Heavy Rare Earths Limited

ABN 35 648 991 039

Annual Report - 30 June 2023

Heavy Rare Earths Limited
Corporate directory
30 June 2023

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

Heavy Rare Earths Limited
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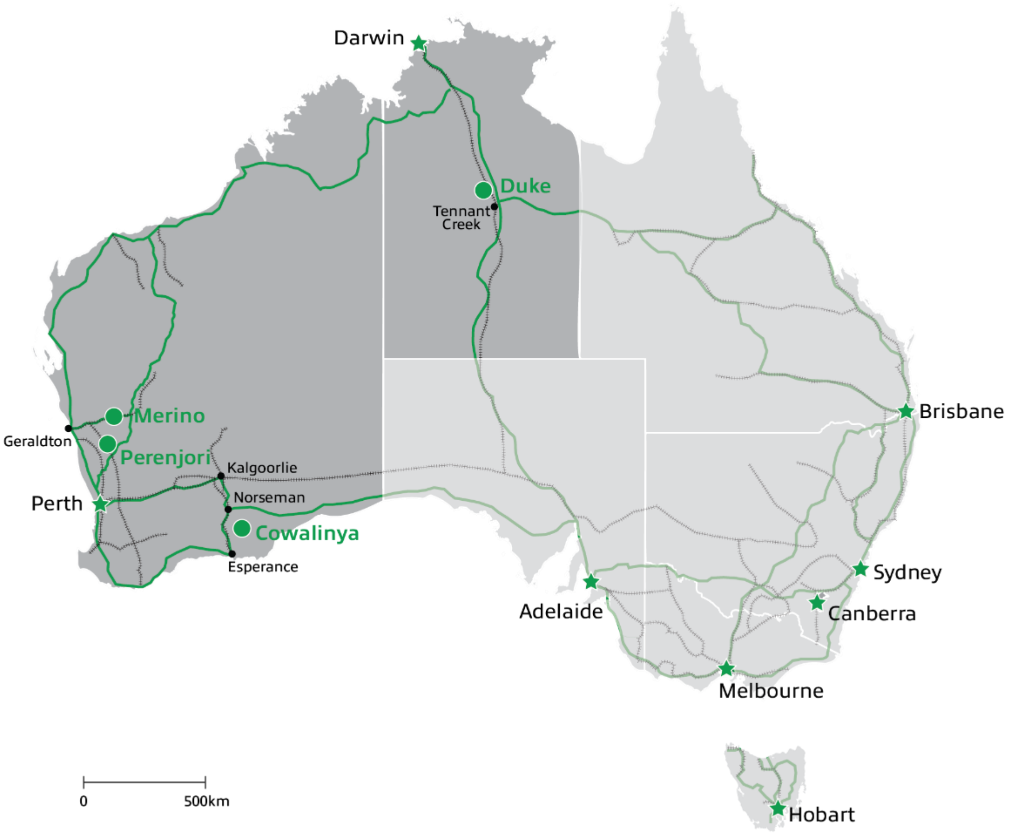
OPERATIONS REPORT

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

Location of HRE's rare earth projects



Cowalinya Rare Earth Project, Western Australia

Resource Exploration and Expansion Program

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

All tenements are located on unallocated crown land.

Cowalinya Mineral Resources as at 11 February 2022

CLASSIFICATION	TONNES (Mt)	TREO (ppm)	TREO-CeO_2 (ppm)	Sc_2O_3 (ppm)	MAGNET REOs/TREO
Inferred	28	625	435	31	25%

TREO = $La_2O_3+CeO_2+Pr_6O_{11}+Nd_2O_3+Sm_2O_3+Eu_2O_3+Gd_2O_3+Tb_4O_7+Dy_2O_3+Ho_2O_3+Er_2O_3+Tm_2O_3+Yb_2O_3+Lu_2O_3+Y_2O_3$
MAGNET REOs = $Pr_6O_{11}+Nd_2O_3+Tb_4O_7+Dy_2O_3$
Reported above a cut-off grade of 300 ppm TREO-CeO_2

Rare earth mineralisation at Cowalinya is hosted in clay-rich saprolite, similar in style to the ion-adsorption clay-type ("IAC-type") deposits of southern China and Myanmar, the world's primary supply source of heavy rare earths ("HREE"). The mineralised horizon is flat-lying, extensive, and occurs at depths of between 5 and 54 metres.

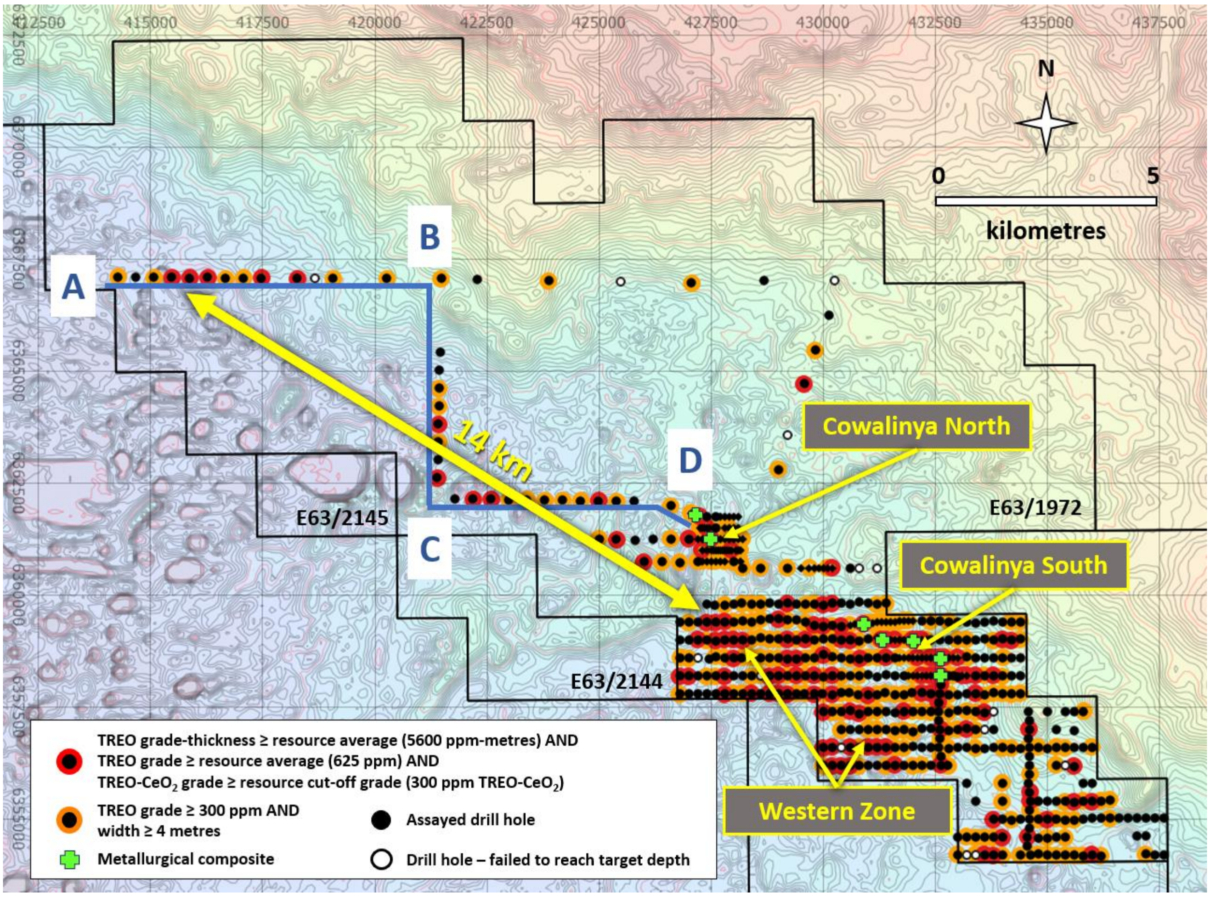
During the September and December 2022 quarters, the Company completed a 441-hole, 12,569 metre resource exploration and expansion air core drilling program at Cowalinya. Ninety per cent of this drilling focused on the south-eastern and south-central parts of E63/1972 with the aim of extending known rare earth resources at the Cowalinya South and North prospects. Drilling for the most part was completed on 200 x 400 metre centres. This part of the program encountered numerous thick and/or high-grade intervals of saprolite-hosted rare earth mineralisation in a number of coherent zones, the most prominent being the 13 km^2 Western Zone of mineralisation located immediately west and south-west of the Cowalinya South prospect:

- 19 metres @ 3190 ppm TREO from 16 metres (AC225)
- 6 metres @ 2597 ppm TREO from 9 metres (AC424)
- 10 metres @ 2087 ppm TREO from 17 metres (AC221)
- 10 metres @ 1580 ppm TREO from 29 metres (AC279)
- 18 metres @ 1344 ppm TREO from 19 metres (AC275)
- 12 metres @ 1212 ppm TREO from 22 metres (AC344)
- 12 metres @ 1207 ppm TREO from 18 metres (AC302)
- 26 metres @ 1201 ppm TREO from 19 metres (AC360)
- 7 metres @ 1173 ppm TREO from 20 metres (AC511)
- 10 metres @ 1169 ppm TREO from 19 metres (AC354)
- 14 metres @ 1164 ppm TREO from 16 metres (AC359)
- 14 metres @ 1135 ppm TREO from 10 metres (AC269)
- 26 metres @ 1113 ppm TREO from 14 metres (AC274)
- 17 metes @ 1069 ppm TREO from 11 metres (AC223)
- 14 metres @ 1060 ppm TREO from 28 metres (AC356)
- 14 metres @ 1033 ppm TREO from 22 metres (AC212)
- 22 metres @ 1018 ppm TREO from 16 metres (AC412)
- 16 metres @ 929 ppm TREO from 11 metres (AC415)
- 21 metres @ 867 ppm TREO from 24 metres (AC387)
- 16 metres @ 814 ppm TREO from 25 metres (AC309)
- 42 metres @ 790 ppm TREO from 12 metres (AC226)
- 20 metres @ 755 ppm TREO from 15 metres (AC411)
- 24 metres @ 747 ppm TREO from 11 metres (AC289)
- 29 metres @ 701 ppm TREO from 14 metres (AC287).

The balance of the air core program targeted new discoveries of rare earths in saprolite along four access tracks in the northern and central parts of E63/1972. Assays returned a number of shallow rare earth-rich intersections in three new areas up to 14 kilometres from the Western Zone, adding an exciting 'blue-sky' element to Cowalinya and a future focus for exploration and definition drilling:

- 12 metres @ 1690 ppm TREO from 16 metres (AC487)
- 7 metres @ 1303 ppm TREO from 7 metres (AC473)
- 10 metres @ 1286 ppm TREO from 16 metres (AC471)
- 8 metres @ 1113 ppm TREO from 15 metres (AC494)
- 20 metres @ 977 ppm TREO from 20 metres (AC446)
- 30 metres @ 923 ppm TREO from 11 metres (AC468)
- 19 metres @ 811 ppm TREO from 11 metres (AC472)
- 31 metres @ 758 ppm TREO from 19 metres (AC467).

Cowalinya project tenements showing drill holes with significant intervals of REE mineralisation, metallurgical composites, and location of cross-section A-B-C-D.
Background image: Landgate digital elevation model.



As at the date of this report, HRE was in the final stages of preparing an updated estimate of Mineral Resources and a maiden Exploration Target for the Cowalinya project.

Metallurgical Program

HRE commissioned Perth-based Strategic Metallurgy ("Strategic") to design and undertake a comprehensive metallurgical program for the Cowalinya project, initially involving particle size analysis as the basis for gangue rejection. This work was completed during the December 2022 quarter on 13 four- and five-metre composite samples of rare earth-bearing saprolite from 10 drill holes across the Cowalinya South and North prospects. It showed an average of 78.5% of the rare earths are hosted in the fines (-25µm) fraction which comprises 37.2% of the bulk saprolite feed mass. Furthermore, simple recovery of the fines fraction delivered better than a two-fold increase in rare earth grade.

These results enable the design of an upstream process flowsheet for the project that removes gangue from saprolite via simple screening and desliming cyclones.

In the March and June 2023 quarters, Strategic undertook diagnostic leaching tests on the rare earths-rich fines fraction from the same 13 composites to determine the efficiency with which rare earths are brought into solution. Tests were conducted with weak solutions of commercially available (32%) hydrochloric acid. The key outcome was that the majority of composites (8 of 13) showed both high leachability of the magnet rare earths and low consumption of acid, with an average of 82.9% and 18.1 kg/t respectively.

Summary of sizing and diagnostic leach test work on Cowalinya metallurgical composites.

COMPOSITE	HEAD ASSAY (ppm TREO)	FINES (-25µm) ASSAY (ppm TREO)	UPGRADE	FINES MASS (% of total mass)	MAGNET RARE EARTHS RECOVERY TO FINES	MAGNET RARE EARTHS EXTRACTION TO LEACH	HYDROCHLORIC ACID CONSUMPTION (kg/t)
SM01	1045	2050	2.0	37.8%	81.1%	86.3%	15.2
SM02	750	1270	1.7	51.6%	91.7%	84.5%	3.8
SM03	1383	3674	2.7	27.0%	68.1%	91.3%	13.6
SM04	1280	1575	1.2	59.9%	91.6%	84.5%	12.8
SM06	754	1929	2.6	29.4%	79.5%	83.8%	37.8
SM07	938	1662	1.8	43.6%	87.4%	75.6%	15.8
SM12	1376	2642	1.9	46.6%	86.9%	81.7%	20.0
SM13	1326	2140	1.6	41.1%	67.5%	75.3%	26.0
AVERAGE			**1.9**	**42.1%**	**81.7%**	**82.9%**	**18.1**

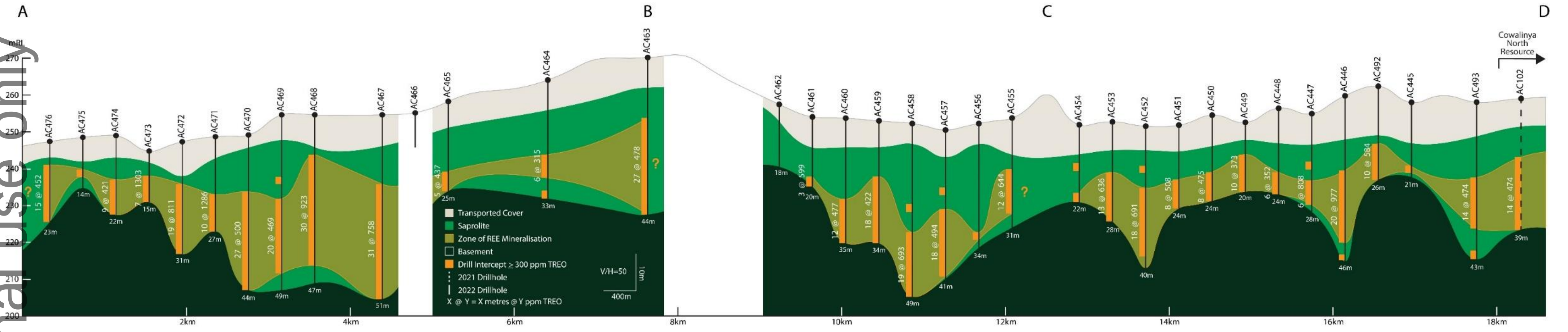
TREO = $La_2O_3+CeO_2+Pr_6O_{11}+Nd_2O_3+Sm_2O_3+Eu_2O_3+Gd_2O_3+Tb_4O_7+Dy_2O_3+Ho_2O_3+Er_2O_3+Tm_2O_3+Yb_2O_3+Lu_2O_3+Y_2O_3$
MAGNERT RARE EARTHS = Pr + Nd + Tb + Dy
ACID CONSUMPTION expressed in kilograms of hydrochloric acid per tonne of fines (-25µm) fraction.
AVERAGE calculated on composites identified as preferred material types (SM01-SM04, SM06-SM07, SM12-SM13).

These 8 composites could represent preferred rare earth-rich material types for potential treatment in a commercial operation.

HRE is sufficiently encouraged by Strategic's progress to date to justify accelerating its test program in the second half of 2023 by:

- Extending the diagnostic leach program by an additional 55 six-metre composites from across the 35 km^2 area earmarked for resource expansion under optimised leach conditions. These composites have been identified by HRE using geochemical algorithms aimed at discriminating preferred from non-preferred material types.
- Undertaking a bench-scale program to develop a flowsheet to a Mixed Rare Earth Carbonate ("MREC") product which represents the first entry point by clay-hosted projects into the rare earth supply chain. Subject to the success of this program, the Company plans on making MREC samples available to refiners in Europe, Asia, the United States and Australia to determine marketability.

Cross section A-B-C-D along access tracks.



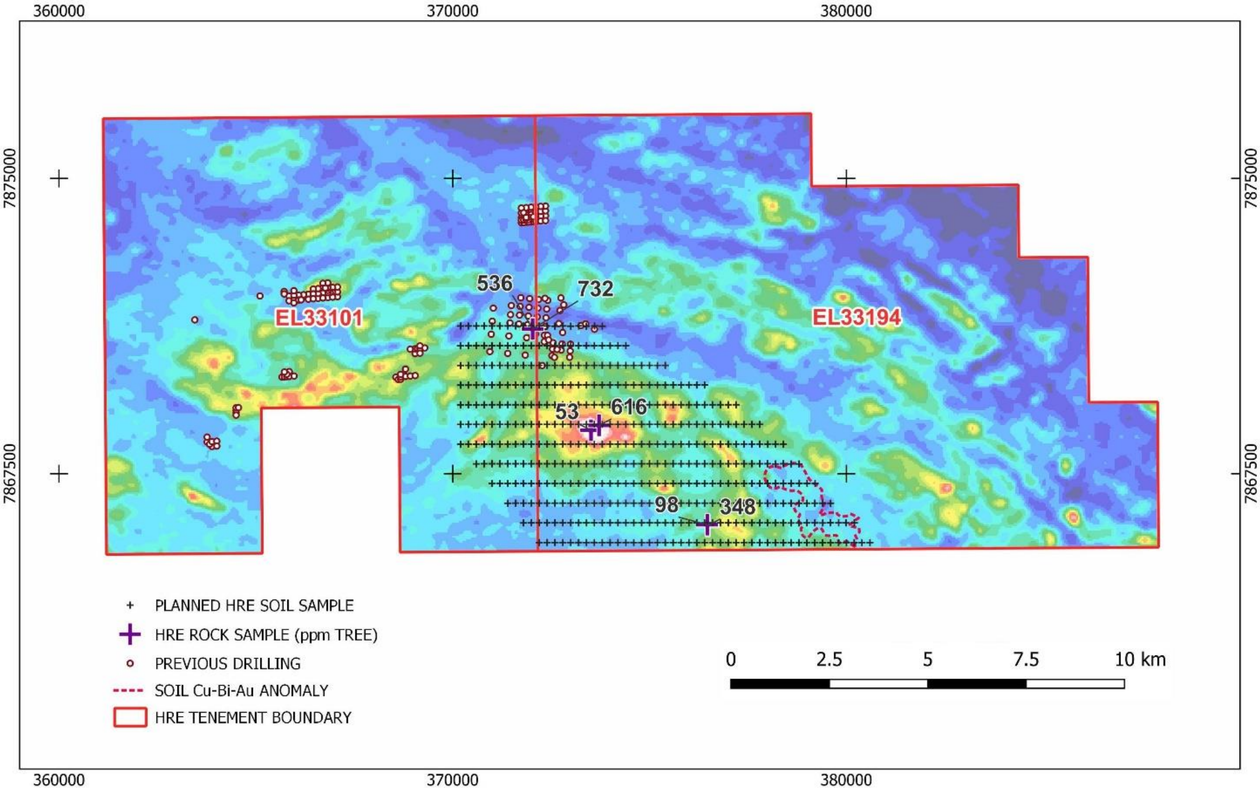
Duke Rare Earth Project, Northern Territory

The Company's Duke rare earth project comprises two granted exploration licences EL33101 and EL33194, on a pastoral lease approximately 50 kilometres north-west of Tennant Creek.

Exploration in the area of the tenement package has in the past focused on Tennant Creek-style ironstone hosted Cu-Au-Bi and Olympic Dam-type Cu-U-Au deposits, but this is the first time the area is being subjected to systematic exploration for rare earths. The exploration model being investigated by HRE is a Browns Range-style unconformity-related hydrothermal system, where rare earths are expected to be hosted in xenotime, a yttrium phosphate mineral that contains high concentrations of HREE. A secondary target for exploration at Duke is HREE-enriched IAC-type mineralisation hosted in saprolite developed on the extensive but poorly outcropping Warrego Granite.

A reconnaissance visit to the project area by HRE during the June 2023 quarter yielded promising rare earth assays of up to 732 ppm TREO in historic drill core samples from the Warrego Granite and in rock chips. Encouraged by these results the Company completed a 420-sample soil grid in the September 2023 quarter over an extensive area of airborne thorium anomalism and a Cu-Au-Bi soil anomaly identified in previous exploration but never drilled. Assay results are expected in the December 2023 quarter.

Duke project tenements showing location of soil survey, rock chip samples and historic drilling. Background image: Th channel from historic airborne radiometric survey.



Merino and Perenjori Rare Earth Projects, Western Australia

During the March 2023 quarter, HRE lodged applications with the Department of Mines, Industry Regulation and Safety ("DMIRS") for four exploration licences over two project areas in the Mid West region of Western Australia: Merino (E59/2795 and E59/2796; 269 km^2) and Perenjori (E70/6397 and E70/6398; 327 km^2). Both areas are located within 225 kilometres of the port city of Geraldton and were highlighted in an internal study targeting IAC-type rare earth deposits. Neither area has previously been explored for rare earths and, aside from government water bores, there has only been one exploration hole drilled into the project tenements.

The underlying tenure at Perenjori comprises a mixture of pastoral lease and freehold, with only pastoral lease present at Merino.

As at the date of this report, both Merino and one of the two Perenjori tenements had been granted by DMIRS. HRE plans to complete a first-pass sweep of both projects, comprising soil, rock and water bore sampling, and passive seismic, during 2024.

Competent Persons Statement

The Exploration Results contained in this report were compiled by Mr. Richard Brescianini. Mr. Brescianini is a member of the Australian Institute of Geoscientists (AIG). He is a director and full-time employee of Heavy Rare Earths Limited. Mr. Brescianini has more than 35 years' experience in mineral exploration and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 JORC Code.

The Mineral Resources contained in this report have been extracted from the Independent Geologist's Report included in the Company's Initial Public Offering (IPO) Prospectus, a copy of which was lodged with the Australian Securities and Investments Commission (ASIC) on 5 July 2022. The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources as contained in the Company's IPO Prospectus. All material assumptions and technical parameters underpinning the Mineral Resources in the Company's IPO Prospectus continue to apply and have not materially changed.

The directors present their report, together with the financial statements, on the company at the end of, or during, the year ended 30 June 2023.

Directors
The following persons were directors of the company during the whole of the financial period and up to the date of this report, unless otherwise stated:

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

Principal activities
The principal activities of the Company during the period consisted of exploration activities for rare earths at the Company's areas of interest located in Western Australia and the Northern Territory. The Company also listed on ASX during the financial year.

Main Business activities include:

- Exploring, developing and operating mineral resource projects with a focus on rare earth elements (REEs), including the Cowalinya Project in the Norseman-Esperance region of Western Australia.

- Focus on boosting domestic production of REEs which are essential to a wide range of applications such as hybrid and battery electric vehicles, wind energy, smart phones, robotics, power tools, healthcare, military hardware, oil refining etc, whereas global production has been historically dominated by China.

- The Company's primary near term objective is to undertake sufficient exploration on its Project to potentially build on the existing Inferred Mineral Resource estimate.

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

Review of operations
The loss for the company after providing for income tax amounted to $1,794,211 (30 June 2022: $443,893).

Included in the loss for the financial year is a share based payment expense relating to a non-cash issue of unlisted options as part of the Company's initial public offering (IPO) and listing on ASX amounting to $708,709 (2022: nil). The Company also incurred $169,459 (2022: $109,213) worth of costs relating to the IPO.

Financial position

Net assets of the Company totalled $5,390,235, which was an increase from the previous year amount of $695,708. The increase during the year was attributed by the Company's IPO and increase expenditure on exploration activities during the financial year, along with the increase in cash resources.

Cash at the end of the financial year amounted to $2,124,052 (2022: $141,389).

Significant changes in the state of affairs
On 5 July 2022 the Company lodged a Prospectus with the Australian Securities and Investments Commission for its proposed Initial Public Offering (IPO). On 19 August 2022, the Company successfully raised $6,000,000 and issued 30,000,000 fully paid ordinary shares (**Shares**) with an issue price of $0.20 (20 cents) per share.

On 19 August 2022 the Company exercised its option in relation to the Cowalinya Project and executed a Sale and Purchase Agreement with the vendors. The Company paid $300,000 in cash and issued the vendors 1,000,000 fully paid ordinary shares issued in lieu of payment of $200,000.

In accordance with the IPO Prospectus, the Company issued the following options to directors, consultants and the Company's lead manager on the IPO.

On 22 August 2022, the Company was admitted to the ASX official list and commenced trading on 24 August 2022.

- 7,000,000 Class A Options and 2,500,000 Class B Options to former and existing directors (or their nominees). The Class A Options are exercisable at $0.30 (30 cents) per option and expiring 3 years from the listing date and the Class B Options are exercisable at $0.40 (40 cents) per option and expiring 3 years from the listing date.
- 2,850,000 Class A Options and 1,850,000 Class B Options to third party advisors including the Lead Manager.

There were no other significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental regulation
The Company is now the holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial period and up to the date of the Directors' report.

Information on directors

Name:	**Mr John Byrne**
Title:	Non-Executive Chairman
Experience and expertise:	Mr Byrne has 40 years’ experience in the natural resource industry as a financial analyst, investor and mine developer. John formed and mentored Cambrian Mining Plc in 2002, which started with net assets of GBP£1.4 million and before being acquired in 2008 had net assets of GBP£149 million. John has been Chairman and CEO of numerous successful resource companies, including Western Coal Corp which was capitalised at less than C$1 million when he joined, and was sold for C$3.3billion in 2010. Currently Mr Byrne is the Chairman of Lions Bay Capital Limited (LBI:TSXV) and Fidelity Minerals Limited (FMN:TSXV), both listed on the Toronto Ventures Exchange. Mr Bryne was previously Chairman of ASX listed Kalina Power Limited (ASX:KPO) and Jervois Global Limited (then Jervois Mining Limited) (ASX:JRV).
Other current directorships:	Lions Bay Capital Limited (LBI: TSXV) and Fidelity Minerals Limited (FMM: TSXV)
Former directorships (last 3 years):	Kalina Power Limited (ASX: KPO) - resigned 30 June 2019
Interests in shares:	650,000 fully paid shares
Interests in options:	2,000,000 options exercisable at $0.30 expiring on 24 August 2025

Name:	**Mr Richard Brescianini**
Title:	Executive Technical Director
Qualifications:	B. Sc (Hons)
Experience and expertise:	Mr Brescianini is a qualified geoscientist with an Honours degree from the University of Tasmania and is a member of the Australian Institute of Geoscientists and Australian Society of Exploration Geophysicists. Richard commenced his career in mineral exploration with BHP Minerals in 1987 working in teams focused on the discovery of base and precious metal deposits across Australia and North America. Richard’s experience includes working as the Director of the Northern Territory Government’s Geological Survey and working for rare earths developer Arafura Resources for 14 years in its executive management team.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	170,000 fully paid shares
Interests in options:	2,000,000 options exercisable at $0.30 expiring on 24 August 2025

Name:	**Mr Ryan Skeen**
Title:	Non-Executive Director
Qualifications:	Master Applied Fin. (Dis), B. Buss (Financial Risk Management)
Experience and expertise:	Mr Skeen has a deep understanding of financial and economic markets while providing investment and strategic advice in complex situations. He is well versed in various capital raisings including IPO's, placements and rights issues and is focused on business development and growth. Mr Skeen is the Chief Executive Officer of First Au Limited (ASX:FAU). He holds a Master of Applied Finance (Distinction) and a Bachelor of Business (Financial Risk Management).
Other current directorships:	First Au Limited (FAU: ASX)
Former directorships (last 3 years):	None
Interests in shares:	90,000 fully paid shares
Interests in options:	nil
Interests in rights:	nil

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

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

Company secretary
Mr Justin Mouchacca, CA FGIA

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the period ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr John Byrne	6	6
Mr Richard Brescianini	6	6
Mr Ryan Skeen	6	6

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

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

Non-executive directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

The long-term incentives ('LTI') include share-based payments. During the financial period to 30 June 2023, there were no options issued to directors which formed part of their remuneration.

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

Company performance and link to remuneration

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

Details of remuneration

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

The key management personnel of the company consisted of the following directors of the company:
- Mr John Byrne (Non-Executive Chairman) - appointed 2 February 2022
- Mr Richard Brescianini (Executive Technical Director) - appointed 2 February 2022
- Mr Ryan Skeen (Non-Executive Director) - appointed 16 May 2022
- Mr Ryan Batros (Non-Executive Director) - appointed 25 March 2021 and resigned 16 May 2022
- Mr Bryan Frost (Non-Executive Director) - appointed 25 March 2021 and resigned 2 February 2022
- Mr Justin Mouchacca (Non-Executive Director) - appointed 9 November 2021 and resigned 2 February 2022
- Mr Wayne Kernaghan (Non-Executive Director) - appointed 25 March 2021 and resigned 9 November 2021

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
25 March 2021 - 30 June 2022	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Mr John Byrne (1)	-	-	-	-	-	-	-
Mr Ryan Skeen (1)	-	-	-	-	-	-	-
Mr Ryan Batros (2)	62,545	-	-	-	-	-	62,545
Mr Bryan Frost (3)	70,057	-	-	-	-	-	70,057
Mr Justin Mouchacca (4)	44,750	-	-	-	-	-	44,750
Mr Wayne Kernaghan (5)	-	-	-	-	-	-	-
Executive Directors:							
Mr Richard Brescianini (6)	66,725	-	-	-	-	7,000	73,725
	244,077	-	-	-	-	7,000	251,077

(1) appointed 2 February 2022.
(2) appointed 25 March 2021 and resigned 16 May 2022. All amounts paid to Secla Pty Ltd for management services provided to the Company.
(3) appointed 25 March 2021 and resigned 2 February 2022. All amounts noted above were paid to Peregrine Corporate Limited for capital raising services provided to the Company.
(4) appointed 9 November 2021 and resigned 2 February 2022. All fees paid to JM Corporate Services for Company Secretarial and Accounting services provided to the Company.
(5) appointed 25 March 2021 and resigned 9 November 2021.
(6) All amounts included above were paid to Total Rare Earth Solutions for exploration services provided to the Company from his appointment date.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	30 June 2023	25 March 2021 - 30 June 2022	30 June 2023	25 March 2021 - 30 June 2022	30 June 2023	25 March 2021 - 30 June 2022
Non-Executive Directors:						
Mr John Byrne	27%	-	-	-	73%	-
Mr Ryan Skeen	100%	-	-	-	-	-
Mr Ryan Batros	-	100%	-	-	-	-
Mr Bryan Frost	-	100%	-	-	-	-
Mr Justin Mouchacca	-	100%	-	-	-	-
Mr Wayne Kernaghan	-	-	-	-	-	-
Executive Directors:						
Mr Richard Brescianini	58%	92%	-	-	42%	8%

Service agreements

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

Name:	Mr Richard Brescianini
Title:	Executive Technical Director
Term of agreement:	This contract will continue from commencement date until terminated.
Details:	Mr Brescianini will be remunerated at $200,000 per annum (plus superannuation). The contract may be terminated any time with 3 months' written notice being provided by either the Company or Mr Brescianini. Upon expiration of the term the contract may be renewed by mutual agreement.

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

Non-Executive Directors

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2023.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial period or future reporting years are as follows:

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

Options granted carry no dividend or voting rights.

Additional information
The earnings of the company for the two financial periods to 30 June are summarised below:

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

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

Additional disclosures relating to key management personnel

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

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Ordinary shares					
Mr John Byrne	150,000	-	500,000	-	650,000
Mr Richard Brescianini	120,000	-	-	-	120,000
Mr Ryan Skeen	90,000	-	-	-	90,000
	360,000	-	500,000	-	860,000

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

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

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

Loans to key management personnel and their related parties
There were no loans to key management personnel at any time during the financial period.

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

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
Class A Options	24 August 2025	$0.30	9,850,000
Class B Options	24 August 2025	$0.40	4,350,000
			14,200,000

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

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the period ended 30 June 2023 and up to the date of this report.

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

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

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

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

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

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

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

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

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

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

On behalf of the directors

Mr John Byrne
Non-executive Chairman

28 September 2023

William Buck
ACCOUNTANTS & ADVISORS

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

I declare that, to the best of my knowledge and belief during the period ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

J. C. Luckins
Director
Melbourne, 28 September 2023

Level 20, 181 William Street, Melbourne VIC 3000
+61 3 9824 8555
vic.info@williambuck.com
williambuck.com.au

Heavy Rare Earths Limited
Statement of profit or loss and other comprehensive income
For the period ended 30 June 2023

	Note	30 June 2023 $	25 March 2021 - 30 June 2022 $
Revenue			
Interest income		28,303	-
Expenses			
Corporate and administrative expenses		(664,195)	(334,680)
Employment expenses		(280,151)	-
IPO expenses		(169,459)	(109,213)
Share based payments expense		(708,709)	-
Loss before income tax expense		(1,794,211)	(443,893)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the owners of Heavy Rare Earths Limited		(1,794,211)	(443,893)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period attributable to the owners of Heavy Rare Earths Limited		(1,794,211)	(443,893)
		Cents	**Cents**
Basic earnings per share	18	(2.81)	(8.00)
Diluted earnings per share	18	(2.81)	(8.00)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Heavy Rare Earths Limited
Statement of financial position
As at 30 June 2023

	Note	30 June 2023 $	30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents		2,124,052	141,389
Trade and other receivables	5	77,177	35,637
Total current assets		2,201,229	177,026
Non-current assets			
Exploration and evaluation	6	3,362,524	783,215
Total non-current assets		3,362,524	783,215
Total assets		5,563,753	960,241
Liabilities			
Current liabilities			
Trade and other payables	7	168,101	264,533
Employee benefits		5,417	-
Total current liabilities		173,518	264,533
Total liabilities		173,518	264,533
Net assets		5,390,235	695,708
Equity			
Issued capital	8	6,683,971	1,139,601
Reserves		944,368	-
Accumulated losses		(2,238,104)	(443,893)
Total equity		5,390,235	695,708

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

Heavy Rare Earths Limited
Statement of changes in equity
For the period ended 30 June 2023

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 25 March 2021	-	-	-	-
Loss after income tax expense for the period	-	-	(443,893)	(443,893)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(443,893)	(443,893)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 8)	1,139,601	-	-	1,139,601
Balance at 30 June 2022	1,139,601	-	(443,893)	695,708

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	1,139,601	-	(443,893)	695,708
Loss after income tax expense for the period	-	-	(1,794,211)	(1,794,211)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(1,794,211)	(1,794,211)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 8)	5,544,370	-	-	5,544,370
Share-based payments (note 19)	-	944,368	-	944,368
Balance at 30 June 2023	6,683,971	944,368	(2,238,104)	5,390,235

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

Heavy Rare Earths Limited
Statement of cash flows
For the period ended 30 June 2023

	Note	30 June 2023 $	25 March 2021 - 30 June 2022 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,193,254)	(285,237)
Payments for security deposits		(1,500)	(11,790)
Interest received		28,203	-
Net cash used in operating activities	17	(1,166,551)	(297,027)
Cash flows from investing activities			
Payments for exploration and evaluation	6	(2,430,815)	(664,185)
Net cash used in investing activities		(2,430,815)	(664,185)
Cash flows from financing activities			
Proceeds from issue of shares	8	6,000,000	1,258,912
Payments for capital raising costs		(419,971)	(156,311)
Net cash from financing activities		5,580,029	1,102,601
Net increase in cash and cash equivalents		1,982,663	141,389
Cash and cash equivalents at the beginning of the financial period		141,389	-
Cash and cash equivalents at the end of the financial period		2,124,052	141,389

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

Note 1. General information

The financial statements cover Heavy Rare Earths Limited as an individual entity. The financial statements are presented in Australian dollars, which is Heavy Rare Earths Limited's functional and presentation currency.

Heavy Rare Earths Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 21, 459 Collins Street
Melbourne, VIC 3000
Ph: (03) 8630 3321

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

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

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

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

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

For the year ended 30 June 2023, the Company incurred a net loss of $1,794,211, net cash outflows from operating activities of $1,166,551 and net cash outflows from investing activities of $2,430,815 and had a cash balance as at 30 June 2023 of $2,124,052. The Directors have assessed that these conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

Revenue recognition
The company recognises revenue as follows:

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Issued capital
Ordinary shares are classified as equity.

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

Note 2. Significant accounting policies (continued)

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2023. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

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

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Operating segments

Identification of reportable operating segments
The Company has identified its operating segments based on the investment decisions of the board and used by the chief operating decision makers in assessing performance and in determining the allocation of resources. The Company operates in one segment being the evaluation and exploration of heavy rare earths and resources in Australia.

Note 5. Current assets - trade and other receivables

	30 June 2023 $	30 June 2022 $
Trade receivables	6,050	1,650
Security deposit	13,290	11,790
GST receivable	39,819	22,197
Prepayments	18,018	-
	77,177	35,637

Note 6. Non-current assets - exploration and evaluation

	30 June 2023 $	30 June 2022 $
Exploration and evaluation assets	3,362,524	783,215

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

	Exploration and evaluation $
Balance at 25 March 2021	-
Expenditure during the period	783,215
Balance at 30 June 2022	783,215
Expenditure during the period	2,579,309
Balance at 30 June 2023	3,362,524

Note 6. Non-current assets - exploration and evaluation (continued)

Although planned, future anticipated exploration expenditure does not constitute a commitment or contingent liability under accounting standards. In the event that planned exploration expenditure under an area of interest is not met, there is a possibility that the regulatory authority charged with administering that area of interest has the ability to rescind the rights of the Company to explore and evaluate that area of interest, but not, however enforce payment of that planned expenditure.

Note 7. Current liabilities - trade and other payables

	30 June 2023 $	30 June 2022 $
Trade and other payables	107,902	249,941
Accrued expenses	29,428	14,000
Other payables	30,771	592
	168,101	264,533

Refer to note 10 for further information on financial instruments.

Note 8. Equity - issued capital

	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $	30 June 2022 $
Ordinary shares - fully paid	68,275,150	37,275,150	6,683,971	1,139,601

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	25 March 2021	-		-
Shares issued to Director for services provided	17 May 2022	20,000	$0.10	2,000
Issue of shares on incorporation	25 March 2021	100	$0.01	-
Issue of shares to Cobold Metals Ltd shareholders	13 May 2021	49,004,405	-	-
Issue of shares to Seed Investors	20 May 2021	16,260,000	$0.01	81,300
Issue of shares for placement and entitlement offer	10 June 2021	117,761,211	$0.01	1,177,612
Shares issued to Cobold Metals Ltd for exploration services	30 June 2021	3,000,000	$0.01	30,000
Consolidation of shares on 5 to 1 basis	16 March 2022	(148,820,566)	$0.10	-
Shares issued to Director for services provided	17 March 2022	50,000	$0.10	5,000
Capital raising costs		-	-	(156,311)
Balance	30 June 2022	37,275,150		1,139,601
Issue of shares at IPO	22 August 2022	30,000,000	$0.20	6,000,000
Issue of shares for acquisition of Cowalinga Project	22 August 2022	1,000,000	$0.20	200,000
Capital raising costs		-	-	(655,630)
Balance	30 June 2023	68,275,150		6,683,971

During the prior financial period, the Company sought shareholder approval for a consolidation of capital on a 5 to 1 basis with fractional entitlements rounded to the nearest whole share. As at 16 March 2022 the Company had 186,025,716 fully paid ordinary shares on issue which were consolidated into 37,205,150 fully paid ordinary shares.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Note 8. Equity - issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

Capital risk management
The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 9. Equity - dividends

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

Note 10. Financial instruments

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

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

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

30 June 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	138,673	-	-	-	138,673
Other payables	-	29,428	-	-	-	29,428
Total non-derivatives		168,101	-	-	-	168,101

Note 10. Financial instruments (continued)

30 June 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	250,533	-	-	-	250,533
Other payables	-	14,000	-	-	-	14,000
Total non-derivatives		264,533	-	-	-	264,533

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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

Note 11. Key management personnel disclosures

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

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

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

	30 June 2023 $	25 March 2021 - 30 June 2022 $
Short-term employee benefits	264,946	244,077
Post-employment benefits	22,420	-
Share-based payments	283,818	7,000
	571,184	251,077

Note 12. Remuneration of auditors

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

	30 June 2023 $	25 March 2021 - 30 June 2022 $
Audit services - William Buck		
Audit or review of the financial statements	34,300	26,500
Other services - William Buck		
Independent accountant's report	-	12,500
	34,300	39,000

Note 13. Contingent liabilities

There are no contingent liabilities as at the end of the financial year (2022: see below).

On 9 June 2021, the Company entered into an Assignment of Option to Acquire Exploration Licence Deed (Assignment Deed) in relation to the assignment the proposed acquisition of an option to acquire 100% of Western Australia Exploration Licence 63/1972 (EL 63/1972). The Assignment Deed was entered into with Cobold Metals Limited (Cobold)

Below is a summary of the details relating to a Deed of Option (Option Deed) dated 27 October 2020 and as executed with the vendors of EL 63/1972, which the Company will now be required to provide once the option has been exercised:

- Option fee: $250 (paid by Cobold Metals);

- Upon exercise of the option: $300,000 will be payable to the Vendors in cash and 1,000,000 fully paid ordinary shares issued to the Vendors in lieu of payment of $200,000, upon and subject to successful completion of the IPO and receipt of conditional listing approval.

- The Company is (and its predecessor Cobold was) obliged to comply with minimum expenditure obligations. Vendors have confirmed expenditure obligations of predecessor under the Deed of Option have been fulfilled or waived.

In accordance with the Option Deed the Company proposes to enter into a Royalty Agreement whereby the previous tenement holder will receive rights to a royalty of $A0.25 per tonne for any type of ore processed from the tenements or any successor tenement payable on sale of the relevant mineral product provided that such royalty rate is not more than what would be deemed fair and reasonable and/or having regard to prevailing industry evidence of commercial arm’s length royalty rates for such commodities. The total amount payable in accordance with the Royalty Agreement will be capped at $250,000 per annum.

The contingent liability was crystalised during the 2023 financial period and the Company exercised the option to acquire the project.

Note 14. Commitments

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

Note 14. Commitments (continued)

	30 June 2023 $	30 June 2022 $
Planned Exploration Expenditure		
Within one year	371,000	120,000
One to five years	2,018,990	520,000
More than five years	3,602,000	800,000
Total commitment	5,991,990	1,440,000

Note 15. Related party transactions

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

Transactions with related parties
The following transactions occurred with related parties:

	30 June 2023 $	25 March 2021 - 30 June 2022 $
Payment for other expenses:		
Amounts paid to Peregrine Corporate Limited for capital raising services and accounted for in equity *	-	70,057
Amounts paid to Peregrine Corporate Limited relating to office admin costs (entity associated with Bryan Frost) and recorded in the statement of financial performance	-	6,600
Consulting fees paid to Secla Pty Ltd (entity associated with Ryan Batros) **	-	82,545
Consulting fees paid to Total Rare Earth Solutions (entity associated with Mr Brescianini)	27,950	73,725

* Bryan Frost is no longer a Director of HRE (resigned 2 February 2022)
** Ryan Batros is no longer a Director of HRE (resigned 16 May 2022)

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

	30 June 2023 $	30 June 2022 $
Current payables:		
Trade payables to JM Corporate Services (entity associated with Justin Mouchacca*)	-	24,750
Trade payables to Secla Pty Ltd (entity associated with Ryan Batros**)	-	44,000

* Justin Mouchacca is no longer a Director of HRE (resigned 2 February 2022)
** Ryan Batros is no longer a Director of HRE (resigned 16 May 2022)

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

Note 16. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

	30 June 2023 $	25 March 2021 - 30 June 2022 $
Loss after income tax expense for the period	(1,794,211)	(443,893)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(17,622)	(35,637)
Increase in prepayments	(23,918)	-
Increase in security deposits	(1,500)	(11,790)
Increase in trade and other payables	665,283	193,701
Increase in employee benefits	5,417	592
Net cash used in operating activities	(1,166,551)	(297,027)

Note 18. Earnings per share

	30 June 2023 $	25 March 2021 - 30 June 2022 $
Loss after income tax attributable to the owners of Heavy Rare Earths Limited	(1,794,211)	(443,893)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	63,773,780	5,547,442
Weighted average number of ordinary shares used in calculating diluted earnings per share	63,773,780	5,547,442
	Cents	**Cents**
Basic earnings per share	(2.81)	(8.00)
Diluted earnings per share	(2.81)	(8.00)

Note 19. Share-based payments

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

30 June 2023

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
24/08/2022	24/08/2025	$0.30	-	9,850,000	-	-	9,850,000
24/08/2022	24/08/2025	$0.40	-	4,350,000	-	-	4,350,000
			-	14,200,000	-	-	14,200,000
Weighted average exercise price			-	-	-	-	$0.33

There were no share based payments issued in the prior financial period.

Note 19. Share-based payments (continued)

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

Grant date	Expiry date	30 June 2023 Number	30 June 2022 Number
24/08/2022	24/08/2025	9,850,000	-
24/08/2022	24/08/2025	4,350,000	-
		14,200,000	-

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.69 years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/08/2022	24/08/2025	$0.20	$0.30	70.00%	-	11.00%	$0.071
24/08/2022	24/08/2025	$0.20	$0.40	70.00%	-	11.00%	$0.056

Heavy Rare Earths Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

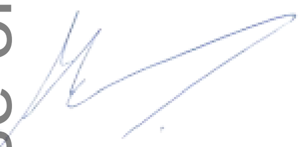
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Mr John Byrne
Non-executive Chairman

28 September 2023

William Buck
ACCOUNTANTS & ADVISORS

Heavy Rare Earths Limited
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Heavy Rare Earths Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

ii. 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial report, which indicates that the Company incurred a net loss of $1,794,211, net cash outflows from operating activities of $1,166,551 and net cash outflows from investing activities of $2,430,815 for the year ended 30 June 2023. As stated in Note 2, these events or conditions along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Level 20, 181 William Street, Melbourne VIC 3000
+61 3 9824 8555
vic.info@williambuck.com
williambuck.com.au

WilliamBuck
ACCOUNTANTS & ADVISORS

Key Audit Matters

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

CAPITALISATION OF EXPLORATION AND EVALUATION COSTS	
Area of focus **Refer also to notes 2, 3 and 6**	**How our audit addressed it**
The Company has incurred exploration and evaluation costs for exploration projects in Australia of $2.58 million for the year ended 30 June 2023 and has elected to capitalise all these costs as a non-current asset in the Statement of Financial Position in accordance with the Company accounting policies. There is a risk that the Company may lose or relinquish its rights to explore and evaluate those areas of interest and therefore amounts capitalised to the Statement of Financial Position from the current and historical periods, be no longer recoverable. The assessment of the non-current assets for impairment requires significant judgement involved and as such, has been deemed to be a key audit matter. During the year no impairment charge was recognised in relation to exploration and evaluation.	Our audit procedures included the following: — Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the Company's purchase in that area of interest. — Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying exploration expenditure plan. — Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest; and — From an overall perspective, comparing the market capitalisation of the Company to the net carrying value of its assets on the Statement of Financial Position to identify any other additional indicators of impairment. We also assessed the adequacy of the Company's disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

William Buck
ACCOUNTANTS & ADVISORS

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 Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion 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 Heavy Rare Earths Limited, for the year ended 30 June 2023, complies with section 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 section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

J. C. Luckins
Director
Melbourne, 28 September 2023

Heavy Rare Earths Limited
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 24 September 2023.

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	19	-	-	-
1,001 to 5,000	86	0.43	-	-
5,001 to 10,000	117	1.51	-	-
10,001 to 100,000	310	19.27	-	-
100,001 and over	109	78.79	9	100.00
	641	100.00	9	100.00
Holding less than a marketable parcel	108	0.46	-	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	3,416,668	5.00
Miss Sarah Joan Curtis	2,946,000	4.31
BT portfolio Services Limited Aarrell Holdings s/f a/c>	2,000,000	2.93
Ms Chunyan Niu	1,500,000	2.20
Dinwoodie Investments Pty Ltd Dinwoodie Investments a/c>	1,486,667	2.18
BNP Paribas Nominees Pty Ltd	1,458,351	2.14
Peter Vial & Amanda Vial Vial Super Fund a/c>	1,400,000	2.05
Dinwoodie Investments Pty Ltd Dinwoodie Investments a/c>	1,350,000	1.98
Bond Street Custodians Limited Trylan a/c>	1,333,333	1.95
Mr Nicholas Dermott Mcdonald	1,287,500	1.89
Beaumy Pty Ltd Robert Frost family a/c>	1,250,000	1.83
Mr Nicholas Dermott McDonald	1,086,667	1.59
Porpette Pty Ltd Porpette Investment a/c>	1,046,667	1.53
Benprop Pty Ltd Benprop Property a/c>	1,023,227	1.50
Edlou Investments Pty Ltd	900,000	1.32
Mr Edward Malouf	900,000	1.32
Jomalco Pty Ltd	900,000	1.32
Robbie Hunt Pty Ltd Robbie Hunt super a/c>	872,388	1.28
Mr Robert Jesse Hunt	857,612	1.26
Mr Yinghan He	842,677	1.23
	27,857,757	40.81

Unquoted equity securities

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

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	3,416,668	5.00

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

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Restricted securities

Class	Expiry date	Number of shares
Fully paid ordinary shares	24 August 2024	7,787,220
Fully paid ordinary shares	19 August 2024	1,000,000
Class A Options	24 August 2024	9,850,000
Class B Options	24 August 2024	4,350,000
		22,987,220

Consistency with business objectives – ASX Listing Rule 4.10.19

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

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

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

Heavy Rare Earths Limited
Shareholder information
30 June 2023

Tenements

Description	Tenement number	Interest owned %
Exploration Licence - Western Australia	E63/1972	100.00
Exploration Licence - Western Australia	E63/2144	100.00
Exploration Licence - Western Australia	E63/2145	100.00
Exploration Licence - Northern Territory	EL33101	100.00
Exploration Licence - Northern Territory	EL33194	100.00
Exploration Licence - Western Australia	E70/6397	100.00
Exploration Licence - Western Australia	E59/2795	100.00
Exploration Licence - Western Australia	E59/2796	100.00
Exploration Licence - Western Australia	E59/2844 (under application)	100.00
Exploration Licence - Western Australia	E70/6398 (under application)	100.00