(11,183,945)	(6,359,850)
Total equity		25,198,848	16,001,095

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated	
	Note	2023 A\$	2022 A\$
Cash flows from operating activities			
Interest received		398,146	2,048
Other amounts received		-	2,184
Interest paid on lease liabilities		(9,556)	(23,318)
Payments to suppliers and employees		<u>(3,579,170)</u>	<u>(2,320,315)</u>
Net cash (applied to) operating activities	19	<u>(3,190,580)</u>	<u>(2,339,401)</u>
Cash flows from investing activities			
Exploration and evaluation expenditure		(3,595,671)	(2,796,022)
Payment for plant, property & equipment		(80,256)	(30,431)
Purchase of investments		(232,000)	-
Proceeds from sale of financial assets		-	1,061,683
Security deposits paid		<u>(170,956)</u>	<u>(69,727)</u>
Net cash (applied to) investing activities		<u>(4,078,883)</u>	<u>(1,834,497)</u>
Cash flows from financing activities			
Issue of shares		14,362,375	7,379,880
Share issue costs		(963,967)	(430,896)
Repayment of lease liabilities		<u>(57,206)</u>	<u>(62,080)</u>
Net cash provided from financing activities		<u>13,341,202</u>	<u>6,886,904</u>
Net increase in cash and cash equivalents held			
Effects of exchange rate changes		6,071,739	2,713,006
		73,939	(74,153)
Cash and cash equivalents at the beginning of the year		<u>6,339,542</u>	<u>3,700,689</u>
Cash and cash equivalents at the end of the year		<u>12,485,220</u>	<u>6,339,542</u>
Cash comprises:			
Cash at bank		<u>12,485,220</u>	<u>6,339,542</u>

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 Australia registered under the *Corporations Act 2001* and listed on the Australian Securities Exchange (ASX).

The group consists of American Rare Earths Limited and its 100% owned subsidiaries (the "Group") as at 30 June 2023. 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 principal activity of the Company and its subsidiaries (the "Group") is minerals exploration.

The Directors authorised these financial statements for issue on 27 September 2023.

Basis of preparation

The financial statements of American Rare Earths Limited have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by Australian Accounting Standard Board (AASB) and the Corporations Act 2001.

These accounts have been prepared in accordance with generally accepted accounting practice in Australia and therefore also comply with International Financial Reporting Standards. For this purpose, the Company has designated itself as profit oriented.

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\$).

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Seasonality of operations

The results are unaffected to any significant extent by seasonal factors.

Changes in accounting policies

There have been no changes in accounting policies during the period. The accounting policies and method of computation applied during the previous year were applied on a consistent basis during the current period.

Going Concern

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

The Group had a net loss of \$4,846,560 and had operating cash outflows of \$3,190,580 for the year ended 30 June 2023. As at 30 June 2023, the Group has cash and cash equivalents of \$12,485,220, net current assets of \$11,973,609, financial assets of \$4,156,206 and net assets of \$25,198,848.

Management believes that 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:

- As at 30 June 2023 the Group has cash and financial assets of \$16,641,426 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.

Significant accounting policies

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

- (a) 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.

- (b) 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.

- (c) 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 2023, 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.

- (d) 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.
- (e) 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.

- (f) 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.

- (g) 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 AASB 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.

- (h) 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.

- (i) 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.

- (j) 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.

- (k) 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.

(l) **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.

(m) 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.

(n) 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:

Computers and equipment	4 years
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(o) 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.

(p) 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.

(q) 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.

(r) (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.

(s) 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.

(t) 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.

- For personal use only
- (u) 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.
 - (v) 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 AASB 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.

Judgement and estimation uncertainty

- (a) Exploration and evaluation assets

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.

New and amended standards and interpretations:

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ('AASB') that are mandatory for the current reporting period.

2. Other Income / (Loss)

	Consolidated	
	2023	2022
	A\$	A\$
Other Income / (Loss)		
Interest received	409,555	2,048
Other income	66,604	40,970
Profit on disposal of financial assets	-	734,616
Fair value adjustments on equity instruments	(1,329,959)	1,390,379
Fair value gain on derivatives	58,072	-
Realised gain on foreign exchange	73,939	-
	<u>(721,789)</u>	<u>2,168,013</u>
Total Other Income / (Loss)		

3. Administrative, exploration and other expenses

	Consolidated	
	2023	2022
	A\$	A\$
Auditors' remuneration	(152,130)	(59,743)
Accounting, company secretarial, legal	(193,805)	(252,108)
Consulting fees	(341,181)	(149,955)
Directors' fees	(353,106)	(221,459)
Share based payment expenses	(520,729)	(1,436,052)
Depreciation	(89,673)	(68,350)
Salaries and related expenses	(1,055,030)	(892,978)
Listing and registry	(179,431)	(221,097)
Relocation expenses	-	(95,522)
Marketing and promotion	(130,932)	(114,490)
Other administrative and exploration expenses	(819,368)	(374,538)
Uncapitalised exploration expenses	-	(122,229)
Investor relations	(279,830)	(176,166)
Interest paid on lease liabilities	(9,556)	(23,318)
Total administrative and exploration expenses	<u>(4,124,771)</u>	<u>(4,208,005)</u>

4. Taxation

	Consolidated	
	2023	2022
	A\$	A\$
(Loss) for the year before income tax	<u>(4,846,560)</u>	<u>(2,039,992)</u>
Prima facie income tax benefit/(expense) at 25% (2022: 25%)	1,211,640	509,998
Subtract effect of permanent differences	<u>(508,761)</u>	<u>(526,574)</u>
	702,879	(16,576)
Temporary differences	<u>(207,753)</u>	<u>383,828</u>
Income tax benefit/(expense)	495,126	367,252
Prior year tax under-provided	-	-
Income tax benefit not recognised	<u>(495,126)</u>	<u>(367,252)</u>
Income tax expense recognised	<u>-</u>	<u>-</u>

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

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

- The Company derives future assessable income of a nature and amount sufficient to offset the losses.
- The Company continues to comply with the conditions for deductibility imposed by the Law; and
- 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\$6,594,690 (2022: A\$4,614,187).

5. Receivables

	Consolidated	
	2023	2022
	A\$	A\$
GST refundable	44,731	26,975
Other receivables:		
- miscellaneous receivables	<u>31,538</u>	<u>42,134</u>
	<u>76,269</u>	<u>69,109</u>

All financial assets are within the contracted terms.

6. Other Assets

	Consolidated	
	2023	2022
	A\$	A\$
Prepayments	<u>75,628</u>	<u>89,471</u>

7. Property, plant and equipment

	Consolidated	
	2023	2022
	A\$	A\$
Computers and equipment		
Opening balance	36,115	11,380
Additions	80,256	30,431
Depreciation	<u>(27,363)</u>	<u>(5,696)</u>
Total Computers and equipment	<u>89,008</u>	<u>36,115</u>

8. Right-of-use assets: office lease

Opening balance	171,353	47,076
Additions	-	186,931
Depreciation	<u>(62,310)</u>	<u>(62,654)</u>
Total right-of-use assets	<u>109,043</u>	<u>171,353</u>

Additional information on right-of-use assets:

Office lease		
(i) Depreciation charge	(62,310)	(62,654)
(ii) Income on sub-leasing	33,381	36,033
(iii) Total cash outflow on lease	(57,206)	(62,080)
(iv) Interest paid on lease liabilities	(9,556)	(23,318)

9. Exploration and evaluation assets

Prospecting costs and mining tenements		
Balance at the beginning of the year	4,897,590	1,922,022
Exploration and evaluation expenses	3,595,671	3,124,190
Exchange difference	<u>189,339</u>	<u>(148,622)</u>
Balance at year end	<u>8,682,600</u>	<u>4,897,590</u>

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 AASB 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	
	2023	2022
	A\$	A\$
Security deposits for tenements	<u>240,683</u>	<u>69,727</u>

11. Financial assets

	Consolidated	
	2023	2022
	A\$	A\$
Shares in listed entity at fair value	1,165,999	2,480,000
5-year promissory note at fair value	2,990,207	2,774,165
	<u>4,156,206</u>	<u>5,254,165</u>

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	
	2023	2022
	A\$	A\$
Trade payables	410,992	402,452
Other payables and accrued expenses	114,232	323,005
	<u>525,224</u>	<u>725,457</u>

13. Issued share capital

	Consolidated	
	2023	2022
	A\$	A\$
446,423,299 ordinary shares (2022: 395,704,936)	34,010,645	20,828,812
Movement in share capital	No. of shares	A\$
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
Shares issued on exercising options Aug 2021	1,000,000	210,500
Shares issued on exercising options Oct 2021	4,157,778	873,133
Shares issued on exercising options Dec 2021	250,000	27,900
Shares issued on exercising options Jan 2022	2,709,721	471,266
Shares issued on exercising options Feb 2022	78,000	14,060
Shares issued on exercising options Mar 2022	1,111,111	200,278
Shares issued on exercising options Mar 2022	190,000	42,961
Shares issued on exercising options May 2022	1,100,000	198,275
Shares issued on exercising options June 2022	150,000	40,110
Shares issue costs	-	(482,179)
Share capital at 30 June 2022	395,704,936	20,828,812
Movements during the year ended 30 June 2023:		
Shares issued from placement 23 Aug 2022	48,275,863	14,000,000
Shares issued from placement 8 Dec 2022	2,000,000	296,000
Shares issued on exercising options	442,500	241,600
Shares issue costs	-	(1,355,767)
Share capital at 30 June 2023	446,423,299	34,010,645

14. Options reserve

	Consolidated	
	2023	2022
	A\$	A\$
42,494,223 options (2022: 22,936,723)	2,265,650	1,550,811
Movement in options	No of options	A\$
Options at 30 June 2021	13,833,333	832,467
Movements during the year ending 30 June 2021:		
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	<u>(10,746,610)</u>	<u>(498,991)</u>
Options at 30 June 2022	22,936,723	1,550,811
Movements during the year ending 30 June 2023:		
Options issued from placement 6 December 2022	6,000,000	391,800
Options issued from share-based payments 6-8 December 2022	19,250,000	520,729
Options cancelled during the year ¹	(5,250,000)	(22,465)
Options exercised	(442,500)	(175,225)
Options at 30 June 2023	42,494,223	2,265,650

Details of outstanding options at 30 June 2023 are:

Unquoted	Expiry Date	Exercise Price	No. of options
	8 December 2023	\$0.20	1,000,000
	11 December 2023	\$0.15	2,894,223
	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	1,100,000
	5 December 2025	\$0.40	2,000,000
	5 December 2025	\$0.435	6,000,000
	7 December 2025	\$0.40	5,000,000
	18 December 2025	\$0.40	2,000,000
	30 November 2026	\$0.10	3,000,000
	6 December 2026	\$0.20	500,000
	7 December 2027	\$0.47	5,000,000
	18 December 2027	\$0.47	1,000,000
			<u>42,494,223</u>

¹ Upon expiry or cancellation of options, the balance of the share-based payments reserve relating to those options is transferred to accumulated losses.

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	
	2023	2022
	A\$	A\$
Balance at the beginning of the year	(6,359,850)	(4,319,858)
(Loss) for the year	(4,846,560)	(2,039,992)
Transfer from option reserve ¹	<u>22,465</u>	<u>-</u>
Balance at the end of the year	<u>(11,183,945)</u>	<u>(6,359,850)</u>

¹ Upon expiry or cancellation of options, the balance of the share-based payments reserve relating to those options is transferred to accumulated losses.

16. Related parties

Refer to Note 17 and the remuneration report contained in the director's report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2023.

Amounts due to director and related entities as at balance date was A\$Nil (2022: 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 was A\$39,343 (2022: A\$40,986).

Entity relating to	2023	2022
	A\$	A\$
GG Hill	<u>39,343</u>	<u>40,986</u>

Amounts due from directors and related entities as at balance date was A\$Nil (2022: A\$8,521).

17. Key management personnel

	Consolidated	
	2023	2022
	A\$	A\$
Short-term benefits	809,359	426,685
Post-employment benefits	29,823	21,970
Share based payments	<u>405,333</u>	<u>1,251,124</u>
	<u>1,244,515</u>	<u>1,699,779</u>

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 1 (2022: 3).

18. Share-based payments

The Board determined to issue 12,000,000 options to Directors M Gibbs and R Hudson as remuneration for no cash consideration.

At the Company's Annual General Meeting held on 9 November 2022, it was approved to issue:

- i. 2,000,000 options at a strike price of \$0.40 to Director R Hudson, as remuneration for no cash consideration. The options were issued on 6 December 2022;
- ii. 5,000,000 options at an issue price of \$0.40 to Director, C Gibbs as remuneration for no cash consideration. The options vesting conditions are contingent on C Gibbs achievement of STI obligations. The options were issued on 8 December 2022;
- iii. 5,000,000 options at a strike price of \$0.47 to Director, C Gibbs as remuneration for no cash consideration. The options vesting conditions are contingent on C Gibbs achievement of LTI obligations. The options were issued on 8 December 2022.

4,250,000 options at a strike price of \$0.40 and 3,000,000 options at a strike price of \$0.47 were issued to employees and consultants of the Company under the employee share purchase plan. The vesting of the options are subject to continued employment in addition to performance hurdles where appropriate. The options were issued on 19 December 2022.

5,250,000 options were cancelled due to conditions not being satisfied in respect to continued employment.

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 2023	Consolidated WAEP A\$ 2023	Number of options 2022	WAEP A\$ 2022
Options outstanding as at 1 July	18,600,000	0.18	500,000	0.06
Lapsed/Cancelled	(5,250,000)	0.39	-	-
Exercised	-	-	(750,000)	0.15
Granted	19,250,000	0.43	18,850,000	0.18
Options outstanding as at 30 June	<u>32,600,000</u>	<u>0.30</u>	<u>18,600,000</u>	<u>0.18</u>

Of these outstanding options, 18,433,332 options are vested and exercisable.

The weighted average contractual life of options outstanding at year-end was 2.47 years (2022: 2.7 years). Share based payments that were included in the statement of comprehensive income was \$520,729 (2022: \$1,436,052).

19. Reconciliation of operating cash flow & net income

	Consolidated	
	2023 A\$	2022 A\$
(Loss) after tax	(4,846,560)	(2,039,992)
Non-cash items:		
Depreciation	89,673	68,350
Fair value gain on derivatives	(58,072)	-
Share based payments	520,729	1,436,052
(Gain)/Loss on revaluation of financial assets	1,329,959	(1,390,379)
Profit on sale of financial assets	-	(734,616)
Net exchange differences	(80,030)	-
Add / (less) movement in working capital:		
(Increase)/decrease in other receivable	(7,160)	(3,028)
(Increase)/decrease in prepayments	13,843	(51,533)
Increase/(decrease) in payables and provisions	(152,962)	375,745
Net cash flows applied to operating activities	<u>(3,190,580)</u>	<u>(2,339,401)</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 a direct exposure to foreign currency exchange risk as the majority of cash on hand is denominated in United States Dollars. At balance date, the Group had a Group cash balance denominated as follows:

Currency	2023	2022
	\$	\$
AUD	5,756,217	6,150,693
USD	6,729,003	188,849
	<u>12,485,220</u>	<u>6,339,542</u>

At 30 June 2023, if the USD:AUD 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 2023	30 June 2022	30 June 2023	30 June 2022
	\$	\$	\$	\$
Group				
+10.00%	611,728	13,975	611,728	13,975
- 10.00%	(611,728)	(13,975)	(611,728)	(13,975)

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:

	2023	2022
	\$	\$
Financial Assets:		
Cash assets	12,485,220	6,339,542
	<u>12,485,220</u>	<u>6,339,542</u>

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

At 30 June 2023, if interest rates had been higher/lower, 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 23	30 June 22	30 June 23	30 June 22
	\$	\$	\$	\$
Group				
+1.00%	139,408	46,912	139,408	46,912
- 1.00%	(139,408)	(46,912)	(139,408)	(46,912)

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 2023, 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 2023			
Other Income / (Loss)			
Interest received	279	409,276	409,555
Other income	19,832	178,783	198,615
Revaluation of financial assets	-	(1,329,959)	(1,329,959)
	<u>20,111</u>	<u>(741,900)</u>	<u>(721,789)</u>
Expenses			
General operating expenses	(1,498,755)	(2,616,460)	(4,115,215)
Interest paid on lease liabilities	-	(9,556)	(9,556)
Loss before income tax	<u>(1,478,644)</u>	<u>(3,367,916)</u>	<u>(4,846,560)</u>
	USA A\$	Australia A\$	Total A\$
Consolidated Year Ended June 2022			
Other Income			
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
	<u>21</u>	<u>2,167,992</u>	<u>2,168,013</u>
Expenses			
General operating expenses	(661,203)	(3,523,484)	(4,184,687)
Interest paid on lease liabilities	-	(23,318)	(23,318)
Loss before income tax	<u>(661,182)</u>	<u>(1,378,810)</u>	<u>(2,039,992)</u>

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

	USA A\$	Australia A\$	Total A\$
Consolidated June 2023			
Current assets	203,046	12,434,071	12,637,117
Non-current assets	8,805,577	4,471,963	13,277,540
Total assets	<u>9,008,623</u>	<u>16,906,034</u>	<u>25,914,657</u>
Current liabilities	57,522	605,986	663,508
Non-current liabilities	-	52,301	52,301
Total liabilities	<u>57,522</u>	<u>658,287</u>	<u>715,809</u>
Net segment assets	<u>8,951,101</u>	<u>16,247,747</u>	<u>25,198,848</u>

Segment information (continued)

	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	5,164,015	11,763,057	16,927,072
Current liabilities	272,182	537,640	809,822
Non-current liabilities	-	116,155	116,155
Total liabilities	272,182	653,795	925,977
Net segment assets	4,891,833	11,109,262	16,001,095

22. Earnings per Share

	Consolidated 2023 A\$	2022 A\$
(Loss) from continued operations	(4,846,560)	(2,039,992)
Weighted average number of shares on issue	437,230,041	371,543,402
Basic (loss) per share	(1.11) cents	(0.55) cents
Diluted average shares on issue	472,432,486	385,156,385
Diluted (loss) per share	(1.11) cents	(0.55) 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 Group had no expenditure requirements for tenements as at 30 June 2023 (2022: A\$ Nil).

24. Interests in subsidiaries

Name of Entity	Equity Held		Country of Incorporation	Reporting date	Activity
	2023	2022			
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 Earths 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
ARE Management LLC *	100%	-	USA	31 December	General Management Services

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

*Incorporated during the year.

25. Contingencies

The Company did not have any contingencies at the balance date 30 June 2023 (2022: A\$ nil).

26. 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.

	2023 A\$	2022 A\$
Current assets	23,862,975	12,623,618
Non-current assets	5,006,254	5,690,397
Total assets	<u>28,869,229</u>	<u>18,314,015</u>
Current liabilities	1,911,709	1,843,863
Non-current liabilities	52,301	116,155
Total liabilities	<u>1,964,010</u>	<u>1,960,018</u>
Net assets	<u>26,905,219</u>	<u>16,353,997</u>
Equity		
Share capital	34,010,645	20,828,812
Options Reserve	2,265,650	1,550,811
Accumulated Losses	(9,371,076)	(6,025,626)
Total equity	<u>26,905,219</u>	<u>16,353,997</u>
(Loss) for the year	<u>(3,367,916)</u>	<u>(1,377,601)</u>
Total (loss) for the year	<u>(3,367,916)</u>	<u>(1,377,601)</u>

(a) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees as at 30 June 2023 (2022: \$ Nil)

(b) Contractual commitments for acquisition of property, plant and equipment

As at 30 June 2023, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

27. Auditor's Remuneration

	Consolidated 2023 A\$	2022 A\$
Hall Chadwick NZ Limited (formerly IRCS Limited)		
- Audit and review of financial reports paid	<u>22,385</u>	<u>27,243</u>
Hall Chadwick NSW		
- Audit and review of financial reports paid	18,545	-
- Audit fees accrued	<u>29,700</u>	<u>-</u>
Accell Audit & Compliance, P.A.		
- Audit fees paid	32,500	-
- Audit fees accrued	<u>49,000</u>	<u>32,500</u>
Total	<u>152,130</u>	<u>59,743</u>

28. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in financial years subsequent to 30 June 2023 other than:

- On 1 August 2023 Mr Donald Swartz was appointed as the Chief Executive Officer of the Company based in Denver replacing Mr Chris Gibbs who remains with Company as a Non-Executive Director and consultant based in Australia.
- In August 2023, Mr Ken Traub, Mr John Mansanti and Mr Paul Zink were appointed to the Board of Directors of the Company as Non-Executive Directors based in the United States. The three appointments demonstrate the Company's commitment to strengthening its position in the rare earths industry and expanding its presence in the United States.
- On 1 September 2023 the Company became a substantial shareholder of Godolphin Resources Limited holding a 13.21% interest.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the financial statements to 30 June 2023:
 - (a) Comply with the *Corporations Act 2001 (Cth)*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) Comply with International Financial Reporting Standards issued by the International Accounting Standards Board; and
 - (c) Give a true and fair view of the Group's financial position as at 30 June 2023 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

27 September 2023



Chris Gibbs

Director

27 September 2023

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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

Report on the Financial Report

Opinion

We have audited the 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 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 financial report of the group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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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

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Capitalised exploration and evaluation assets Refer to Note 9 "Exploration and evaluation assets" and Note 1(a) "Significant Accounting Policies"</p>	
<p>As at 30 June 2023 the group's statement of financial position includes capitalised exploration and evaluation assets amounting to \$8,682,600.</p> <p>This is a key audit matter due to significant management judgement applied in determining whether capitalised exploration and evaluation expenditure meets the requirements of AASB 6 "Exploration for and Evaluation of Mineral Resources".</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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 AASB 6. • Assessing the renewal of exploration licences to confirm exploration licences are current. • Verifying 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. • Reviewing the adequacy of disclosure in relation to the carrying value of capitalised exploration and evaluation assets.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 financial report, 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, related safeguards.

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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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report 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.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of American Rare Earths Limited for the year ended 30 June 2023 complies with s 300A of the *Corporations Act 2001*.

Responsibilities

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



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney, NSW 2000



DREW TOWNSEND

Partner

Dated: 27 September 2023

ADDITIONAL INFORMATION

Distribution of Equity Securities

SIZE OF HOLDING	Ordinary shares	
	Number of Holders	Number of Shares
1 – 1,000	159	25,736
1,001 - 5,000	1,066	3,360,772
5,001 – 10,000	918	7,612,215
10,001 to 100,000	2,114	77,998,114
100,001 and over	552	357,426,462
Totals	4,809	446,423,299

There were 821 holders of less than a marketable parcel of ordinary shares (14.0 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.

Substantial Shareholders

The company has two Substantial Shareholders as at 25 August 2023.

Name	%	No of shares
Hill Family Group Pty Ltd	12.74	56,891,000
FIL Limited	8.69	38,800,000

20 Largest Shareholders 25 August 2023

Rank	Name	Units	% Units
1	HILL FAMILY GROUP PTY LTD	56,871,000	12.74
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	44,789,722	10.03
3	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	15,096,192	3.38
4	CITICORP NOMINEES PTY LIMITED	8,835,992	1.98
5	IPS NOMINEES LIMITED	7,432,100	1.66
6	BNP PARIBAS NOMS PTY LTD <DRP>	6,486,903	1.45
7	MS PHAIK CHIN LIM	4,383,334	0.98
8	AIKEN & ASSOCIATES LIMITED	4,249,979	0.95
9	R E G INVESTMENTS PTY LTD	4,106,250	0.92
10	WINKARA PTY LTD	3,518,475	0.79
11	COONAN FAMILY SUPERANNUATION FUND PTY LTD <COONAN FAMILY S/F A/C>	3,500,000	0.78
12	MR JOHN WARDMAN	3,500,000	0.78
13	ACM GROUP PTY LIMITED	3,319,946	0.74
14	MR QINGQUAN LI	3,260,552	0.73
15	HONG KONG NOMINEES LIMITED	3,000,000	0.67
16	WILLYAMA ASSET MANAGEMENT PTY LTD <SD INVESTMENT A/C>	2,970,000	0.67
17	MRS DEBORAH ELIZABETH O'SULLIVAN + MR GAVIN ANDREW O'SULLIVAN	2,895,696	0.65
18	MR ROBERT BRUCE WOODLAND + MRS ERIKA WOODLAND <R WOODLAND EXHIBIT S/F A/C>	2,825,001	0.63
19	DOVIDO PTY LTD	2,620,000	0.59
20	MR IANAKI SEMERDZIEV	2,600,000	0.58
		186,261,142	41.72

Unquoted Options

At 25 August 2023 there were 46,994,223 unquoted options.

Exercise Price	Grant Date	Vesting Date	Expiry Date	Number
\$0.15	11 Dec 2020	11 Dec 2020	11 Dec 2023	2,894,223
\$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	1,100,000
\$0.435	06 Dec 2022	06 Dec 2022	05 Dec 2025	6,000,000
\$0.40	06 Dec 2022	06 Dec 2022	05 Dec 2025	2,000,000
\$0.40	08 Dec 2022	01 Oct 2023	07 Dec 2025	5,000,000
\$0.47	08 Dec 2022	Various	07 Dec 2027	5,000,000
\$0.40	19 Dec 2022	Various	18 Dec 2025	2,000,000
\$0.47	19 Dec 2022	Various	18 Dec 2027	1,000,000
\$0.22	17 Aug 2023	17 Aug 2023	17 Aug 2026	4,500,000

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.

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