BRAZILIAN RARE EARTHS LIMITED

Financial Statements for the half year ended

30 June 2023

ABN: 88 649 154 870

CONTENTS

The directors of Brazilian Rare Earths Limited (the "Company" or "BRE") submit herewith the financial report of the Company and the entities it controlled for the half year ended 30 June 2023 (collectively "Group"). The directors report as follows. All amounts are expressed as Australian dollars unless stated otherwise.

1. Directors

The directors of the Company at any time during the whole of the half year under review and up to the date of this report, unless otherwise stated:

- Bernardo Sanchez Agapito Da Veiga
- Todd Hannigan (appointed 16 January 2023)
- Kristie Young (appointed 1 March 2023)
- Camila Ramos (appointed 28 August 2023)
- Dominic Allen (resigned 28 August 2023)

2. Principal activities

The Company's principal activity during the half year was focused on exploring for rare earth elements and other critical minerals in Brazil.

3. Review of operations and results of those operations

The principal activity of the Company during the period was mineral exploration activities in Brazil with a focus on rare earths minerals.

The Company recorded revenue of $178,895 (2022: $153) and a net loss after tax of $7,359,897 (2022: $1,458,936) for the half year and net cash outflows from operating activities of $6,541,406 (2022: $1,328,251) and net outflows from investing activities of $1,662,355 (2022: $515,505).

4. Significant changes in the state of affairs

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

5. Dividends

The Company has not paid or declared any dividends during the half year (2022: nil).

6. Likely developments

The Company intends to utilise the funds from the $21 million December 2022 convertible note issue to undertake further drilling to expand the current JORC mineral resource estimate. The Company is actively seeking opportunities to expand its portfolio of mineral exploration licences.

7. Indemnification and insurance of officers

To the extent permitted by law, the Company has indemnified each director and the secretary of the Company. The liabilities indemnified include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

8. Proceedings on behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the Corporations Act 2001.

9. Events occurring after balance sheet date

Other than the matters noted below, there have been no subsequent events that required adjustment to or disclosure in the or the Financial Statements of the Group for the half year ended 30 June 2023:

i. On 28 August 2023, the Company disposed of its fifty per cent ownership interest in each of Alpha Consulting Oz Pty Ltd and Alpha Minerals UK Limited to Alpha Minerals Pty Ltd for a total cash consideration of approximately $3.

ii. On 28 August 2023, Dominic Allen resigned as a Director and Camila Ramos was appointed as an independent Non-Executive Director of the Company.

iii. On 1 September 2023 the Company granted 9,562,350 zero exercise price options, with an expiry of 5 years from the date of issue to Executive Directors, officers, employees and contractors to the Group (being the Management Performance Options) subject to vesting conditions:

   a) Tranche A of the Management Performance Options (30% of the Management Performance Options) will vest on the Company announcing that it has been granted a Mining Concession (including trial mining) in relation to one or more of the Company's mineral projects at the time of any IPO that may be undertaken by the Company;
   b) Tranche B of the Management Performance Options (30% of the Management Performance Options) will vest on a successful feasibility study (being measured by an internal rate of return greater than 25%) of one or more of the Company's minerals projects, prepared in accordance with the provisions of the JORC Code on or before the three year anniversary of any IPO that may be undertaken by the Company;
   c) Tranche C of the Management Performance Options (20% of the Management Performance Options) will vest on achieving, on or before the four year anniversary of an IPO that may be undertaken by the Company, a 60% increase in the Share price (compared to the price per share offered pursuant to the public offer under any such ASX IPO prospectus issued by the Company) measured upon the volume weighted average market price (as defined in the ASX Listing Rules) of Shares for a period of 20 consecutive trading days on which Shares are traded; and
   d) Tranche D of the Management Performance Options (20% of the Management Performance Options) will vest on achieving, on or before the five year anniversary of an IPO that may be undertaken by the Company, a 90% increase in the Share price (compared to the price per share offered pursuant to the public offer under any such ASX IPO prospectus issued by the Company) measured upon the volume weighted average market price (as defined in the ASX Listing Rules) of Shares for a period of 20 consecutive trading days on which Shares are traded (disregarding any intervening days on which no trades occurred, if any).

iv. On 1 September 2023 the Company also granted 533,050 zero exercise price options with an expiry of 5 years from the date of issue to Non-Executive Directors of the Group (being the Director Options) subject to the following vesting conditions:

   a) Tranche A (comprising one third of the Director Options) shall vest on the one year anniversary of the date of the Company's admission to the Official List of ASX should the Company undertake an IPO ;
   b) Tranche B (comprising one third of the Director Options) shall vest on the two year anniversary of any IPO that may be undertaken by the Company; and
   c) Tranche C (comprising one third of the Director Options) shall vest on the three year anniversary of any IPO that may be undertaken by the Company.

v. On 20 October 2023, the Company and its wholly owned subsidiary Borborema Mineracao Ltda (**Borborema**) executed an agreement to purchase mineral exploration tenements referred to as the Amargosa Tenements from Rio de Contas Desenvolvimentos Minerais Ltda (Rio Tinto Brazil), a wholly owned subsidiary of Rio Tinto for cash consideration of US$9.328 million. The 20 October 2023 purchase agreement superseded a binding letter of intent that was executed by the parties on 4 July 2023.

   The cash consideration of US$9,328 million is payable in the following instalments:

   a) A down payment of US$100,000 was paid five days after execution of the binding letter of intent. The deposit was paid on 4 July 2023.
   b) A first instalment of US$2 million, less the down payment paid, shall be paid on the date of signing transaction documents. The first instalment was paid on 20 October 2023.
   c) A second instalment of US$5 million shall be paid within 9 months from the date of signing transaction documents. Payment of the second instalment is a condition precedent for an application for the assignment of the Amargosa Tenements to Borborema to be submitted to the National Mining Agency of Brazil ("ANM").

d) A third instalment of US$2.328 million shall be paid on the later of 18 months from the date of signing transaction documents or the date of publication of the annotation of the assignment of the last of Rio Tenements to Borborema by the ANM.

In addition to the cash consideration of US$9.328 million, the agreement included the following:

a) In the event of a future development of a bauxite mining project at the Amargosa Tenements, BRE (or its subsidiary) will pay to Rio Tinto Brazil (or its affiliates/successors) the Brazilian Real equivalent of US$40 million. The payment would be proposed to be made within sixty (60) days from the start of commercial production of bauxite and Rio Tinto Brazil (or its affiliates/successors) would have a right of first refusal to purchase bauxite produced from the Amargosa Tenements at the same prices used in the market.

b) In the event of future development of a nickel mining project in the areas of the Rio Tinto Tenements, Rio Tinto Brazil (or its affiliates/successors) has an option to purchase 20% of the project for the Brazilian Real equivalent of US$50 million.

vi. On 20 October 2023 the Company's wholly owned subsidiary Borborema entered into a Mineral Rights Call Option Agreement (the Amargosa Option Agreement) with Rio Tinto Brazil pursuant to which Borborema is granted the right, but not the obligation to acquire three exploration permits (**Optioned Permits**) for a cash payment of US$672,000. The Optioned Permits are currently subject to contractual rights granted to a third party by Rio Tinto Brazil which expire on the earlier of termination by the third party or 26 November 2026 if the third party has not fulfilled its obligations in relation to the Optioned Permits by that date (Third Party Rights).Within six months of the termination or expiry of the Third-Party Rights, Rio Tinto Brazil is to provide Borborema written notice of such termination or expiry. If Borborema wishes to exercise the option, it must, within thirty days of receiving this written notice, notify Rio Tinto Brazil in writing of its wish to exercise the option and must pay the option exercise price of US$672,000 within ten days of the date of the exercise notice

vii. The Company and its wholly owned subsidiary Borborema entered into transactions with Rare Earths Americas Pty Ltd and its wholly owned subsidiary Alpha Minerals Brazil Participacoes Ltda (A**lpha Brazil**) (together comprising the **Alpha Tenement Acquisition Agreement)**, the effect of which were that Borborema acquired a 100% interest in16 mineral exploration permits (being the Alpha Tenements) from Alpha Minerals Brazil in consideration for 28,712 Shares (on a pre-Share split basis) which were issued to Rare Earths Americas Pty Ltd as the nominee of Alpha Brazil on 20 October 2023.

viii. On 23 October 2023, the Company completed a share split pursuant to which each fully paid ordinary share, Management Performance Option and Director Option on issue was converted into 175 fully paid ordinary shares, Management Performance Options and Director Options as applicable.

10. Lead auditor's independence declaration

The Lead auditors' independence declaration is set out on page 34 of this report.

The report is made out in accordance with a resolution of the directors.

Bernardo Da Veiga

Managing Director

Perth

Dated this 25 day of October 2023

	Note	30 June 2023 $	30 June 2022 $
Revenue and other income			
Interest received		178,895	153
		178,895	153
Depreciation expense		(98,117)	(18,995)
Key management personnel and employee remuneration		(480,594)	(125,691)
Exploration and evaluation expense		(5,030,817)	(1,142,957)
Corporate compliance and shareholder relations expenses		(10,000)	-
Finance costs	6 (a)	(1,425,291)	(10,571)
General and administrative expenses		(17,272)	(1,069)
Professional fees		(426,580)	(49,772)
Share based payments expense	6 (b)	-	(90,125)
Travel expense		(35,298)	(18,156)
Losses on foreign exchange		(14,823)	(1,753)
Operating loss before income tax		(7,359,897)	(1,458,936)
Income tax expense		-	-
Loss for the period		(7,359,897)	(1,458,936)
Other comprehensive income / (loss)			
Items that may be reclassified to the profit or loss			
Exchange differences on translation of foreign operations	15(b)	643,141	39,910
Comprehensive loss for the period		(6,716,756)	(1,419,026)

Earnings per share for loss attributable to the ordinary equity holders of the Group:		**Cents**	**Cents**
Basic earnings per share	23	(5.41)	(1.53)
Diluted earnings per share	23	(5.41)	(1.53)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30 June 2023 $	31 December 2022 $
CURRENT ASSETS			
Cash and cash equivalents	7	11,545,753	18,430,214
Trade and other receivables	8	237,194	1,154,217
Other assets	9	300,233	39,557
TOTAL CURRENT ASSETS		**12,083,180**	**19,623,988**
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,661,395	419,467
TOTAL NON-CURRENT ASSETS		**1,661,395**	**419,467**
TOTAL ASSETS		**13,744,575**	**20,043,455**
CURRENT LIABILITIES			
Trade and other payables	11	535,483	854,091
Provisions		5,255	-
Borrowings	12	18,214,857	17,532,591
Derivative financial instruments	13	3,232,260	3,183,297
TOTAL CURRENT LIABILITIES		**21,987,855**	**21,569,979**
TOTAL LIABILITIES		**21,987,855**	**21,569,979**
NET ASSETS		**(8,243,280)**	**(1,526,524)**
EQUITY			
Issued Capital	14	7,241,829	7,241,829
Reserves	15	620,978	(22,163)
Accumulated losses		(16,106,087)	(8,746,190)
TOTAL EQUITY		**(8,243,280)**	**(1,526,524)**

The accompanying notes form part of these financial statements.

BRAZILIAN RARE EARTHS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2023

2023	**Share Capital $**	**Other Equity $**	**Share based payment reserve $**	**Foreign Exchange Translation Reserve $**	**Accumulated Losses $**	**Total $**
Balance at 1 January 2023	**7,241,829**	**-**	**30,250**	**(52,413)**	**(8,746,190)**	**(1,526,524)**
Comprehensive income:						
- Loss for the half year	-	-	-	-	(7,359,897)	(7,359,897)
- Foreign currency translation difference	-	-	-	643,141	-	643,141
Total comprehensive loss for the half year	-	-	-	643,141	(7,359,897)	(6,716,756)
Transactions with owners in their capacity as owners:						
- Issue of equity securities	-	-	-	-	-	-
- Equity contributions received in advance	-	-	-	-	-	-
- Share based payments	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance at 30 June 2023	**7,241,829**	**-**	**30,250**	**590,728**	**(16,106,087)**	**(8,243,280)**

2022	**Share Capital $**	**Other Equity $**	**Share based payment reserve $**	**Foreign Exchange Translation Reserve $**	**Accumulated Losses $**	**Total $**
Balance at 1 January 2022	**625,000**	**725,000**	**15,125**	**(116,668)**	**(845,107)**	**403,350**
Comprehensive income:						
- Loss for the half year	-	-	-	-	(1,458,936)	(1,458,936)
- Foreign currency translation difference	-	-	-	39,910	-	39,910
Total comprehensive loss for the half year	-	-	-	39,910	(1,458,936)	(1,419,026)
Transactions with owners in their capacity as owners:						
Issue of equity securities	4,949,020	-	-	-	-	4,949,020
- Equity contributions received in advance		(725,000)	-	-	-	(725,000)
- Share based payments	-	-	15,125	-	-	15,125
Total transactions with owners	4,949,020	(725,000)	15,125	-	-	4,239,145
Balance at 30 June 2022	**5,574,020**	**-**	**30,250**	**(76,758)**	**(2,304,043)**	**3,223,469**

The accompanying notes form part of these financial statements.

	Note	30 June 2023 $	30 June 2022 $
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(6,026,239)	(1,317,833)
Finance costs paid		(694,062)	(10,571)
Interest received		178,895	153
Net cash used in operating activities	22(b)	**(6,541,406)**	**(1,328,251)**
CASH FLOW FROM INVESTING ACTIVITIES			
Loan to related party		-	(376,478)
Royalty income received in advance		-	55,362
Payments for property, plant and equipment		(1,662,355)	(194,389)
Net cash provided used in investing activities		**(1,662,355)**	**(515,505)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	4,149,020
Proceeds from issue of convertible notes		1,000,000	-
Net cash provided by financing activities		**1,000,000**	**4,149,020**
Net (decrease)/increase in cash held		(7,203,761)	2,305,264
Cash and cash equivalents at beginning of period		18,430,214	202,750
Effects of exchange rate fluctuations on cash and cash equivalents		319,300	(14,339)
Cash and cash equivalents at end of period	22(a)	**11,545,753**	**2,493,675**

The accompanying notes form part of these financial statements.

1. GENERAL INFORMATION

Brazilian Rare Earths Limited ("BRE" or "Company") was incorporated in Australia as a private company limited by shares on 31 March 2021 under the name Alpha Minerals Pty Ltd. The Company changed its name to Brazilian Rare Earths Pty Limited on 21 August 2021. The Company converted to a public company on 3 February 2023. The Company's registered office and principal place of business is Level 1, 139 Macquarie Street, Sydney NSW 2000.

The entity's principal activity during the half year was focused on exploring for rare earth elements and other critical minerals in Brazil.

2. STATEMENT OF COMPLIANCE AND GOING CONCER ASSUMPTION

The financial statements comprise the consolidated financial statements of the Group consisting of Brazilian Rare Earths Pty Limited and its subsidiaries. The Group is a for-profit entity for the purpose of preparing the financial statements.

This condensed consolidated interim financial report for the half year ended 30 June 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by Brazilian Rare Earths Limited during the interim reporting half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended standards as set out below.

Except for cash flow information, the financial report has been prepared on an accruals basis, based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a loss for the half year ended 30 June 2023 of $7,359,897 (2022 loss: $1,458,936), net cash outflows from operating activities of $6,541,406 (2022: $1,328,251) and net outflows from investing activities of $1,662,355 (2022: $515,505). As at 30 June 2023 the Group had cash and cash equivalents of $11,545,753 (31 December 2022: $18,430,214), a net working capital deficit of ($9,904,675) (31 December 2022: $1,945,991) and net liabilities of ($8,243,280) (31 December 2022: $1,526,524). Included in current liabilities at 30 June 2023 are borrowings and derivative financial instrument liabilities totalling $21,447,117 (31 December 2022: $20,715,888) related to convertible notes issued by the Company ("convertible note liabilities"). As described in Note 12, the convertible notes will convert into fully paid ordinary shares in the Company if, on or before 30 June 2024, the Company completes an Initial Public Offering or a Trade Sale or will otherwise convert into ordinary shares on 30 June 2024. Cash settlement of the convertible notes will only occur if there is an event of default by the Company. The directors confirm that as at the date of this report no event of default has occurred. If the convertible note liabilities are excluded from current liabilities as at 30 June 2023 (on the basis that there is no cash repayment obligation other than if there is an event of default), the Company has a net working capital surplus of $11,542,442 at 30 June 2023 (31 December 2022: $18,769,897).

It is recognised that the Group's cash and cash equivalents at 30 June 2023 are not sufficient for it to meet its full exploration and development expenditure commitments for its various tenements over the full terms of all its exploration tenures (including payment of the consideration for the tenements acquired subsequent to 30 June 2023, as described in note 25) and to facilitate an expanded exploration program should the Group elect to do so.

Based on the success of previous capital raisings and the ability of the Group to reduce or defer uncommitted expenditure, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Directors are confident of securing funds as and when necessary to meet the Group's obligations as and when they fall due.

Should the Group be unable to secure funds there would be a material uncertainty which would cast significant doubt as to whether the Group would be able to meet its debts as and when they fall due, and therefore continue as a going concern, the Group may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

The financial report was authorised for issue on 25 October 2023.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the year commenced 1 January 2023. The adoption of these new and revised accounting standards and interpretations did not have any material effect on the financial results or financial position of the Group or the Company for the reporting period.

The Directors do not consider that the adoption of any new standards and Interpretations in issue but not yet effective at the date of these financial statements will have a material impact on the financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The consolidated general purpose financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB2 and measurements that have some similarities to fair value but are not fair value such as value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

b. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investments, the difference between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

c. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2023 and the results of all subsidiaries for the half year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Basis of consolidation (continued)

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d. Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency transaction reserve within equity in the consolidated financial statements.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of group entities' financial statements

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the date of the Statement of Financial Position.

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign currency (continued)

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

e. Income Tax

The income tax expense (income) for the half year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense (income) charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the half year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

f. Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are expensed in the statement of profit or loss when incurred.

g. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits with consideration given to employees' wages increases and the probability that the employees may satisfy vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Share based compensation

The Group operates equity-settled share based remuneration plans for its employees. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of the employees services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest.

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised if there is any indication the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

Where the fair value of services rendered by other parties can be reliably determined, this is used to measure the equity-settled payment.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

j. Financial assets

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date which is, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets based on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. The Group's financial assets which comprise other receivables and cash and cash equivalents are classified at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired. Interest income from these financial assets is included in interest income using the EIR method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Financial assets (continued)

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

k. Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Transaction costs that are directly attributable to the assumption of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liability on initial recognition. Transaction costs directly attributable to acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method except for derivatives and financial liabilities designated as fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments are accounted for at fair value through profit or loss

l. Revenue recognition

Revenues are recognised at fair value of the consideration received net of any applicable taxes.

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received, and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or payables in the Statement of Financial Position. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

n. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 4(q) for details of impairment)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The expected useful life for plant and equipment is 3 to 10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

o. Leases as lessee

The Group makes use of leasing arrangements principally for the provision of office and warehouse facilities. The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Leases as lessee (continued)

At lease commencement date, the Company recognises a right-of-use asset and lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-o -use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The lease liability is reassessed when there is a change in the lease payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

p. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

q. Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Where the Group's share of losses investments in associates or joint ventures equals or exceeds its equity accounted interest in the entities, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors.

s. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUTING JUDGEMENTS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

i. *Share based payments*

The Group measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Fair value is calculated with reference to observable market data or the most recent capital raise. Refer note 15(a).

iii. *Deferred tax assets*

No members of the Group have generated taxable income in the current or prior reporting periods and as such the Group continues to carry forward tax losses that give rise to deferred tax assets. Given that the Group's projects remain in early exploration stages, it is unlikely that the Group will generate taxable income in the foreseeable future in the absence of asset sales.

Taking account of the above, the deferred tax assets have not been recognised in the financial statements as management does not believe that the members of the Group satisfy the criteria set out in paragraph 35 of AASB 112.

iii. *Convertible notes and derivative financial liabilities*

The convertible notes issued by the Company (refer Note 12) comprise a host debt contract which is measured at amortised costs and an embedded financial derivative liability which is measured at fair value through profit and loss. The initial separation of the host contract and the financial derivative liability and the subsequent measurement of the fair value of the derivative financial liability requires the fair value of the derivative financial liability to be determined. The Company has used a Monte Carlo simulation based valuation methodology to assess the value of the derivative financial liability. Estimated fair values may vary from the actual price that would be achieved in an arm's length transaction (refer Note 13).

6. EXPENSES

Loss before tax includes the following specific expenses:	Half year ended 30 June 2023 $	Half year ended 30 June 2022 $
Realised gains/(losses) on foreign exchange	(14,823)	(1,753)
Depreciation plant and equipment	98,117	18,995
(a) Finance costs		
Interest expense on convertible notes	1,063,012	-
Change in fair value of derivative financial liability	48,963	-
Convertible note transaction costs	289,500	-
Other	23,816	10,571
	1,425,291	**10,571**
(b) Share based payments expense		
Key management personnel share based remuneration ^	-	75,000
Employee performance share options ^^	-	15,125
	-	**90,125**

^ During the 2022 year key management personnel participated in the issue of ordinary shares at a discounted price. The discount was representative of remuneration (refer Note 19)
^^ During the 2021 year the Group granted 30,250 shares to Directors, contractors and consultants, vesting on the declaration of JORC compliant mineral resource by the Group (refer Note 15)

7. CASH AND CASH EQUIVALENTS

	30 June 2023 $	31 December 2022 $
Cash at bank	11,545,753	18,430,214
	11,545,753	**18,430,214**

8. TRADE AND OTHER RECEIVABLES - CURRENT

	30 June 2023 $	31 December 2022 $
GST and other taxes receivable	133,185	152,492
Related party receivable	11,650	1,725
Other receivables	92,359	1,000,000
	237,194	**1,154,217**

The other receivables amount in 2022 includes funds received in January 2023 for convertible notes issued in December 2022

9. OTHER ASSETS

Current	30 June 2023 $	31 December 2022 $
Prepayments	300,233	39,557
	300,233	**39,557**

10. PROPERTY, PLANT AND EQUIPMENT

	Field Equipment	Motor Vehicles	Office and IT Equipment	Total
Carrying amount at 31 December 2021	**66,735**	**-**	**-**	**66,735**
Additions	327,441	92,769	19,056	439,266
Depreciation	(75,009)	(17,922)	(2,662)	(95,593)
Foreign exchange on restatement	9,059	-	-	9,059
Carrying amount at 31 December 2022	**328,226**	**74,847**	**16,394**	**419,467**
Additions	1,549,489	97,337	15,529	1,662,355
Amounts transferred to exploration and evaluation expenditure	(364,418)	-	-	(364,418)
Depreciation	(76,313)	(18,475)	(3,329)	(98,117)
Foreign exchange on restatement	31,945	8,492	1,671	42,108
Carrying amount at 30 June 2023	**1,468,929**	**162,201**	**30,265**	**1,661,395**

11. TRADE AND OTHER PAYABLES - CURRENT

	30 June 2023 $	31 December 2022 $
Trade payables	242,175	572,012
Other payables and accruals	293,308	282,079
	535,483	**854,091**

Trade payables are unsecured, non-interest bearing and due 30 days or less from the date of recognition.

12. BORROWINGS

Current:	30 June 2023 $	31 December 2022 $
Convertible note liability	18,246,297	18,246,297
Accrued interest on convertible notes	547,560	154,794
Convertible note transaction costs	(579,000)	(868,500)
	18,214,857	**17,532,591**

The terms of the convertible notes are as follows:

Maturity Date:	30 June 2024
Number of notes:	21,432,834
Note face value:	$1
Interest:	10% of the face value per annum, payable quarterly
Security:	The notes are unsecured
Conversion price:	All notes convert to Conversion Shares at the Conversion Price. The Conversion Price to be applied varies based on the event that triggers conversion and the time at which the conversion trigger occurs as summarised below:

Conversion trigger	Date of conversion trigger	Conversion price
Initial public offering	Prior to 31 December 2023	The lesser of an amount which is equal to 80% of the IPO Price or the IPO Conversion Cap Price ($100 million divided by the Fully Diluted IPO shares).
Initial public offering	On or after 31 December 2023 but prior to 30 June 2024	The lesser of an amount which is equal to 70% of the IPO Price or the IPO Conversion Cap Price ($100 million divided by the Fully Diluted IPO shares).
Trade sale	Prior to 30 June 2024	The lesser of 80% of the valuation implied by the Trade Sale on the Trade Sale Conversion Date or the Trade Sale Conversion Cap Price ($100 million divided by the number of Fully Diluted Trade Sale Shares).
Maturity	30 June 2024	All notes will automatically convert to Conversion Shares at the maturity date at the Maturity Price ($80 million divided by the number of Fully Diluted Maturity Shares)

The debt host contract (convertible note liability) has been measured at amortised costs and the derivative component has been measured at fair value through the profit and loss (refer note 13). As the conversion price is variable, the derivative component has been classified as a financial liability.

Set out below is a reconciliation of the face value of the convertible notes issued to the amounts disclosed as borrowings as at 30 June 2023:

	30 June 2023 $	31 December 2022 $
Face value of convertible notes issued	21,432,834	21,432,834
Value of derivative financial liability at time of issue of convertible notes	(3,186,537)	(3,186,537)
Convertible note liability	**18,246,297**	**18,246,297**
Accrued interest	547,560	154,794
Convertible note transaction costs	(579,000)	(868,500)
	18,214,857	**17,532,591**

13. DERIVATIVE FINANCIAL INSTRUMENTS

Current liabilities	30 June 2023 $	31 December 2022 $
Derivative financial instrument	3,232,260	3,183,297
	3,232,260	**3,183,297**

On initial recognition of the convertible notes payable, a derivative financial instrument of $3,186,537 has been recognised. The derivative financial instrument has been subsequently measured at the reporting period date, with changes in fair value loss of $48,963 being recognised in profit and loss and such gains or losses have been presented as finance costs.

The fair value of the derivative financial instrument was assessed at 30 June 2023 using a Monte Carlo simulation based valuation methodology using the following criteria

Methodology	Monte Carlo
Iterations	100,000
Valuation date	30 June 2023
Principal value of notes outstanding	21,432,834
Assumed conversion date	30 September 2023
Spot price at valuation date	$54.54
Assumed conversion price	$123.72
Risk-free rate	4.090%
Volatility	75%
Dividend yield	Nil
Average simulated conversion price	$44.07
Average number of shares issued	550,579
Average dilution factor	0.6086

14. ISSUED CAPITAL AND OTHER EQUITY

	30 June 2023 $	31 December 2022 $
Ordinary Shares fully paid	7,241,829	7,241,829
	7,241,829	**7,241,829**

	30 June 2023		31 December 2022	
Ordinary shares fully paid	**No.**	**$**	**No.**	**$**
Opening balance	778,008	7,241,829	500,000	500,000
Private placement – January 2022^^	-	-	50,000	1,000,000
Private placement – July 2022	-	-	72,406	3,949,020
Founder shares converted to ordinary shares – July 2022	-	-	155,602	1,792,809
Closing balance	**778,008**	**7,241,829**	**778,008**	**7,241,829**

14. ISSUED CAPITAL AND OTHER EQUITY (continued)

^^ As at 31 December 2021 the Company had received subscription proceeds of $725,000 in relation to the issuance of shares that occurred in January 2022.

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

	30 June 2023		31 December 2022	
Founder shares fully paid	**No.**	**$**	**No.**	**$**
Opening balance	-	-	125,000	125,000
Issue of Founder Shares	-	-	30,602	1,667,809
Founder shares converted to ordinary shares – July 2022	-	-	(155,602)	(1,792,809)
Closing balance	**-**	**-**	**-**	**-**

Founders shares were issued to certain individuals for services provided in relation to the identification and acquisition of the Groups Brazilian exploration tenements. The Founder Shares were converted to ordinary shares in 2022. The Founder Shares included certain anti-dilutionary rights which the holders of the Founder Shares agreed to cancel in return for the holders of the Founder Shares being issued 432,834 convertible notes (refer Note 12).

15. RESERVES

	30 June 2023 $	31 December 2022 $
Share based payments reserve	30,250	30,250
Foreign currency translation reserve	590,728	(52,413)
	620,978	**(22,163)**

a) Share based payments reserve

The share based payments reserves is used to recognise the fair value of share options and employee incentive rights granted.

Movement	Half year ended 30 June 2023 $	Year ended 31 December 2022 $
Balance at beginning of period	30,250	15,125
Movement during the period	-	15,125
Balance at end of period	**30,250**	**30,250**

During the 2021 year the Group granted 30,250 options to Directors, contractors and consultants. The options vest on the declaration of a JORC compliant mineral resource by the Group.

15. RESERVES (continued)

The value of the options was assessed using the following inputs:

Number of options issued	30,250
Estimated probability that the options will vest	100%
Estimate vesting period	12 months
Grant date share price^^	$1.00
Fair value per option	$1.00

^^ The Company's shares are not actively traded and as such there is not observable market value. The grant date share price of $1.000 is based on the price at which the Company raised capital in September 2021.

b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Movement	Half year ended 30 June 2023 $	Year ended 31 December 2022 $
Balance at beginning of period	(52,413)	(116,668)
Movement during the period	643,141	64,255
Balance at end of period	**590,728**	**(52,413)**

16. CAPITAL MANAGEMENT

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

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

17. COMMITMENTS FOR EXPENDITURES

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

	30 June 2023 $	31 December 2022 $
Less than one year	51,048	51,048
	51,048	**51,048**

18. CONTINGENT LIABILITIES AND ASSETS

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

i. The Group has entered into a Royalty Agreement with Alpha Minerals Pty Ltd granting Alpha Minerals Pty Ltd the right to receive 2.5% royalty revenue over all of the present and future tenements held by the Company or its wholly owned subsidiaries. The royalty right was purchased by Alpha Minerals Pty Ltd in the 2022 financial year for BRL 200,000.

19. RELATED PARTY TRANSACTIONS

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

The Group has identified the following as related parties:

i. The Company's Directors being Bernardo Da Veiga and Dominic Allen each of whom was appointed on appointed 31 March 2021.
ii. Companies in the Alpha Minerals Pty Ltd group of which Bernardo Da Veiga and Dominic Allen are also Directors

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

(a) Transactions with Directors

Compensation recorded for key management personnel and companies related to them for the half year ended June 30,2023 was paid as follows:

	Half year ended 30 June 2023 $	Half year ended 30 June 2022 $
Short-term remuneration	**217,998**	118,191
Shares issued at a discounted rate	**-**	75,000
Share based payments	**-**	7,184
	217,998	200,375

(b) Transactions with Alpha Minerals Pty Ltd and its related entities

Bernardo Da Veiga and Dominic Allen are directors of the Company and are also directors of Alpha Minerals Pty Ltd. Alpha Minerals Pty Ltd and its subsidiaries ("Alpha"). The Group and Alpha also have a number of common shareholders. The Group and Alpha have engaged in the following transactions:

i. The Group hires, on an arm's length basis, mobile plant and equipment including a drill rig, back hoe and truck, for use in the Group's exploration programs. The total rental fees paid by the Group to Alpha during the half year was $621,605 (2022: $nil).
ii. Alpha provides technical and administrative support to the Group. The total fees paid to Alpha for these services during the half year was $88,801 (2022: $nil).
iii. During the 2022 financial year, Alpha purchased for $59,186 (BRL200,000) a 2.5% royalty revenue over all of the present and future tenements held by the Company or its wholly owned subsidiaries.

20. FINANCIAL RISK MANAGEMENT

The Group holds the following financial instruments all of which are carried at amortised cost

	30 June 2023 $	31 December 2022 $
Financial Assets		
Cash and cash equivalents	11,545,753	18,430,214
Trade and other receivables	237,194	1,154,217
	11,782,947	**19,584,431**
Financial Liabilities		
Trade and other payables	535,483	854,091
	535,483	**854,091**

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The Group does not currently have any projects in production and as such the main purpose of these financial instruments is to provide liquidity to finance the Group's exploration and development activities. It is, and has been throughout the half year, the Group's policy that no trading in speculative financial instruments shall be undertaken. The main risks arising from the Group's use of financial instruments are liquidity risk, counterparty or credit risk, interest rate risk and foreign currency risk. During the half year the Group has had some transactional currency exposures, principally to the US dollar and the Brazilian real. The Group has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time. Primary responsibility for identification and control of financial risk rests with the board of directors. However, the day-to-day management of these risks is under the control of the Managing Directors and Chief Financial Officer. The Board agrees the strategy for managing future cash flow requirements and projections.

(i) Foreign exchange risk

The Group is exposed to currency risks on expenditure and cash holdings that are denominated in a currency other than the Company's functional and presentation currency of Australian dollars. The currencies in which transactions are primarily denominated are Australian dollars (AUD), United States dollar (USD), and the Brazilian real (BRL).

The following table sets out the Group's exposure to the respective currencies at the reporting date

	Balances denominated in				
30 June 2023	**AUD**	**USD**	**BRL**	**EUR**	**TOTAL**
Cash and cash equivalents	7,630,344	-	3,915,409	-	11,545,753
Trade and other receivables	177,949	-	59,245	-	237,194
Total assets	**7,808,293**	**-**	**3,974,654**	**-**	**11,782,947**
Trade and other payables	(358,248)	(51,971)	(125,264)	-	(535,483)
Net exposure	**7,450,045**	**(51,971)**	**3,849,390**	**-**	**11,247,464**

20. FINANCIAL RISK MANAGEMENT (continued)

31 December 2022	AUD	USD	BRL	EUR	TOTAL
Cash and cash equivalents	15,743,188	-	2,687,026	-	18,430,214
Trade and other receivables	1,143,142	-	11,075	-	1,154,217
Total assets	**16,886,330**	**-**	**2,698,101**	**-**	**19,584,431**
Trade and other payables	(734,788)	(18,775)	(65,629)	(34,899)	(854,091)
Net exposure	**16,151,542**	**(18,775)**	**2,632,472**	**(34,899)**	**18,730,340**

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks in functional and foreign currencies, short-term investments, and accounts receivable and payable.

Treasury Risk Management: The Board, at each of its meetings, analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed on a regular basis.

Financial Risk Exposures and Management: The main risks the Group is exposed to through its financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk.

Credit risk exposures: Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The credit risk on financial assets of the Group which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

Interest rate risk exposures: Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. At balance date, the Group does not have material exposure to interest rate risk.

Liquidity risk: Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Group does not have material exposure to liquidity risk.

Foreign currency risk: Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group. The Group manages foreign currency risk by monitoring forecast foreign currency commitments and foreign exchange rates.

Net fair value of financial assets and liabilities: The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and the financial liabilities of the Group approximates their carrying amounts. The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

21. SEGMENT INFORMATION

Operating segments are identified, and segment information disclosed, on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors.

The Group is managed primarily on a geographic basis, that is, the location of the respective areas of interest. Operating segments are therefore determined on the same basis.

Activity by segment

Brazil exploration
The Company was founded for the purpose of exploring Rare Earth Elements and other critical minerals in Brazil. In August 2021 the Company pegged 32 tenements in an area identified in the state of Bahia.

Corporate
Expenditure incurred that is not directly allocated to other segments is reported as corporate costs in the internal reports prepared for the chief operating decision maker.

The following tables present revenue and profit information for the Group's operating segments for the period ended 30 June 2023 and 2022, respectively.

a. Segment performance

Half Year ended 30 June 2023	**Brazil exploration**	**Corporate**	**Total**
Total segment revenue	178,895	-	178,895
Total segment expenditure	(4,496,038)	(3,042,754)	(7,538,792)
Segment result	**(4,317,143)**	**(3,042,754)**	**(7,359,897)**

Half Year ended 30 June 2022	**Brazil exploration**	**Corporate**	**Total**
Total segment revenue	153	-	153
Total segment expenditure	(1,013,173)	(445,916)	(1,459,089)
Segment result	**(1,013,020)**	**(445,916)**	**(1,458,936)**

b. Segment assets

	Brazil	**Australia**	**Total**
30 June 2023			
Segment assets	**4,542,260**	**9,202,315**	**13,744,575**
31 December 2022			
Segment assets	3,135,581	16,907,874	20,043,455

22. CASH FLOW INFORMATION

	Half year ended 30 June 2023 $	Half year ended 30 June 2022 $
a) Reconciliation of Cash		
Cash at end of the half year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	**11,545,753**	**2,493,675**
b) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Profit (Loss) before income tax expense	(7,359,897)	(1,458,936)
Non-cash flows in loss from ordinary activities		
Depreciation	98,117	18,995
Unrealised foreign exchange losses	-	
Non-cash share-based remuneration expenses	-	90,125
Non-cash exploration related expenses	364,418	-
Capitalisation of borrowing costs	289,500	-
Change in fair value derivatives	48,963	-
Changes in operating assets and liabilities		
(Increase) / decrease in receivables and prepayments	(61,918)	(36,806)
Increase / (decrease) in payables	79,411	58,371
Net cash (outflow) / inflow from operating activities	**(6,541,406)**	**(1,328,251)**
c) **Non-cash investing and financing activities**		
Issue of shares to Director as remuneration	-	75,000

23. EARNINGS PER SHARE

	Half year ended 30 June 2023 $	Half year ended 30 June 2022 $
Profit (Loss) after income tax benefit attributable to the Group	(7,359,897)	(1,458,936)

Weighted average number of shares used as the denominator	**No.**	**No.**
Weighted average number of ordinary shares outstanding during the half year used in calculation of Basic EPS[1]	136,151,400	95,428,177
Weighted average number of options outstanding which are considered potentially dilutive	-	-
Weighted average number of potential ordinary shares outstanding during the half year used in calculation of Diluted EPS	**136,151,400**	**95,428,177**

[1] The weighted average number of ordinary shares outstanding during each half year has been adjusted as if the share that split completed on 23 October 2023 in which each share on issue at that date was converted into 175 shares occurred at the commencement of each half year (refer note 24 (viii)).

Options and other potential equity securities on issue at the end of the period have not been included in the determination of diluted earnings per share as the Group has incurred a loss for the period and they are therefore not dilutive in nature.

	Half year ended 30 June 2023 Cents	Half year ended 30 June 2022 Cents
Basic earnings per share	(5.41)	(1.53)
Diluted earnings per share	(5.41)	(1.53)

24. INTERESTS IN OTHER ENTITIES

(a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 4(b).

Name of entity	Country of Incorporation	Class of shares	Equity holding (%)	
			30 June 2023	31 December 2022
Borborema Mineração Ltda	Brazil	Ordinary	**100%**	**100%**
Jequié Mineração Ltda	Brazil	Ordinary	**100%**	**100%**
Ubaíra Mineração Ltda	Brazil	Ordinary	**100%**	**100%**
Alta Materials Pty Ltd	Australia	Ordinary	**100%**	**100%**
Cronos Material Pty Ltd	Australia	Ordinary	**100%**	**100%**
Brazilian Rare Earths UK Ltd	United Kingdom	Ordinary	**100%**	**Nil**

24. INTERESTS IN OTHER ENTITIES (continued)

(b) Interests in associates

Set out below are the associates of the group.

		30 June 2023		31 December 2022	
Name of entity	Country of Incorporation	Ownership %	Carrying amount $	Ownership %	Carrying amount $
Alpha Consulting Oz Pty Ltd	Australia	50%	-	50%	-
Alpha Minerals UK Pty Ltd	United Kingdom	50%	-	50%	-
			-		-

Alpha Consulting Oz Pty Ltd and Alpha Minerals UK Pty Ltd incur operating and compliance costs that are shared equally by the shareholders and on-charged at cost. A share of the entity's operating and compliance costs, in line with the ownership percentage, has been included in the Group's loss.

25. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters noted below, there have been no subsequent events that required adjustment to or disclosure in the or the Financial Statements of the Group for the half year ended 30 June 2023:

i. On 28 August 2023, the Company disposed of its fifty per cent ownership interest in each of Alpha Consulting Oz Pty Ltd and Alpha Minerals UK Limited to Alpha Minerals Pty Ltd for a total cash consideration of approximately $3.

ii. On 28 August 2023, Dominic Allen resigned as a Director and Camila Ramos was appointed as an independent Non-Executive Director of the Company.

iii. On 1 September 2023 the Company granted 9,562,350 zero exercise price options, with an expiry of 5 years from the date of issue to Executive Directors, officers, employees and contractors to the Group (being the Management Performance Options) subject to vesting conditions:

a) Tranche A of the Management Performance Options (30% of the Management Performance Options) will vest on the Company announcing that it has been granted a Mining Concession (including trial mining) in relation to one or more of the Company's mineral projects at the time of any IPO that may be undertaken by the Company;
b) Tranche B of the Management Performance Options (30% of the Management Performance Options) will vest on a successful feasibility study (being measured by an internal rate of return greater than 25%) of one or more of the Company's minerals projects, prepared in accordance with the provisions of the JORC Code on or before the three year anniversary of any IPO that may be undertaken by the Company;
c) Tranche C of the Management Performance Options (20% of the Management Performance Options) will vest on achieving, on or before the four year anniversary of an IPO that may be undertaken by the Company, a 60% increase in the Share price (compared to the price per share offered pursuant to the public offer under any such ASX IPO prospectus issued by the Company) measured upon the volume weighted average market price (as defined in the ASX Listing Rules) of Shares for a period of 20 consecutive trading days on which Shares are traded; and
d) Tranche D of the Management Performance Options (20% of the Management Performance Options) will vest on achieving, on or before the five year anniversary of an IPO that may be undertaken by the Company, a 90% increase in the Share price (compared to the price per share offered pursuant to the public offer under any such ASX IPO prospectus issued by the Company) measured upon the volume weighted average market price (as defined in the ASX Listing Rules) of Shares for a period of 20

consecutive trading days on which Shares are traded (disregarding any intervening days on which no trades occurred, if any).

iv. On 1 September 2023 the Company also granted 533,050 zero exercise price options with an expiry of 5 years from the date of issue to Non-Executive Directors of the Group (being the Director Options) subject to the following vesting conditions:

a) Tranche A (comprising one third of the Director Options) shall vest on the one year anniversary of the date of the Company's admission to the Official List of ASX should the Company undertake an IPO ;
b) Tranche B (comprising one third of the Director Options) shall vest on the two year anniversary of any IPO that may be undertaken by the Company; and
c) Tranche C (comprising one third of the Director Options) shall vest on the three year anniversary of any IPO that may be undertaken by the Company.

v. On 20 October 2023, the Company and its wholly owned subsidiary Borborema Mineracao Ltda (**Borborema**) executed an agreement to purchase mineral exploration tenements referred to as the Amargosa Tenements from Rio de Contas Desenvolvimentos Minerais Ltda (Rio Tinto Brazil), a wholly owned subsidiary of Rio Tinto for cash consideration of US$9.328 million. The 20 October 2023 purchase agreement superseded a binding letter of intent that was executed by the parties on 4 July 2023.

The cash consideration of US$9,328 million is payable in the following instalments:

a) A down payment of US$100,000 was paid five days after execution of the binding letter of intent. The deposit was paid on 4 July 2023.
b) A first instalment of US$2 million, less the down payment paid, shall be paid on the date of signing transaction documents. The first instalment was paid on 20 October 2023.
c) A second instalment of US$5 million shall be paid within 9 months from the date of signing transaction documents. Payment of the second instalment is a condition precedent for an application for the assignment of the Amargosa Tenements to Borborema to be submitted to the National Mining Agency of Brazil ("ANM").
d) A third instalment of US$2.328 million shall be paid on the later of 18 months from the date of signing transaction documents or the date of publication of the annotation of the assignment of the last of Rio Tenements to Borborema by the ANM.

In addition to the cash consideration of US$9.328 million, the agreement included the following:

a) In the event of a future development of a bauxite mining project at the Amargosa Tenements, BRE (or its subsidiary) will pay to Rio Tinto Brazil (or its affiliates/successors) the Brazilian Real equivalent of US$40 million. The payment would be proposed to be made within sixty (60) days from the start of commercial production of bauxite and Rio Tinto Brazil (or its affiliates/successors) would have a right of first refusal to purchase bauxite produced from the Amargosa Tenements at the same prices used in the market.
b) In the event of future development of a nickel mining project in the areas of the Rio Tinto Tenements, Rio Tinto Brazil (or its affiliates/successors) has an option to purchase 20% of the project for the Brazilian Real equivalent of US$50 million.

vi. On 20 October 2023 the Company's wholly owned subsidiary Borborema entered into a Mineral Rights Call Option Agreement (the Amargosa Option Agreement) with Rio Tinto Brazil pursuant to which Borborema is granted the right, but not the obligation to acquire three exploration permits (**Optioned Permits**) for a cash payment of US$672,000. The Optioned Permits are currently subject to contractual rights granted to a third party by Rio Tinto Brazil which expire on the earlier of termination by the third party or 26 November 2026 if the third party has not fulfilled its obligations in relation to the Optioned Permits by that date (Third Party Rights).Within six months of the termination or expiry of the Third-Party Rights, Rio Tinto Brazil is to provide Borborema written notice of such termination or expiry. If Borborema wishes to exercise the option, it must, within thirty days of receiving this written notice, notify Rio Tinto Brazil in writing of its wish to exercise the option and must pay the option exercise price of US$672,000 within ten days of the date of the exercise notice

vii. The Company and its wholly owned subsidiary Borborema entered into transactions with Rare Earths Americas Pty Ltd and its wholly owned subsidiary Alpha Minerals Brazil Participacoes Ltda (A**lpha Brazil**) (together comprising the **Alpha Tenement Acquisition Agreement)**, the effect of which were that Borborema acquired a 100% interest in16 mineral exploration permits (being the Alpha Tenements) from Alpha Minerals Brazil in consideration for 28,712 Shares (on a pre-Share split basis) which were issued to Rare Earths Americas Pty Ltd as the nominee of Alpha Brazil on 20 October 2023.

viii. On 23 October 2023, the Company completed a share split pursuant to which each fully paid ordinary share, Management Performance Option and Director Option on issue was converted into 175 fully paid ordinary shares, Management Performance Options and Director Options as applicable.

DIRECTORS' DECLARATION

In the opinion of the Directors:

- the financial statements and notes of the Group are 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 performance for the financial year ended on that date; and
    ii. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- the financial statements and notes also comply with International Financial Reporting Standards; and,
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* and as recommended under ASX Corporate Governance Council's Corporate Governance Principles for the financial year ended 30 June 2023.

Bernardo Da Veiga

Managing Director

Perth,

25 October 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BRAZILIAN RARE EARTHS LTD

Opinion

We have reviewed the half-year financial report of Brazilian Rare Earths Ltd ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Consolidated Entity does not comply with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Brazilian Rare Earths Ltd financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Consolidated Entity 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* (the Code) that are relevant to our review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half-year financial report which indicates that the Consolidated Entity incurred a net loss of $7,359,897 during the half 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 Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in this respect of this matter.

Other Information

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

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

In connection with our review of the half-year 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 review 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 half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Scheme's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

HALL CHADWICK WA AUDIT PTY LTD	**MICHAEL HILLGROVE CA** **Director**

Dated Perth, Western Australia this 25th day of October 2023