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**AMERICAN RARE EARTHS LIMITED**  
**(formerly BROKEN HILL PROSPECTING LIMITED)**  
(Incorporated in New Zealand)

NZ Company Number: 322887, NZ Overseas Issuer Number: 2541657  
ARBN: 003 453 503 (Australia)  
ABN: 83 003 453 503 (Australia)

**ANNUAL REPORT**  
**FOR THE YEAR ENDED**  
**30 JUNE 2020**

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**CORPORATE DIRECTORY****Directors**

F Creagh O'Connor (Non-Executive Chairman)  
 Denis Geldard (Non-Executive Director)  
 Geoffrey Hill (Non-Executive Director)  
 Keith Middleton (Non-Executive Director)

**Auditor**

Nexia Sydney Audit Pty Ltd  
 Level 16  
 1 Market Street  
 NSW 2000

**Company Secretary**

Wayne Kernaghan

**Bankers**

National Australia Bank  
 Commonwealth Bank of Australia  
 Wells Fargo Bank

**Registered Office**

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 541 Parnell Road  
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**Listed Securities**

Australian Securities Exchanges  
 Code ARR

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**Interests in Mining Tenements**

As at 22 September 2020

Tenement Name	Tenement Type and Number	Location	Group Ownership
Broken Hill NW	Exploration Licence EL8775	Broken Hill NSW Australia	100%
Triple Chance	Exploration Licence EL8776	Broken Hill NSW Australia	100%
Main Line	Exploration Licence EL8773	Broken Hill NSW Australia	100%
La Paz	176 BLM Claims granted	Arizona United States	100%
La Paz	State of Arizona, County of La Paz LODE Mining Claims 220 – 261	Arizona United States	100%
REX-1	Wyoming Rare (USA) INC WMC314023*	Wyoming United States	100%
REX-2	Wyoming Rare (USA) INC WMC314024*	Wyoming United States	100%
REX-3	Wyoming Rare (USA) INC WMC314025*	Wyoming United States	100%
REX-4	Wyoming Rare (USA) INC WMC314026*	Wyoming United States	100%
REX-5	Wyoming Rare (USA) INC WMC314027*	Wyoming United States	100%

\* These tenements are subject to the completion of the Wyoming Rare purchase.

## CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

Welcome to the 2020 Annual Report for American Rare Earths Limited.

### Highlights

- **Change of Name to American Rare Earths Limited (ASX: ARR)**
- **Appointment of a US based Board, chaired by Mr Clarence McAllister**
- **Acquisition of Laramie Rare Earth project, Wyoming**
- **Appointment of La Paz Rare Earth CEO Mr. Marty Weems**
- **Update on La Paz Rare Earth Activities**

The transformation of your Company to owner and developer of world-class Rare-Earth assets in the U.S.A is well underway. Our position in the Rare Earths and Critical Minerals sector has been validated by the US Government's focus on establishing a domestic Rare Earth Industry.

The U.S Department of Energy (DOE) has recently announced plans to provide federal funding for cost-shared research and development under the funding opportunity (FOA) initiative for U.S Basins.

This Government initiative is a key driver and powerful incentive for your Company to accelerate the growth and development of the La Paz Rare Earth Project together with the recently acquired Laramie asset in Wyoming. As a key US strategic resource, critical mineral development is designed to provide output for U.S based processing. This commercial pathway, together with U.S Department of Energy incentives, provides your Company with the opportunity to capitalise on the revival of US based supply-chain demand in the Rare Earth Elements and Critical Minerals sector.

Your Company is building scale at the same time the world's largest economy is scrambling to shore up its own supply of rare earths.

### **Change of Name to American Rare Earths Limited (ASX: ARR)**

As announced 29 June 2020, the Company has changed its name to American Rare Earths Limited (ASX: ARR). This change in name is to reflect the Company's focus on its La Paz Rare Earth tenements in Arizona, North America and its Laramie asset in Wyoming.

### **New Board of Directors and Chairman, Western Rare Earths**

Earlier in the year the Company, through its wholly owned subsidiary Western Rare Earths, set up a US based Board of Directors and management team to oversee and guide the development of our US assets. The board includes Clarence McAllister as Chairman, Sten Gustafson and Melissa Sanderson who provide the technical skills and political knowhow that is required to succeed in this sector. They join our Australian based directors in leading the company. I welcome them to the team.

### **New Chief Executive Officer, La Paz Rare Earths CEO**

To progress our Rare Earth Projects, the Company has appointed a new US based Chief Executive Officer, CEO, Marty Weems. Marty brings a wealth of experience to the Company with startup, leadership and business development skills together with a background in leading presentations for government agencies, capital raisings and investor updates, he has a Master of Science (MS) and a Masters of Business Administration (MBA). On behalf of shareholders, I welcome him to our Company.

**Conclusion**

In conclusion, I am pleased to report growing American investor interest in our US strategic Rare Earth assets, which as the only Australian listed company with active Rare Earth exploration and development projects in the US, makes our Company extremely well placed to provide the essential energy, electronic and automotive elements that are key to the modern carbon neutral economy.

I would also like to thank my fellow directors for their ongoing support and commitment to the development of this wonderful asset. I would particularly like to thank Matt Hill for his dedication and involvement over many years and wish him well in his future activities.



Creagh O'Connor AM  
Chairman

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## DIRECTORS' REPORT

### Review of Operations

#### Focus on Western Rare Earths

The transformation of your Company from explorer to developer of a world class Rare Earth Project is our priority. Rare Earth Elements remain a key U.S strategic resource, which through its domestic development is designed to provide input for U.S based processing. We believe the opportunity to capitalize on growing interest by Government in the supply chain is substantial. As the sector continues to evolve, and domestic supply is prioritized, the ability to create a project of significance to both US and International investors is elevated.

By localizing the management and operations of the Company in the U.S, it provides an important pathway to deliver on the projects, which will create enterprise value and certainty in execution. With the acquisition of the Laramie asset in Wyoming we have gained access to a network of industry experts and have engaged Jim Guilinger as our technical consultant and competent person for both JORC 2012 and NI- 43-101 reporting. We welcome Jim to the team and thank John Peterson for his previous work as our technical consultant.

#### Update on La Paz Rare Earths

*La Paz Rare Earth Project, Arizona, USA*

##### Background

In August 2019, BPL announced it had formed a 100%-owned US-based subsidiary called La Paz Rare Earth LLC to acquire and develop the La Paz Rare Earth Project in La Paz County, Arizona, US, approximately 170km northwest of Phoenix.

Figure 1: La Paz



La Paz Rare Earth LLC staked more than 890 hectares comprising 107 unpatented lode mining claims on federally controlled land and a prospecting permit over one section of Arizona State Trust land (259 hectares). The La Paz project was vacant ground available for mineral exploration, until La Paz Rare Earth LLC lodged lode mining claims with the Bureau of Land Management (BLM) and the prospecting permit application at the State of Arizona Land Department. Title approvals were received late September 2019 and are 100% controlled by La Paz Rare Earth LLC.



**Review of Operations (continued)**

The La Paz area was first shown to contain rare earth elements during exploration sampling programs in mid-2010. The area is in western-central Arizona within the structural Detachment Fault Domain of the large Basin-Range Province. Mineralization is defined by structurally controlled zones containing both pervasive epidote and epidote veinlets in micro-fractures, dominantly hosted within a foliated to brecciated quartz-feldspar granitic gneiss. Allanite, a variety of epidote, is the principal rare earth-hosting mineral.

During 2011, Australian American Mining Corporation Ltd drilled 195 percussion holes for 5,120 metres, which supported a maiden resource estimate under independent NI 43-101 guidelines. The resource displays relatively uniform distribution of total rare earth elements (TRRE) across and along strike covering a resource area 2.5 km by 1.5km. The entire deposit is exposed at surface, or lightly concealed by alluvial cover. It is open at depth and is currently defined to 30m below surface.

Figure 2: La Paz field work



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DIRECTORS' REPORT (continued)

**Review of Operations (continued)**

Composite and selected interval samples were submitted to leading independent groups at SGS Canada Inc (Vancouver) for mineralogical investigations (QEMSCAN, XRD and Electron Microprobe analysis) and the Saskatchewan Research Council (SRC, Saskatoon) for preliminary metallurgical test work (pre-concentration and leaching).

The maiden resource estimate and preliminary metallurgical test work formed the basis of an independent NI 43-101 report completed in late 2011. Additional metallurgical test work was completed in early 2012.

Highlights from the NI 43-101 2011 report included:

- Large tonnage deposit with relatively homogeneous TREO (Total Rare Earth Oxide) distribution amenable to open pit extraction.
- Excellent infrastructure and skilled work force in a mining friendly jurisdiction. A high voltage power line runs 11km west of the project, and a high-pressure natural gas pipeline 8km to the east. Major rivers and aqueducts are within 8km, though local ground water supplies are likely to meet any future production needs.
- Majority of TREO report to the epidote-group mineral allanite (La-Allanite).
- High reporting of valuable Light LREO (83%) to Heavy TREO (17%) with extremely low thorium/uranium content with clear environmental advantages.
- Metallurgical test work successfully concentrated allanite samples via a combined process of gravity, magnetic and flotation separation.
- Rare earth concentrate was amenable to commercially available leaching technologies, particularly H<sub>2</sub>SO<sub>4</sub> acid roasting - dilute H<sub>2</sub>SO<sub>4</sub> solution leaching.

*La Paz exploration: Bouse, Arizona*

*Update NI-43-101 technical report*

During the past year, further exploration activities have been undertaken leading to the updating of the original NI 43-101 report. The updated technical report was released to the market in July 2020.

This more recent work has underlined the view that the La Paz Rare Earth deposit, although of relative low grade, excels by its sheer volume, uncomplicated mineralogy, lack of uranium and thorium, significant amounts of scandium, favourable preliminary metallurgical work, and location. Deposit limits have not been defined either laterally or at depth.

Work to prove the continuity of the deposit within the areas of demonstrated REE mineralisation sufficiently to allow up-grading the estimate to a Mineral Reserve category and to verify and measure mineralization in proximal areas will be the focus of exploration and development activities in the coming months.

The initial work program has included extensive mapping and re-sampling of bulk samples to progress metallurgical test work in support of technical and commercial project analysis. Additional drilling programs may be required for JORC 2012 conversion to underpin a Scoping Study to Pre-feasibility Study level analysis. (a drilling program has been booked for late 2020).

Concurrent with this activity, the entire area together with historic and current sampling has been captured in a digital GIS model which is currently being used to enhance the quality of the estimate and support design of the ongoing exploration programme.

A gap analysis is underway following the completion of an initial report by Wood consulting group which showed the potential metallurgical route for the processing of the ore. Many REE projects have significant costs associated with the processing and separation of minerals, primarily due to the inclusion of radioactive material such as Thorium and Uranium, which are costly to remove and dispose. One of the unique features of our Project is the lack of hazardous materials therefore making processing and separation using existing proven technologies relatively straightforward.



DIRECTORS' REPORT (continued)

The significance of this report is the identification of the various rock types within the resource area. Petrographic analysis of all samples has provided details of the most prolific mineralized rocks containing Rare Earth Elements and Scandium which also resides within the mineralized zones.

Now with a better understanding of the genesis of the REE's together with the contained Scandium the resource geologists are producing 3D models which will provide a pathway to the next steps in planning Reverse Circulation Drill targets to further define the resource within the expanded La Paz mineralized system.

In the previous quarter, a trenching program was conducted between the 2 mineralization zones which have been divided by alluvium. The purpose of the trenching program was to reach bedrock from which more samples could be taken and to identify the underlying rock types. Pending assay returns, the initial identification of rock types shows the potential of linking the original resource to the new expanded locations. Further work is being undertaken to support the belief that the two zones are in fact one very large mineralized system which significantly adds to the La Paz footprint.

In the second quarter, Timberline Drilling Inc has been engaged to undertake a drilling program that follows on from our previous trenching and sampling activities. The program will utilize a CS14 rig to drill 6 holes to a maximum of 60 metres for a minimum of 360 metres of core sampling that will provide additional samples for analysis and project evaluation. The drilling program will bring together new core samples which together with previous exploration, sampling and assay data will provide the most comprehensive review of the asset since 2011. La Paz mineralization identified to date is from surface to 30 metres with drilling to 100 metres ending in rare earth element grades >300ppm up to 700ppm. This program will allow us to test for Scandium (Sc) extraction together with Neodymium (Nd), Dysprosium (Dy) and Praseodymium (Pr).

Once the review has been completed and the results validated, the Company will release to market a NI 43-101 compliant update which is expected to be completed in the second quarter 2020/21

Figure 3: Sample of Augen Gneiss from La Paz



**Broken Hill Base and Precious Metals**

The Company has held a significant ground position in and around Broken Hill, NSW, a world-class mineral province for several years. These holdings are illustrated in Figure 4.

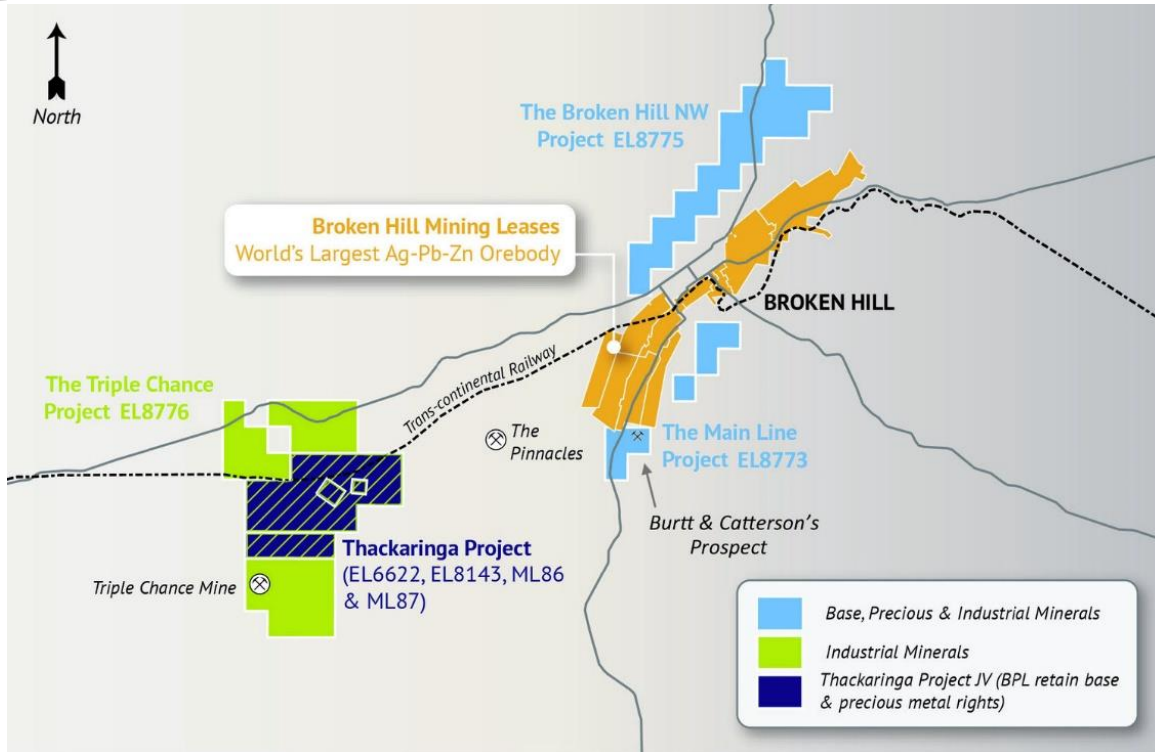


Figure 4: ARR's extensive tenement portfolio in the world-class Broken Hill Province.

**Thackaringa Cobalt Project**

During 2019, a Pre-Feasibility Study (PFS) for the Thackaringa Cobalt Project was announced, confirming that the project was of global significance as a sustainable, low-cost source of high purity cobalt sulphate. The project was recorded as having a maiden Probable Ore Reserve of 46.3Mt @ 819 ppm cobalt and a Production Target (Potential Upside Mining Case) of 58.7Mt @ 802ppm cobalt.

The PFS outlined excellent potential to increase the resource base and mine life, with Mineral Resources estimated at 72Mt at 852ppm cobalt (Co), 9.3% sulphur (S) & 10% iron (Fe). Furthermore, just 5.5km of a potential 40km strike length of the Himalaya Formation cobalt pyritic host unit had been drill tested.

The project was initially subject to a Joint Venture (Thackaringa Joint Venture) with Cobalt Blue Holdings Ltd (ASX: COB), whereby COB was entitled to earn an interest of up to 100% of the Project in exchange for certain expenditure commitments, cash payments to BPL and the retention of certain intellectual property.

On 17 January 2020, Cobalt Blue Holdings Limited (ASX:COB) announced that its wholly owned subsidiary, Broken Hill Cobalt Project Pty Ltd (BHCP), had executed final agreements with Broken Hill Prospecting Limited (BPL) (now American Rare Earths Limited) to acquire Mining Leases 86 and 87 as well as Exploration Licences 6622 and 8143, located in and around Broken Hill, NSW.

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### Review of Operations (continued)

In satisfaction of the agreements, COB undertook the following transactions and paid or issued:

- \$500,000 cash;
- 9,000,000 fully ordinary shares in COB to ARR;
- A \$1,000,000 three-year Convertible Note to ARR; and
- A \$3,000,000 five-year Promisory Note to ARR.

On 17<sup>th</sup> July 2020, the registration of the above tenement transfers to BHCP was confirmed by the Department of Regional NSW – Mining, Exploration and Geoscience.

#### ***The Broken Hill North-west and Main Line Project***

In August 2018, ARR was granted three exploration licences in the Broken Hill district, significantly increasing the Company's exposure to this world-class mineral province. The tenements cover 209km<sup>2</sup> of under-explored ground with numerous base, precious and industrial mineral prospects. Rocks of the Broken Hill Group, which hosted the giant Broken Hill Pb-Zn-Ag orebody comprising of 300Mt of ore containing 30Mt Pb, 24Mt Zn, 1Boz Ag and 1Moz Au, are widely distributed across the tenement portfolio.

ARR prioritised multiple prospects for further exploration, including the Burt & Catterson's prospect, a tenement along strike from the world-class Broken Hill Line of Lode, approximately 8.5km southwest of Broken Hill. Mineralisation at this prospect occurs in rocks of the Cues Formation (Thackaringa Group), and is regarded as 'Great Eastern' type, where copper and cobalt sulphides are associated with metamorphosed chemical sediments, including pyritic siliceous ironstone and blue quartz-garnet rocks. Three diamond holes were drilled at the prospect in the 1950s, with only cursory surface exploration since then.

ARR re-assayed historical 1957 drill core from this prospect, with the results confirming significant copper-cobalt mineralisation. Re-assayed results included:

- 4.7m at 690ppm Co and 0.18% Cu from 121.3m in 57BC-1;
- 5.5m at 0.34% Cu from 234.2m in 57BC-2

Detailed geological logging confirmed the mineralization to be closely associated with blue quartz-garnet 'lode' horizons within the Fe-rich Cues Formation. The host meta-sediments are particularly garnet-rich with abundant disseminated pyrite. This improved understanding of the mineralisation and host sequence allows comparison with other regionally significant prospects as more data becomes available. Other deposits in Thackaringa Group rocks include the Big Hill, Pyrite Hill and Railway pyrite-cobalt deposits, the Pinnacles Pb-Zn-Ag orebody and Silver City Minerals Ltd's Copper Blow project.

Due to severe drought conditions during the year, planned geophysical surveys as well as on-ground reconnaissance work within the licence areas (including geological traversing and geochemical sampling) have been deferred.

#### ***Heavy Mineral Sands Project, Vic/NSW***

Following a strategic review of the Company's strategic direction as described above, it was decided to relinquish any further interest in the Heavy Mineral Sands Project located in the Murray Basin of NSW, Victoria and South Australia. Steps have been taken to surrender all tenements held by Murray Basin Minerals Pty Ltd, a wholly owned subsidiary of American Rare Earths Limited. These relinquished tenements include EL 8558, EL 8559, EL 8649, EL 8650, EL 006139, EL006583, EL006584, EL006585 and EL006614.

## DIRECTORS' REPORT (continued)

**Review of Operations (continued)****COVID-19 Statement**

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

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

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

**Competent Person's Statement**

The information in this report that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Denis Geldard, Min Eng AWASM who is a Member of the Australian Institute of Mining and Metallurgy and is a Non-Executive Director of the Company. Mr Geldard has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 & 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Geldard consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of mineral resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

**Board of Directors**

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

F Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
Geoffrey Hill	Non-Executive Director	Appointed 27 August 2015
Keith Middleton	Non-Executive Director	Appointed 19 March 2020
Matthew Hill	Non-Executive Director	Appointed 14 March 2012, retired 24 September 2020
Anthony (Trangie) Johnston	Managing Director	Appointed 18 January 2018, resigned 7 February 2020

**Directors' Meetings:** The number of meetings of the Board of Directors and Audit Committee held during the year ended 30 June 2020 and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee		Remuneration Committee	
	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>
<b>Directors:</b>						
FC O'Connor	14	14	2	2	2	2
D Geldard	14	14	2	2	2	2
G Hill	14	14	-	-	2	2
K Middleton (appointed 19 March 2020)	3	3	-	-	-	-
M Hill (retired 24 September 2020)	14	14	2	2	-	-
AJ Johnston (resigned 7 February 2020)	9	9	-	-	-	-

In addition, a number of matters were resolved during the period by circular resolution.

DIRECTORS' REPORT (continued)

**Details of Directors**

**F Creagh O'Connor: AM, FAIM, FAICD. Chairman and Non-Executive Director (Independent). Member of the Remuneration Committee, Member of the Audit Committee. Appointed 22 June 2000**

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

**Denis Geldard: AWASM, MAIMM. Non-Executive Director (Independent), Member of the Audit Committee. Appointed 3 August 2015**

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

**Geoffrey Hill: B.Ec., MBA, FCPA, ASIA, FAICD. Non-Executive Director, Member of the Remuneration Committee. Appointed 27 August 2015**

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

**Keith Middleton: BA, AIM, AICD Non-Executive Director (Independent) Appointed 19 March 2020**

Keith is an experienced corporate advisor and director of ASX listed companies specializing in the Australian and International resource sector. He has extensive experience in financial analysis, risk management, major capital works expenditure, project management, corporate governance and WHS regulations. Keith is involved with strategy formulation, project evaluation and investor presentations. Currently a non-executive director of Redbank Copper (ASX: RCP),

**Matthew Hill: MBA, AFSL, FFin, APDT. Non-Executive Director, Member of the Remuneration Committee, Chairman of the Audit Committee. Appointed 14 March 2012, Retired 24 September 2020**

Matthew was the alternate Director for Geoffrey Hill from 14 March 2012 to 6 June 2014, when he was appointed Non-Executive Director. Matthew has over 20 years' experience in financial services and investment banking. He is currently Executive Director of publicly listed New Talisman Gold Mines Limited and was a Director of Cobalt Blue Holdings Limited from 30 June 2017 to 13 December 2018. Matthew has previous experience with the Private Equity and Capital Markets sectors employed by News Corporation and Softbank's E-ventures, Potter Warburg and Souls Private Equity Limited.

**Anthony (Trangie) Johnston: B.Sc, M.Sc. Managing Director Appointed 18 January 2018 and Chief Executive Officer (Appointed 20 May 2016), Resigned 7 February 2020**

Trangie Johnston was appointed to the post of Chief Executive Officer (CEO) on 20 May 2016 and Managing Director on 18 January 2018. Trangie is a skilled geologist with 22 years' experience in exploration, project development and mining activities. His diversified career spans the private, public, consulting and government sectors, with experience throughout Australia and internationally. During the last three years, Trangie was on the Board of ASX listed Cobalt Blue Holdings Limited (resigned 18 June 2018).

**Company Secretary**

**Wayne Kernaghan BBus, ACA, FAICD, ACIS Company Secretary, Appointed 25 September 2020**

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

DIRECTORS' REPORT (continued)

**Ian Morgan: B Bus, MComLaw, Grad Dip App Fin, CA, AGIA, ACG, F Fin, Company Secretary Appointed 13 September 2016, Retired 25 September 2020**

Ian is a qualified Company Secretary and Chartered Accountant with over 35 years of experience in businesses operating in Australia and overseas. His experience comes from many years working in Australian financial markets, providing accounting, business management and advisory services. Ian provides company secretarial experience that can be used across industries for a range of companies and is company secretary of other public listed companies

### Remuneration Report

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

#### Remuneration policy

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

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

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

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

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

At the Company's Annual General Meeting held on 18 December 2019, it was approved to issue 1,000,000 shares to a Director, D Geldard at \$0.018 as remuneration and for no cash consideration. The shares were issued on 15 January 2020. No securities were issued to Directors for 2019 financial year for remuneration.

There were no options issued to management personnel for remuneration during 2020 and 2019 financial years.

For the 2020 financial year the key management personnel of the Company consisted of the Directors of the Company and its subsidiaries.

#### Non-Executive Director's fees

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

Non-Executive Directors are entitled to a base fee of A\$20,000 per annum. Directors who also chair the Board and Audit Committee are respectively entitled to a further fee of A\$17,500 per annum and A\$2,500 per annum. There are no guaranteed annual increases in any Director's fees.

No payment as Director's fee can be made if the effect would be to exceed the Limit.

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

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



**Remuneration Report (continued)**

***Service agreement – Managing Director***

An Employment Agreement dated 18 January 2018 was entered into between the Company and Mr A Johnston. The Agreement can be terminated by either party with one month's notice. Mr Johnston's remuneration under the Agreement is

- 1) Base salary of \$280,000 per annum, exclusive of statutory superannuation;
- 2) A single \$25,000 payment; and
- 3) Subject to the ASX Listing Rules and as determined by the Company's Board, Mr Johnston is further entitled to participate in the Company's short-term incentive (STI) and long-term incentive (LTI) scheme.

Mr A Johnston resigned 7 February 2020.

***Directors and Officers insurance and indemnity***

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

***Details of remuneration***

Details of the remuneration and benefits of the Directors and key management personnel for the current and prior financial year are set out in Note 188 of the financial statements.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

There were no options issued as remuneration during 2020, the balances and movements of the options held by the Directors and key management personnel issued as remuneration package at year end were:

Director	Vested	Quoted	Expiry Date	Exercise Price	Number of options			
					Opening 1 July 2019	Expired	Lapsed <sup>1</sup>	Closing 30 June 2020
<b>2020</b>								
FC O'Connor	Yes	Yes	12/11/2019	\$0.08	1,500,000	(1,500,000)	-	-
A Johnston	Yes	No	01/11/2022	\$0.06	2,400,000	-	(2,400,000)	-
	No	Vesting subject to certain performance conditions	10/01/2023	\$0.08	3,000,000	-	(3,000,000)	-
	No		10/01/2023	\$0.10				
					2,000,000	-	(2,000,000)	-
					7,400,000	-	(7,400,000)	-
D Geldard	Yes	Yes	12/11/2019	\$0.08	1,500,000	(1,500,000)	-	-
GG Hill	Yes	Yes	12/11/2019	\$0.08	1,500,000	(1,500,000)	-	-
MG Hill	Yes	Yes	12/11/2019	\$0.08	1,500,000	(1,500,000)	-	-
		No	10/01/2023	\$0.06	500,000	-	-	500,000
					2,000,000	(1,500,000)	-	500,000
					<b>13,900,000</b>	<b>(6,000,000)</b>	<b>(7,400,000)</b>	<b>500,000</b>
<b>2019</b>					Opening 1 July 2018			Closing 30 June 2019
FC O'Connor	Yes	Yes	12/11/2019	\$0.08	1,500,000	-	-	1,500,000
A Johnston	Yes	No	01/11/2022	\$0.06	2,400,000	-	-	2,400,000
	No	Vesting subject to certain performance conditions	10/01/2023	\$0.08	3,000,000	-	-	3,000,000
	No		10/01/2023	\$0.10	2,000,000	-	-	2,000,000
					7,400,000	-	-	7,400,000
D Geldard	Yes	Yes	12/11/2019	\$0.08	1,500,000	-	-	1,500,000
GG Hill	Yes	Yes	12/11/2019	\$0.08	1,500,000	-	-	1,500,000
MG Hill	Yes	Yes	12/11/2019	\$0.08	1,500,000	-	-	1,500,000
		No	10/01/2023	\$0.06	500,000	-	-	500,000
					2,000,000	-	-	2,000,000
					<b>13,900,000</b>	<b>-</b>	<b>-</b>	<b>13,900,000</b>

End of remuneration report.

<sup>1</sup> In accordance with the employment agreement between the Company and Mr Johnston, Mr Johnston's options lapsed on 7 May 2020 (90 days after his resignation).

## AMERICAN RARE EARTHS LIMITED (formerly BROKEN HILL PROSPECTING LIMITED)

### DIRECTORS' REPORT (continued)

Below is a list of significant corporate announcement made during the year 2019/2020:

30/06/2020 10:53 AM	<a href="#">Chairman's Letter to Shareholders</a>  2 pages 263.4KB
29/06/2020 10:39 AM	<a href="#">Change of Name to American Rare Earths Limited</a>  1 page 181.8KB
10/06/2020 10:39 AM	<a href="#">BPL Raises Funds to Advance La Paz Rare Earths Project</a>  2 pages 287.8KB
09/04/2020 5:55 PM	<a href="#">COVID - 19 Update</a>  1 page 301.4KB
20/03/2020 5:08 PM	<a href="#">Director's Appointment Keith Middleton</a>  1 page 246.5KB
12/03/2020 11:11 AM	<a href="#">BPL Market Update La Paz Rare Earth Project</a>  4 pages 479.4KB
27/02/2020 3:46 PM	<a href="#">Becoming a Substantial Holder for COB</a>  3 pages 223.7KB
25/02/2020 6:56 PM	<a href="#">COB: Acqn of BPL interests in Broken Hill Cobalt Project</a>  1 page 265.7KB
10/02/2020 5:27 PM	<a href="#">Broken Hill Prospecting Market Update</a>  4 pages 284.2KB
23/01/2020 10:03 AM	<a href="#">Chairman's Letter to Shareholders</a>  6 pages 595.2KB
17/01/2020 3:40 PM	<a href="#">BPL Completes Thackaringa Transfer to COB</a>  3 pages 291.7KB
09/12/2019 9:16 AM	<a href="#">Funding Package to Accelerate La Paz Rare Earth Project</a>  6 pages 573.3KB
04/12/2019 9:29 AM	<a href="#">COB: Settlement with BPL</a>  1 page 248.4KB
29/10/2019 11:31 AM	<a href="#">Major Expansion at La Paz Rare Earth Project, Arizona</a>  4 pages 2.4MB
30/09/2019 10:10 AM	<a href="#">BPL Investor Presentation September 2019</a>  9 pages 1.6MB
20/08/2019 12:42 PM	<a href="#">BPL to Acquire Advanced La Paz Rare Earth Project USA</a>  6 pages 2.5MB

## Independent Auditor's Report to the Members of American Rare Earths Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of American Rare Earths Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Report* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 27 to the consolidated financial statements, which indicates that the Group had a net profit of \$923,288 and had operating cash outflows of \$964,900 for the year ended 30 June 2020. As at 30 June 2020, the Group has cash and cash equivalents of \$1,433,784, net current assets of \$1,155,144, and net assets of \$6,307,799. In the Directors' opinion, the ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Group to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

As stated in Note 27, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Disposal of interest in joint venture tenements

##### **Refer to note 2(b)**

On 17 January 2020, the Group disposed of its interest in its joint venture tenements.

This was a key audit matter as the transaction was significant to the financial statements and required management estimates and inputs in determining the fair value of elements of the consideration received by the Group, including:

- 9,000,000 fully paid ordinary shares;
- \$1,000,000, three-year convertible notes; and
- \$3,000,000, five-year promissory notes.

#### Exploration and evaluation expenditure

##### **Refer to note 9**

At 30 June 2020, the Group has capitalised exploration assets of \$576,699. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Notes 1(h) and 1(i).

This is a key audit matter because the carrying value of the assets are material to the financial statement and significant judgements have been applied in determining whether an indicator of impairment exists in relation to capitalised expenditure assets in accordance with New-Zealand Accounting Standard NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*, and if so assessing the recoverable amount of those assets.

Our procedures included, amongst others:

- We examined the deed of release of the mining Tenements, including reviewing each respective contract associated with the release, to gain an understanding of the transaction and its key terms.
- We examined the accounting treatment of the disposal of the Tenements and the consideration received to determine whether amounts were recorded in accordance with NZ IFRS 9 *Financial Instruments*.
- We discussed with management the assumptions and key inputs adopted in determining the fair value of the financial instruments received as consideration.
- We tested management's calculations and agreed the inputs of the assumptions applied to relevant source materials.
- We challenged management's use of the discount rate applied in fair value calculations.
- We reperformed the calculation of the fair value of the convertible notes and promissory notes.

Our procedures included, amongst others:

- We confirmed the existence and tenure of the exploration assets in the Project areas in which the Group has a contracted interest by obtaining confirmation of mining claims from the U.S. Department of the Interior Bureau of Land Management.
- In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with NZ IFRS 6 – *Exploration for and Evaluation of Mineral Resources*, we:
  - reviewed the minutes of the Company's board meetings and market announcements.
  - tested the significant inputs in the Group's cash flow forecasts for consistency with the status of their ongoing exploration program relating to the areas of interest
- We considered whether the carrying amount of the exploration and evaluation asset is expected to be recovered in full from successful development or by sale.
- Discussed with management the Group's ability and intention to undertake further exploration activities.
- We tested a sample of additions of capitalised exploration expenditure to supporting documentation.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

## Directors' Responsibilities for the Consolidated Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*Nexia*

**Nexia Sydney Audit Pty Limited**

Sydney, Australia

30 September 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 A\$	2019 A\$
<b>Continuing operations</b>			
Revenue	2(a)	55,977	35,140
Profit on disposal of interest in joint venture tenements	2(b)	<u>3,274,901</u>	-
		<b>3,330,878</b>	<u>35,140</u>
Administrative, exploration and other expenses	3	<u>(2,403,234)</u>	<u>(1,393,748)</u>
<b>Profit / (loss) for the year before income tax</b>		<b>927,644</b>	<b>(1,358,608)</b>
Income tax expenses	4	<u>(4,356)</u>	-
<b>Profit / (loss) for the year</b>		<b>923,288</b>	<b>(1,358,608)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income / (losses) to members of the parent entity</b>		<u><b>923,288</b></u>	<u><b>(1,358,608)</b></u>
<b>Losses per Share</b>			
		<b>Cents per share</b>	<b>Cents per share</b>
<b>Continued operations:</b>			
Basic loss	23	<b>0.47</b>	(0.92)
Diluted loss	23	<b>0.47</b>	(0.92)

The accompanying notes form part of these financial statements.

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Options reserve	Consolidated accumulated losses	Foreign currency translation	Total equity
	A\$ (Note 14)	A\$ (Note 15)	A\$ (Note 16)	A\$	A\$
<b>2020</b>					
Equity at beginning of year	8,194,159	312,229	(5,281,675)	-	3,224,713
Adoption of NZ IFRS 16	-	-	499	-	499
Equity at 1 July 2019 - restated	8,194,159	312,229	(5,281,176)	-	3,225,212
Profit for the year	-	-	923,288	-	923,288
Share based payments	18,000	10,521	-	-	28,521
Share issue net of costs	2,162,555	-	-	-	2,162,555
Options lapsed transferred to accumulated losses	-	(296,950)	296,950	-	-
Exchange difference arising on foreign operations	-	-	-	(31,777)	(31,777)
Movement in equity for the year	2,180,555	(286,429)	1,220,238	(31,777)	3,082,587
<b>Equity at end of year</b>	<b>10,374,714</b>	<b>25,800</b>	<b>(4,060,938)</b>	<b>(31,777)</b>	<b>6,307,799</b>
<b>2019</b>					
Equity at beginning of year	8,194,159	216,136	(3,923,067)	-	4,487,228
Loss for the year	-	-	(1,358,608)	-	(1,358,608)
Share based payments	-	96,093	-	-	96,093
Movement in equity for the year	-	96,093	(1,358,608)	-	(1,262,515)
Equity at end of year	8,194,159	312,229	(5,281,675)	-	3,224,713

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated 2020 A\$	2019 A\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,433,784	490,509
Receivables	5	70,181	46,260
Other assets	6	15,344	60,177
<b>Total current assets</b>		<b>1,519,309</b>	<b>596,946</b>
<b>Non-current assets</b>			
Property, plant & equipment	7	5,027	3,902
Right-of-used assets	8	109,845	-
Exploration and evaluation assets	9	576,699	2,736,528
Security deposits	10	30,000	80,000
Financial assets	11	4,479,595	-
<b>Total non-current assets</b>		<b>5,201,166</b>	<b>2,820,430</b>
<b>Total assets</b>		<b>6,720,475</b>	<b>3,417,376</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	302,628	152,178
Lease liability		61,537	-
Provisions	13	-	40,485
<b>Total current liabilities</b>		<b>364,165</b>	<b>192,663</b>
<b>Non-current liabilities</b>			
Lease liability		48,511	-
<b>Total non-current liabilities</b>		<b>48,511</b>	<b>-</b>
<b>Total liabilities</b>		<b>412,676</b>	<b>192,663</b>
<b>Net assets</b>		<b>6,307,799</b>	<b>3,224,713</b>
<b>EQUITY</b>			
Share capital	14	10,374,714	8,194,159
Options reserves	15	25,800	312,229
Foreign currency reserve		(31,777)	-
Accumulated Losses	16	(4,060,938)	(5,281,675)
<b>Total equity</b>		<b>6,307,799</b>	<b>3,224,713</b>

The accompanying notes form part of these financial statements.

For and on behalf of the Board




**Creagh O'Connor AM**  
Chairman  
30 September 2020

**Keith Middleton**  
Director  
30 September 2020

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	2020 A\$	2019 A\$
<b>Cash flows from operating activities</b>			
Interest received		895	14,567
Other amounts received		55,361	345
Research and development tax incentive		-	77,567
Income tax (paid) / refunded		(4,356)	17,443
Interest paid on lease liabilities		(4,392)	-
Payments to suppliers and employees		(1,012,408)	(1,396,576)
<b>Net cash (applied to) operating activities</b>	20	<u>(964,900)</u>	<u>(1,286,654)</u>
<b>Cash flows from investing activities</b>			
Prospecting exploration and evaluation		(658,175)	(314,033)
Payment for plant, property & equipment		(2,361)	-
Proceeds on sale of interest in tenements		500,000	-
<b>Net cash (applied to) investing activities</b>		<u>(160,536)</u>	<u>(314,033)</u>
<b>Cash flows from financing activities</b>			
Issue of shares		2,312,543	-
Share issue costs		(149,988)	-
Repayment of lease liabilities		(62,067)	-
<b>Net cash provided from financing activities</b>		<u>2,100,488</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents held</b>			
		975,052	(1,600,687)
Effects of exchange rate changes		(31,777)	-
Cash and cash equivalents at the beginning of the year		490,509	2,091,196
<b>Cash and cash equivalents at the end of the year</b>		<u>1,433,784</u>	<u>490,509</u>
<b>Cash comprises:</b>			
Cash at bank		<u>1,433,784</u>	<u>490,509</u>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of accounting policies

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

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

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

The group consists of American Rare Earths Limited and its 100% owned subsidiaries (the "Group") as at 30 June 2020. A list of the subsidiaries is provided in Note 25. These financial statements comprise the separate financial statements of the Company and the consolidated financial statement of the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation.

The Company and its subsidiaries are engaged in minerals exploration.

The Directors authorised these financial statements for issue on 30 September 2020.

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

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

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

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.



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

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

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

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

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

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

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

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

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

For the year ended 30 June 2020, revenue was only related to interest received and the rent received from the share of office. Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

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

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

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

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(g) Financial instruments:

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

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

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

The Company has no off-balance sheet financial instruments.

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

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

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

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

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

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

(j) Impairment of non-financial assets:

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

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

(k) Cash and cash equivalent: cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and at call deposits, which are subject to an insignificant risk of changes in value.

(l) Segment information: Operating segments are reported if:

- Revenue is 10% or more of combined operating segment revenues;
- The absolute value of profit or loss is greater than 10% of the combined reported profits or losses of all operating segments, whichever is greater;
- Assets are 10% or more of combined assets of all operating segments; or
- Information about the segment would be useful to users of the financial statements.

(m) Share capital: Ordinary shares and options are classified as equity. Direct costs of issuing shares and options are deducted from the proceeds of the issue.

(n) Property, plant, and equipment: The Group has one class of property, plant and equipment - office equipment. All property, plant and equipment is initially recorded at cost.

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

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

Major depreciation periods are:

Office equipment                      4 years

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

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

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

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

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

- (r) (Losses) / Earnings per share: The Company presents basic and diluted (losses) earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

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

- (s) Consolidation: The consolidated financial statements incorporate the financial statements of the Company and all subsidiaries over which the Company has the power to control the financial reporting and operating policies. The purchase method is used to prepare the consolidated financial statements, which involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All significant intercompany transactions are eliminated on consolidation. In the Company's separate financial statements, the investment in subsidiaries is stated at cost less any impairment losses.
- (t) Restoration and rehabilitation provisions: For any close-down restoration and environmental clean-up costs from exploration programs, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.
- (u) Provision for employee entitlements: Provision is made in the accounts for obligations in respect of annual leave entitlements not taken by employees at balance sheet date.
- (v) Share-based payments: The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised in employee benefits expense, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

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

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

**Changes in accounting policies:** There have been no significant changes in accounting policies. All policies have been applied on bases consistent with those used in the prior period. The impact of new Standards is not expected to be material.

**New and amended standards and interpretations:**

The Group has applied for the first-time certain amendments to the standards, for its annual reporting period commencing 1 July 2019:

**NZ IFRS 16 Leases**

The Group has adopted NZ IFRS 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under NZ IFRS 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

*Impact of adoption*

NZ IFRS 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on operating accumulated losses as at 1 July 2019 was as follows:

	1 July 2019 A\$
Operating lease commitments as at 1 July 2019	199,416
Operating lease commitments discount based on the incremental borrowing rate of 8.66%	(27,301)
Accumulated depreciation as at 1 July 2019	(15,692)
Reduction in opening retained losses as at 1 July 2019	16,191
Right-of-use assets	<u>172,614</u>
Lease liabilities- current	(62,068)
Lease liabilities- non - current	(110,047)
Total lease liabilities	<u>(172,115)</u>
Tax effect on the above adjustments	-
<b>Reduction in accumulated losses at 1 July 2019</b>	<b><u>499</u></b>

*Right-of -use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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## 2. Revenue

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
(a) Revenue		
Interest received	21,772	14,795
Other income	34,205	345
Provision for rehabilitation written back	-	20,000
	<u>55,977</u>	<u>35,140</u>
(b) Sale of joint venture tenements		
Consideration	5,549,299	-
Cost of joint venture tenements	<u>(2,274,398)</u>	<u>-</u>
Profit on disposal of joint venture tenements	<u>3,274,901</u>	<u>-</u>

Consideration is made up of:

- 1) \$500,000 cash
- 2) 9,000,000 fully paid ordinary shares of COB at a deemed issue price of \$0.15 each
- 3) 1,000,000 three-year Convertible Note (CN) with interest of 6% per annum payable annually in arrears. The fair value of the CN was \$1,391,580. The Company is able to convert the CN to COB fully paid ordinary shares at maturity or on 18 January 2021 or on 17 January 2022. The CN is convertible with a \$0.20 conversion price. The issuer of the note has the ability to redeem the CN early.
- 4) \$3,000,000 five-year Promissory Note (PN), interest free for years 1, 2 and 3 and interest of 6% per annum payable in arrears. The fair value of the PN was \$2,307,719. The PN is secured over the title to the tenements.

## 3. Administrative, exploration and other expenses

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
Auditors' remuneration – auditing the accounts	(44,645)	(54,194)
Accounting, company secretarial, legal	(263,045)	(448,390)
Consulting fees	(322,674)	(91,924)
Directors' fees	(110,500)	(100,000)
Depreciation	(64,005)	(1,300)
Salaries and related expenses	(231,682)	(410,898)
Travelling expenses	(41,222)	(56,313)
Marketing and promotion	(49,718)	(69,969)
Other administrative and exploration expenses	(126,573)	(160,760)
Devaluation of financial assets	(569,704)	-
Interest paid on lease liabilities	(4,392)	-
Impairment loss of tenements	(575,074)	-
Total administrative and exploration expenses	<u>(2,403,234)</u>	<u>(1,393,748)</u>

The total amount of donations made by the Company and the Group during the year ended 30 June 2020 was A\$ nil (2019 - A\$ nil).

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#### 4. Taxation

	<b>Consolidated 2020 A\$</b>	2019 A\$
Profit / (Loss) for the year before income tax	<u>927,644</u>	<u>(1,358,608)</u>
Prima facie income tax (expense)/benefit at 27.5% (2019: 27.5%)	<b>(255,102)</b>	373,617
Subtract effect of permanent differences	<u><b>(329,406)</b></u>	<u>(24,563)</u>
	<b>(584,508)</b>	349,054
Temporary differences	<u>30,451</u>	<u>86,359</u>
Income tax (expense)/benefit	<b>(554,057)</b>	435,413
Prior year tax under-provided	<b>(4,356)</b>	-
Income tax benefit recognised / (not recognised)	<u>554,057</u>	<u>(435,413)</u>
Income tax expense recognised	<u><b>(4,356)</b></u>	<u>-</u>

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

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

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

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

From 1 July 2014, the Company is part of a consolidated tax group. Carried forward losses of the Group are A\$3,174,637 (2019: A\$4,395,798), calculated before research & development adjustments.

#### 5. Receivables

	<b>Consolidated 2020 A\$</b>	2019 A\$
Trade receivables	-	472
GST refundable	<b>9,137</b>	28,191
Other receivables:		
- security deposit refundable	<b>40,000</b>	-
- miscellaneous receivables	<b>20,877</b>	17,597
- interest receivable	<b>167</b>	-
	<u><b>70,181</b></u>	<u>46,260</u>

All financial assets are within the contracted terms.

#### 6. Other assets

Prepayments	<u>15,344</u>	<u>60,177</u>
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7. Property plant & equipment

	Consolidated 2020 A\$	2019 A\$
<b>Office equipment</b>		
Opening balance	3,902	5,202
Additions	2,361	-
Depreciation	<u>(1,236)</u>	<u>(1,300)</u>
<b>Total office equipment</b>	<u>5,027</u>	<u>3,902</u>

8. Right-of-use assets: office lease

Opening balance	188,306	-
Depreciation	<u>(78,461)</u>	<u>-</u>
<b>Total right-of-use assets</b>	<u>109,845</u>	<u>-</u>

Additional information on right-of-use assets:

Office lease		
(i) Depreciation charge	(62,768)	-
(ii) Income on sub-leasing	33,230	-
(iii) Total cash outflow on lease	(66,459)	-
(iv) Interest paid on lease liabilities	(4,392)	-

9. Exploration and evaluation assets

**Prospecting costs and mining tenements**

Balance at the beginning of the year	2,736,528	2,422,495
Exploration and evaluation expenses	679,643	314,033
Exploration costs impaired	(575,074)	-
Less: Interest disposed	<u>(2,264,398)</u>	<u>-</u>
Balance at year end	<u>576,699</u>	<u>2,736,528</u>

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

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

Exploration costs impaired are in respect of the Australian tenements, these were fully impaired during the period.

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

10. Security deposits

	Consolidated 2020 A\$	2019 A\$
Security deposits for tenements	<u>30,000</u>	<u>80,000</u>

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**11. Financial assets:**

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
Shares in listed entity at fair value	<b>855,000</b>	-
3-year convertible note at fair value	<b>1,236,811</b>	-
5-year promissory note at fair value	<b>2,387,784</b>	-
	<b><u>4,479,595</u></b>	<u>-</u>

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

**12. Trade and other payables**

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
Trade payables	<b>69,524</b>	75,081
Other payables and accrued expenses	<b>233,104</b>	77,097
	<b><u>302,628</u></b>	<u>152,178</u>

**13. Provisions**

<u>Current liabilities</u>	
Provision employee entitlements	<u>-</u> <u>40,485</u>

**14. Issued share capital**

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
290,919,592 ordinary shares (2019: 147,883,401)	<b><u>10,374,714</u></b>	<u>8,194,159</u>
<b>Movement in share capital</b>	<b><u>No. of shares</u></b>	<b><u>A\$</u></b>
Share capital at 30 June 2018	147,883,401	8,194,159
Movements during the year ended 30 June 2019:	-	-
Share capital at 30 June 2019	147,883,401	8,194,159
Movements during the year ended 30 June 2020:		
Shares issued under placement 08 Nov 2019	10,800,000	270,000
Share issued under share purchase 14 Nov 2019	7,400,000	185,000
Shares based payment 15 Jan 2020	1,000,000	18,000
Shares issued under rights offer 17 Jan 2020	18,930,155	283,952
Shares issued under rights offer 10 Feb 2020	21,272,519	319,088
Shares issued under rights offer 24 Feb 2020	47,145,781	707,187
Shares issued under rights offer 15 May 2020	9,387,736	140,816
Shares issued under rights offer 15 Jun 2020	27,100,000	406,500
Share issued costs	-	(149,988)
Share capital at 30 June 2020	<b><u>290,919,592</u></b>	<b><u>10,374,714</u></b>

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## 15. Options reserve

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
500,000 options (2019: 54,479,338)	<b>25,800</b>	312,229
<b>Movement in options</b>	<b>No of options</b>	<b>A\$</b>
Options at 30 June 2018	54,479,388	216,136
Movements during the year ending 30 June 2019:		
10 Jan 2018 options vested	-	96,093
Options at 30 June 2019	54,479,388	312,229
Movements during the year ending 30 June 2020:		
10 Jan 2018 options vested	-	<b>10,521</b>
12 Nov 2019 options lapsed	<b>(6,000,000)</b>	<b>(48,000)</b>
12 Nov 2019 options lapsed	<b>(40,579,388)</b>	-
7 May 2020 options lapsed	<b>(7,400,000)</b>	-
Options at 30 June 2020	<b>500,000</b>	<b>274,750</b>

Details of outstanding options at 30 June 2020 are:

Expiry Date	Exercise Price	No. of options
Unquoted		
10 January 2023	\$0.06	500,000
		<u>500,000</u>

### Terms and Conditions

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

### Capital Management

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

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

## 16. Accumulated Losses

	<b>Consolidated</b>	
	<b>2020</b>	2019
	<b>A\$</b>	A\$
Balance at the beginning of the year	<b>(5,281,675)</b>	(3,923,067)
Adoption of NZ IFRS 16	<b>499</b>	-
Options lapsed transferred to accumulated losses	<b>296,950</b>	-
Profit/(loss) for the year	<b>923,288</b>	(1,358,608)
Balance at the end of the year	<b>(4,060,938)</b>	(5,281,675)

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## 17. Related parties

Details of key management personnel for the year were:

Name	Position
FC O'Connor	Non-executive director
D Geldard	Non-executive director
GG Hill	Non-executive director
K Middleton (appointed 19 March 2020)	Non-executive director
MG Hill (retired 24 September 2020)	Non-executive director
A Johnston (resigned 7 February 2020)	Managing Director

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Amounts paid to directors related entities for consulting and other services were both for the Company and for the Group A\$98,528 (2019: A\$14,000) as below:

Entity relating to	2020 A\$	2019 A\$
D Geldard	-	14,000
K Middleton	5,000	-
MG Hill	93,528	-
	<u>98,528</u>	<u>14,000</u>

Amounts due to directors related entities as at balance date was \$50,000 (2019: A\$ Nil)

No related party debts were written off during the year.

Amounts charged to a director related entity for 50% share of office rental and use of office facilities during the year A\$34,384 (2019: A\$41,216).

Entity relating to	2020 A\$	2019 A\$
G G Hill	34,384	41,216

No amounts were due from directors related entities as at balance date (2019: A\$ Nil)

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18. Key management personnel

	Fixed Fees A\$	Superannuation A\$	Consolidated Share Based Payment A\$	Consulting & Management Fees A\$	Total A\$
<b>2020</b>					
<u>Directors' fees</u>					
FC O'Connor	25,000	-	-	-	25,000
D Geldard	20,000	-	18,000	-	38,000
GG Hill	20,000	-	-	-	20,000
K Middleton (appointed 19 March 2020)	5,000	-	-	5,000	10,000
MG Hill (retired 24 September 2020)	22,500	-	-	93,528	116,028
Subtotal	92,500	-	18,000	98,528	209,028
<u>Salary</u>					
A Johnston (MD & CEO) resigned 7 Feb 2020	140,000	13,300	10,521	-	163,821
Total	232,500	13,300	28,521	98,528	372,849
<b>2019</b>					
<u>Directors' fees</u>					
FC O'Connor	37,500	-	-	-	37,500
D Geldard	20,000	-	-	14,000	34,000
GG Hill	20,000	-	-	-	20,000
MG Hill	22,500	-	-	-	22,500
Subtotal	100,000	-	-	14,000	114,000
<u>Salary</u>					
A Johnston (MD & CEO)	280,000	26,600	96,093	-	402,693
Total	380,000	26,600	96,093	14,000	516,693

**Remuneration of employees:** The number of employees who are not Directors and whose remuneration and benefits exceeded A\$100,000 during the financial year, was 1 (2019: 1).

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## 19. Share-based payments

At the Company's Annual General Meeting held on 18 December 2019, it was approved to issue 1,000,000 shares to a Director, D Geldard at \$0.018 for nil cash consideration.

These shares were issued on 15 January 2020. No shares were issued to Directors for 2019 financial year.

There were no options issued to management personnel during 2020 and 2019 financial years.

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

	Consolidated			
	Number of options 2020	WAEP A\$ 2020	Number of options 2019	WAEP A\$ 2019
Options outstanding as at 1 <sup>st</sup> July	13,900,000	0.08	13,900,000	0.08
Lapsed	(13,400,000)	(0.02)	-	-
Options outstanding as at 30 June	<u>500,000</u>	<u>0.06</u>	<u>13,900,000</u>	<u>0.08</u>

Of these outstanding options, 500,000 options are vested and exercisable.

The weighted average contractual life of options outstanding at year-end was 2.5 years (2019: 2.1 years). Share based payments that were included in the statement of comprehensive income was \$10,521 (2019: \$96,093).

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

## 20. Reconciliation of operating cash flow & net income

	Consolidated	
	2020 A\$	2019 A\$
Net profit /(loss) after tax	923,288	(1,358,608)
Non-cash items:		
Depreciation	64,005	1,300
Share based payments	28,521	96,093
Loss on revaluation of financial assets	569,704	-
Impairment loss of tenements	575,074	-
Gain on sale of joint venture tenements	(3,274,901)	-
Add / (less) movement in working capital:		
Increase / (decrease) in payables and accruals	128,982	(97,108)
Decrease in trade receivables	472	-
(Increase) / decrease in other receivables	(3,447)	82,062
Decrease / (increase) in prepayments	44,833	(17,435)
Decrease in GST receivable	19,054	18,837
Decrease in provisions	(40,485)	(11,795)
Net cash flows applied to operating activities	<u>(964,900)</u>	<u>(1,286,654)</u>

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## 21. Financial instruments

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

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

Currency	2020	2019
	\$	\$
AUD	1,399,925	490,509
USD	33,859	-
	<u>1,433,784</u>	<u>490,509</u>

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

**Interest Rate Risk:** The Group has little exposure to interest rate movements given the size of the cash balances. There is no bank borrowing.

Over the long term, changes in interest rates and increased amounts on deposit will affect profit or loss.

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

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## 22. Segment information

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

During the year to 30 June 2020, CODM has identified the Company as having two reportable segment, being the geographic location of assets in United States and Australia.

The CODM review EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. In 2019, the Group had only one business segment, being mineral exploration within Australia.

	USA A\$	Australia A\$	Total A\$
<b>Consolidated Year Ended June 2020</b>			
<b>Other revenue</b>			
Interest received	-	21,772	21,772
Other income	-	34,205	34,205
Profit on disposal of joint venture tenements	-	3,274,901	3,274,901
	-	3,330,878	3,330,878
<b>Expenses</b>			
General operating expenses	-	(1,254,064)	(1,254,064)
Interest paid on lease liabilities	-	(4,392)	(4,392)
Revaluation of financial assets	-	(569,704)	(569,704)
Impairment of tenements	-	(575,074)	(575,074)
<b>Profit before income tax</b>	-	927,644	927,644
<b>Consolidated Year Ended June 2019</b>			
<b>Other revenue</b>			
Interest received	-	14,795	14,795
Other income	-	345	345
Provision for rehabilitation written back	-	20,000	20,000
	-	35,140	35,140
<b>Expenses</b>			
General operating expenses	-	(1,393,748)	(1,393,748)
<b>Loss before income tax</b>	-	(1,358,608)	(1,358,608)

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

	USA A\$	Australia A\$	Total A\$
<b>Consolidated June 2020</b>			
Current assets	33,859	1,485,450	1,519,309
Non-current assets	576,699	4,624,467	5,201,166
<b>Total assets</b>	610,558	6,109,917	6,720,475
Current liabilities	21,468	342,697	364,165
Non-current liabilities	-	48,511	48,511
<b>Total liabilities</b>	21,468	391,208	412,676
<b>Net segment assets</b>	589,090	5,718,709	6,307,799

**22. Segment information (continued)**

	USA A\$	Australia A\$	Total A\$
<b>Consolidated June 2019</b>			
Current assets	-	596,946	596,946
Non-current assets	-	2,820,430	2,820,430
<b>Total assets</b>	<b>-</b>	<b>3,417,376</b>	<b>3,417,376</b>
Current liabilities	-	192,663	192,663
Non-current liabilities	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>192,663</b>	<b>192,663</b>
<b>Net segment assets</b>	<b>-</b>	<b>3,224,713</b>	<b>3,224,713</b>

**23. Earnings per Share**

	<b>Consolidated 2020 A\$</b>	2019 A\$
Profit/(Loss) from continued operations	<b>923,288</b>	(1,358,608)
Weighted average number of shares on issue	<b>195,413,129</b>	147,883,401
Basic earnings/(loss) per share	<b>0.47 cents</b>	(0.92) cents
Diluted average shares on issue	<b>195,413,129</b>	147,883,401
Diluted earnings/(loss) per share	<b>0.47 cents</b>	(0.92) cents

Earnings per share is based on the average weighted number of ordinary shares on issue during the year and on the operating deficit after tax attributable to shareholders. Movement in the number of shares on issue is shown in Note 144.

**24. Commitments**

**Expenditure requirements for tenements**

In order to maintain current rights of tenure to exploration and mining tenements, the Company is required to meet minimum expenditure requirements.

	<b>Consolidated 2020 A\$</b>	2019 A\$
Not later than 1 year	<b>102,699</b>	657,405
Later than 1 year but not later than 5 years	<b>2,301</b>	371,663
Later than 5 years	-	-
	<b>105,000</b>	1,029,068

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## 25. Interests in subsidiaries

Name of Entity	Equity Held		Country of Incorporation	Reporting date	Activity
	2020	2019			
Broken Hill Uranium Pty Ltd	100%	100%	Australia	30 June	Inactive
Broken Hill Chemical Pty Ltd	100%	100%	Australia	30 June	Mineral Exploration
Broken Hill Minerals Pty Ltd	100%	100%	Australia	30 June	Mineral Exploration
Murray Basin Minerals Pty Ltd	100%	100%	Australia	30 June	Mineral Exploration
Western Rare Earth LLC	100%	-	USA	31 December	Mineral Exploration
La Paz Rare Earth LLC	100%	100%	USA	31 December	Mineral Exploration

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

## 26. Contingencies

The Company did not have any contingencies at the balance date 30 June 2020 (2019: A\$ nil).

## 27. Going Concern

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

The Group had a net profit of \$923,288 and had operating cash outflows of \$964,900 for the year ended 30 June 2020. As at 30 June 2020, the Group has cash and cash equivalents of \$1,433,784 net current assets of \$1,155,144, financial assets of \$4,479,595 and net assets of \$6,307,799.

Management believes that current cash levels are sufficient to fund ongoing administration and budgeted exploration. At the same time, the Company's management has implemented plans to preserve operating cash.

Current cash levels are sufficient to fund ongoing administration and budgeted exploration. In the event additional exploration activities are undertaken, there may be a requirement to raise capital. The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Group to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value from its projects that are under development.

These conditions give rise to a material uncertainty over the Group's ability to continue as a going concern.

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

- To date the Group has funded its activities through issuance of equity securities and it is expected that the Group will be able to fund its future activities through further issuances of equity securities; and
- Directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities within the forecast period.

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

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

## 28. Judgement and estimation uncertainty

The preparation of financial statements of necessity involves judgement and estimation. The effect of judgement is greatest in the assessment of impairment to capitalised exploration expenditure. Directors have reviewed facts and circumstances surrounding the capitalised exploration expenditure and have impaired those assets no longer have any value.

## 29. Parent entity information

The parent entity within the Group is Broken Hill Prospecting Limited. The ultimate parent entity in Australia is Broken Hill Prospecting Limited.

	2020 A\$	2019 A\$
Current assets	2,635,545	844,267
Non-current assets	4,597,467	2,279,284
Total assets	<u>7,233,012</u>	<u>3,123,551</u>
Current liabilities	1,694,243	1,491,940
Non-current liabilities	48,511	-
Total liabilities	<u>1,742,754</u>	<u>1,491,940</u>
Net assets	<u>5,490,258</u>	<u>1,631,611</u>
Equity		
Share capital	10,374,714	8,194,159
Options Reserve	25,800	312,229
Accumulated Losses	(4,910,256)	(6,874,777)
Total equity	<u>5,490,258</u>	<u>1,631,611</u>
Profit / (loss) for the year	1,667,072	(1,356,471)
Adoption of NZ IFRS 16	499	-
Options lapsed transferred in	296,950	-
Total profit/(loss) for the year	<u>1,964,521</u>	<u>(1,356,471)</u>

(a) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees as at 30 June 2020 (2019: \$ Nil)

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

As at 30 June 2020, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

## 30. Auditor's Remuneration

	Consolidated	
	2020 A\$	2019 A\$
Nexia Sydney Audit Pty Ltd		
- Audit and review of financial reports paid	21,407	32,194
- Audit fees accrued	22,500	22,000
	<u>43,907</u>	<u>54,194</u>
<b>Non-Audit services</b>		
Nexia Sydney Audit Pty Ltd	-	-

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**31. Matters subsequent to the end of the financial year**

(1) In July 2020, the Company has appointed a new Chief Executive Officer, Mr Marty Weems, who has a wealth of experience to lead La Paz Rare Earth LLC into the next stage of Rare Earth project.

(2) In August 2020, the Company has entered into a share purchase agreement with Zenith Minerals Limited to acquire 100% of Wyoming Rare Pty Ltd ("Wyoming Rare"), Wyoming Rare owns an USA subsidiary, Wyoming Rare (USA) Inc that operates the Laramie Rare Earths Elements project in Wyoming.

This acquisition provides the Company with the opportunity to define a very large-scale exploration target once initial follow-up work is completed.

Purchase consideration for Wyoming Rare is a combination of 2.5 million ARR shares at \$0.02 each plus \$50,000 cash.

(3) On 24 September 2020, Mr M Hill retired as director after serving the Company for eight years.

Apart from the above, no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in years subsequent to 30 June 2020.

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## DIRECTORS' STATEMENT

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the financial statements to 30 June 2020:
  - (a) Comply with New Zealand International Financial Reporting Standards (IFRS); and
  - (b) Give a true and fair view of the Group's financial position as at 30 June 2020 and its performance and cash flows for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

For and on behalf of the Board



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**Creagh O'Connor AM**

Chairman

30 September 2020



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**Keith Middleton**

Director

30 September 2020

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**ADDITIONAL INFORMATION****Directors' Information**

The following general disclosures of interests were received in relation to the year ended 30 June 2020:

Director	Relevant Interest in Ordinary Shares	Relevant Interest in Listed Options	Relevant Interest in Unquoted Options
FC O'Connor	-	-	-
D Geldard	1,518,475	-	-
GG Hill	79,880,461	-	-
K Middleton (appointed 19 March 2020)	-	-	-
MG Hill (retired 24 September 2020)	5,000	-	500,000

**Directors' Disclosure of Interests**

No general disclosures of interests were received in relation to the year ended 30 June 2020.

**Shareholders' Information as at 22 September 2020****Substantial Shareholder**

Name	No. of Ordinary shares	% of Total Ordinary Shares
Hill Family Group Pty Ltd	54,396,000	18.70%

**Distribution of Equity Securities**

SIZE OF HOLDING	Ordinary shares	
	Number of Holders	Number of Shares
1 – 1,000	82	3,149
1,001 - 5,000	60	237,209
5,001 – 10,000	172	1,601,792
10,001 to 100,000	598	26,057,118
100,001 and over	307	263,020,324
<b>Totals</b>	<b>1,219</b>	<b>290,919,592</b>

There were 399 holders of less than a marketable parcel of ordinary shares (3.3 cents each share).

**Voting Rights**

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

**20 Largest Shareholders**

Rank	Name	No. of Ordinary Shares	% of Total Ordinary Shares
1	HILL FAMILY GROUP PTY LTD	54,391,000	18.70%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,321,591	5.95%
3	IPS NOMINEES LIMITED	7,095,433	2.44%
4	GP SECURITIES PTY LTD	5,000,000	1.72%
5	AIKEN & ASSOCIATES LIMITED	4,503,764	1.55%
6	DOVIDO PTY LTD	4,412,168	1.52%
7	MS PHAIK CHIN LIM	4,163,334	1.43%
8	WILLYAMA ASSET MANAGEMENT PTY LTD	4,100,000	1.41%
9	MR SYED MUSHLEH UDDIN	3,918,468	1.35%
10	HONG KONG FAR EAST CAPITAL LIMITED	3,880,000	1.33%
11	MR JOHN WARDMAN	3,600,000	1.24%
12	NIMADE PTY LIMITED	3,330,000	1.14%
13	R E G INVESTMENTS PTY LTD	3,300,000	1.13%
14	HONG KONG NOMINEES LIMITED	3,000,000	1.03%
14	MR IANAKI SEMERDZIEV	3,000,000	1.03%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,649,977	0.91%
17	SHAN HOLDINGS LTD\C	2,520,000	0.87%
18	COONAN FAMILY SUPERANNUATION FUND PTY LTD	2,500,000	0.86%
19	CITICORP NOMINEES PTY LTD	2,376,512	0.82%
20	INTERNATIONAL PACIFIC CAPITAL LIMITED	2,370,328	0.81%
		<b>137,432,575</b>	<b>47.24%</b>

**Unquoted Options**

At 22 September 2020 there were 500,000 unquoted options.

Exercise Price	Grant Date	Vesting Date	Expiry Date	Number
\$0.06	10 Jan 2018	10 Jan 2018	10 Jan 2023	500,000

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

**Over 20% Holders by Name of Unquoted Options and their Option Holdings at 22 September 2020:**

Name	Number of Options	% of Total Options
Matthew Hill	500,000	100.00%

**Additional ASX Disclosure Requirements**

Additional ASX Disclosure Requirements

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

6. The Corporate Governance Statement is listed below and in our website at [www.americanrareearths.com.au](http://www.americanrareearths.com.au)

## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as of 30 September 2020 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication "Corporate Governance Principles and Recommendations" 3<sup>rd</sup> edition (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company has adopted a Corporate Governance Plan that provides the written terms of reference for the Company's corporate governance duties that is available on the Company's website at [www.americanrareearths.com.au](http://www.americanrareearths.com.au).

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<p><b>Recommendation 1.1</b></p> <p>A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chairman and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.</p>	YES	<p>The Company has adopted a Board Charter and a Role of Management that sets out the specific roles and responsibilities of the Board, the Chairman and management and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> <p>The Board Charter sets out the specific responsibility of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, is available on the Company's website.</p>
<p><b>Recommendation 1.2</b></p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.</p>	YES	<p>(a) The Company has guidelines for the appointment and selection of the Board in its Corporate Governance Plan. The Company's Remuneration Committee also operates as a Nomination Committee. The Nomination Committee has to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person or putting forward to security holders a candidate for election, as a Director.</p> <p>(b) Under the Nomination Committee, all material information relevant to a decision on whether or</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
		not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p> <p>The Company has written agreements with each of its Directors and senior executives.</p>
<p><b>Recommendation 1.4</b></p> <p>The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.
<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) Have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>(A) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act 2012, the entity's most recent "Gender Equality Indicators" as defined in that Act.</p>	PARTIALLY	<p>(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives if considered appropriate and to assess annually both the objectives and the Company's progress in achieving them.</p> <p>(b) The Company has no women on its Board or in senior management.</p> <p>(c) The Company is not a "relevant employer" under the <i>Workplace Gender Equality Act 2012 (Cth)</i>.</p> <p>(d) Given the current size, nature and exploration stage of the Company, the Company considers the current gender mix to be acceptable.</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Board undertakes self-assessment of its collective performance. Individual performance is evaluated by the full Board.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether performance evaluations were conducted during the relevant reporting period. The Company has not carried out any performance evaluation during the year ended 30 June 2020.</p>
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether performance evaluations were conducted during the relevant reporting period. The Company did not carry out any performance evaluations in respect of the senior executives (if any) for the financial year ended 30 June 2020.</p>
<p><b>Principle 2: Structure the Board to add value</b></p>		
<p><b>Recommendation 2.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the</p>	<p>PARTIALLY</p>	<p>(a) The Company does have a Nomination Committee which is under the Company's Remuneration Committee. The Nomination Committee consists of three members a majority of whom are independent Directors. Two members of the Committee are independent being Messrs FC O'Connor and D Geldard. The third director Mr GG Hill is not considered to be independent and is Chairman of the Committee.</p> <p>(b) The Company considers that the structure of the Remuneration Committee is cost effective and practical for the Company's size.</p> <p>(c) The Company does have a Nomination Committee which falls under the Remuneration Committee. The Nomination Committee under the Nomination Committee Charter, including the following</p>

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RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p>period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>		<p>processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence, and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:</p> <ul style="list-style-type: none"> <li>(i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and</li> <li>(ii) all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</li> </ul>
<p><b>Recommendation 2.2</b></p> <p>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	<p>YES</p>	<p>The Nomination Committee have prepared a Board skill matrix setting out the mix of skills and diversity that the Board current has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.</p>
<p><b>Recommendation 2.3</b></p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) the names of the Directors considered by the Board to be independent Directors;</li> <li>(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</li> <li>(c) the length of service of each Director</li> </ul>	<p>YES</p>	<ul style="list-style-type: none"> <li>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on its ASX website. The Board considers that three of the current Directors are independent.</li> <li>(b) There are three independent Directors who fall into this category. The Company will disclose in its Annual Report and ASX website any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent.</li> <li>(c) The Company's Annual Report discloses the length of service of each Director, as at the end of each financial year.</li> </ul>
<p><b>Recommendation 2.4</b></p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	<p>YES</p>	<p>The Board Charter requires that, where practical, the majority of the Board must be independent.</p> <p>At this stage, three of its Directors is considered independent.</p> <p>As such, independent Directors are currently a majority of the Board.</p>
<p><b>Recommendation 2.5</b></p> <p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>YES</p>	<p>The Board Charter provides that, where practical, the Chairman of the Board should be an independent Director and should not be the CEO/Managing Director.</p> <p>The Chairman of the Company is an independent Director. The Company does not have a CEO.</p>

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<p><b>Recommendation 2.6</b></p> <p>A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.</p>	<p>YES</p>	<p>In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Chairman is responsible for facilitating inductions and professional development.</p>
<p><b>Principle 3: Act ethically and responsibly</b></p>		
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>YES</p>	<p>(a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) is available on the Company's website.</p>
<p><b>Principle 4: Safeguard integrity in financial reporting</b></p>		
<p><b>Recommendation 4.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p style="padding-left: 20px;">(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p style="padding-left: 20px;">(ii) is chaired by an independent Director, who is not the chairman of the Board,</p> <p>and disclose:</p> <p style="padding-left: 20px;">(iii) the charter of the committee;</p> <p style="padding-left: 20px;">(iv) the relevant qualifications and experience of the members of the committee; and</p> <p style="padding-left: 20px;">(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external</p>	<p>YES</p>	<p>(a) The Company currently does have an Audit and Risk Committee. The Committee has three members, two whom are independent Directors being Messrs O'Connor and Geldard , and the Chair Mr M Hill who is not independent.</p> <p>(b) Given the current size and the relatively modest complexity of the financial affairs of the Company, the board considers the audit committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the audit committee.</p> <p>(c) The Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p style="padding-left: 20px;">(i) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's arrangements with external auditors.</p>

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auditor and the rotation of the audit engagement partner.		
<p><b>Recommendation 4.2</b></p> <p>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>These obligations of a Company's CFO or CEO (if any) are set out in the Company's Corporate Governance Plan.</p> <p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.</p>
<p><b>Recommendation 4.3</b></p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
<b>Principle 5: Make timely and balanced disclosure</b>		
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Board Charter provides details of the Company's disclosure policy. In addition, Corporate Governance Plan details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.</p>
<b>Principle 6: Respect the rights of security holders</b>		
<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and</p>	YES	Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material in that notice of meeting

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encourage participation at meetings of security holders.		stating that all Shareholders are encouraged to participate at the meeting.
<p><b>Recommendation 6.4</b></p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>The Shareholder Communication Strategy states that, securityholders can register with the Company to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the Company Secretary at first instance.</p>
<b>Principle 7: Recognise and manage risk</b>		
<p><b>Recommendation 7.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	PARTIALLY	<p>(a) The Company does have an Audit and Risk Committee.</p> <p>(b) The Committee has three members, two whom are independent Directors, and the Chairman who is not independent.</p> <p>(c) Given the current size and the relatively modest complexity of the financial affairs of the Company, the board considers the audit committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the audit committee.</p> <p>(d) The number of meetings held during the reporting period and the number attended by each member is disclosed in the Annual Report.</p>
<p><b>Recommendation 7.2</b></p> <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose at least annually whether such a review of the company's risk management framework has taken place.</p>

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<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>YES</p>	<p>(a) The Audit and Risk Committee Charter provides for the Audit and Risk Committee (or in its absence, the Board) to monitor the need for an internal audit function.</p> <p>(b) The Company does not have an internal audit function. The Company is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes. The Company does not have a formal internal audit function due to its size.</p>
<p><b>Recommendation 7.4</b></p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>YES</p>	<p>The Audit and Risk Committee Charter requires the Audit and Risk Committee (or, in its absence, the Board) to assist management determine whether the Company has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> <p>The Company's Corporate Governance Plan requires the Company to disclose whether it has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks. The Company will disclose this information in its Annual Report and on its ASX website as part of its continuous disclosure obligations.</p>
<p><b>Principle 8: Remunerate fairly and responsibly</b></p>		
<p><b>Recommendation 8.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) Have a remuneration committee which:</p> <p style="padding-left: 20px;">(i) has at least three members, a majority of whom are independent Directors; and</p> <p style="padding-left: 20px;">(ii) is chaired by an independent Director,</p> <p>and disclose:</p> <p style="padding-left: 20px;">(iii) the charter of the committee;</p> <p style="padding-left: 20px;">(iv) the members of the committee; and</p> <p style="padding-left: 20px;">(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level</p>	<p>PARTIALLY</p>	<p>(a) The Company does have a Remuneration Committee. The Remuneration Committee consists of three members a majority of whom are independent Directors. Two members of the Committee are independent being Messrs FC O'Connor and D Geldard. The third director Mr GG Hill is not considered to be independent and is Chairman of the Committee.</p> <p>(b) The Company considers that the structure of the Remuneration Committee to be comprised of the most appropriate mix of skills and expertise to carry out the function of the remuneration. Ultimate responsibility for remuneration policy rests with the full board.</p> <p>(c) The number of meetings held during the reporting period and the number attended by each member is disclosed in the Annual Report.</p>

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## Additional information (continued)

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and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
<p><b>Recommendation 8.2</b></p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives and ensure that the different roles and responsibilities of non-executive Directors compared to executive Directors and other senior executives are reflected in the level and composition of their remuneration.</p>	YES	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior Directors which is disclosed on the Company's website and annual report.</p> <p>Shareholders approve the maximum aggregate annual remuneration payable to non-executive directors, which is presently \$400,000 per annum. There are no contractual termination or retirement benefits for executive or non-executive directors.</p>
<p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	NA	<p>In the 2012 financial year the Company established the Plan for the purpose of providing a long-term equity incentive structure to deliver equity-based benefits to the Directors, contractors and employees. The Board strongly believes that the Plan better aligns the rewards of the key management personnel with the interests</p>