



AMERICAN RARE EARTHS LIMITED
ARBN 003 453 503 (Australia)
ABN 83 003 453 503 (Australia)

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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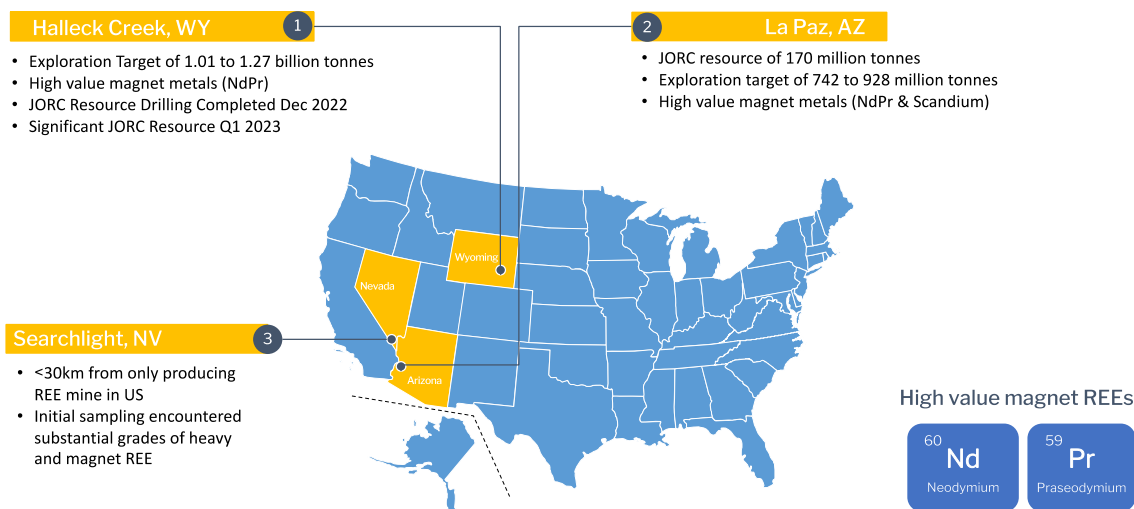
COMPANY DIRECTORY

<p>DIRECTORS F Creagh O'Connor (Chairman) Chris Gibbs Geoffrey G Hill Clarence McAllister Mel Sanderson Sten Gustafson Richard Hudson Denis Geldard (Retired 31 August 2022)</p>	<p>AUDITOR Hall Chadwick Level 40 2 Park Street Sydney NSW 2000</p>
<p>COMPANY SECRETARY Wayne Kernaghan Noel Whitcher (Resigned 31 January 2023)</p>	<p>BANKERS National Australia Bank Wells Fargo Bank</p>
<p>REGISTERED OFFICE Level 40 2 Park Street Sydney NSW 2000</p>	<p>SECURITIES LISTED Australian Securities Exchange (ASX) Code: ARR OTCQB Code: ARRNF</p>
<p>AUSTRALIAN OFFICE Suite 706, Level 7 89 York Street Sydney NSW 2000</p> <p>GPO Box 1546 SYDNEY NSW 2001</p> <p>Phone: (+61 2) 8054 9779 Email: info@americanrareearth.com.au</p> <hr/> <p>WEBSITE https://americanrareearth.com.au</p>	<p>SHARE REGISTRY Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5001 Phone: 1300 556 161 (within Australia) (+61 3) 9415 4000 (outside Australia)</p> <p>www.computershare.com.au</p>

INTERESTS IN TENEMENTS

Tenement Name	Tenement Type and Number	Location	Group Ownership
La Paz	Lease Number 008-120965-00	Arizona, United States	100%
La Paz	La Paz 1 – 14	Arizona, United States	100%
La Paz	La Paz 33 – 69	Arizona, United States	100%
La Paz	La Paz 71, 73, 75	Arizona, United States	100%
La Paz	La Paz 92 - 101	Arizona, United States	100%
La Paz	La Paz 108 – 219	Arizona, United States	100%
La Paz	La Paz 220 – 376	Arizona, United States	100%
Halleck Creek	Rex 1- 5	Wyoming, United States	100%
Halleck Creek	Rex 10 – 23	Wyoming, United States	100%
Halleck Creek	Rex 25 - 43	Wyoming, United States	100%
Halleck Creek	Rex 44 – 72	Wyoming, United States	100%
Halleck Creek	Rex 75 - 165	Wyoming, United States	100%
Halleck Creek	Rex 167 - 176	Wyoming, United States	100%
Halleck Creek	Rex 178 - 375	Wyoming, United States	100%
Halleck Creek	0-43568 – 0-43571	Wyoming, United States	100%
Western Rare	Nevada T-01 – T80	Nevada, United States	100%

Key sites



Competent Persons' Statement

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

DIRECTORS' REPORT**FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

The Directors present the following report including financial statements of American Rare Earths Limited (**Company**) for the six months ended 31 December 2022.

1. Directors

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

F Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Chris Gibbs	CEO & Managing Director	Appointed 1 November 2021
Geoffrey G Hill	Non-Executive Director	Appointed 27 August 2015
Clarence McAllister	Non-Executive Director	Appointed 21 September 2021
Melissa Sanderson	Executive Director	Appointed 12 November 2021
		Appointed Executive Director 24 January 2023
Sten Gustafson	Non-Executive Director	Appointed 7 January 2022
Richard Hudson	Non-Executive Director	Appointed 8 February 2022
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
		Resigned 31 August 2022

2. Review of OperationsOverview

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

Halleck Creek Project: With a globally significant exploration target of over one billion tonnes of mineralised rare earth rocks, our 100% owned Halleck Creek district has the potential to be among the largest rare earths deposits in North America. The exploration team finalised the maiden drill program in December 2022 and has since received very encouraging assay results. The mineralogy tests showed ore can be liberated easily and will require less coarse grinding, meaning reduced costs. The Company remains committed to announcing a significant maiden JORC resource in the first quarter of calendar year 2023. With the addition of the Bluegrass area the Halleck Creek project has grown to over 6,000 acres, an area encompassing 24.5km²

La Paz Project: The project continues to move forward as planned with the goal to significantly increase the 170 million tonne JORC Resource. Drill permits were approved for the new southwest area of the project with a target estimate of 742 to 928 million tonnes with 350 to 400 TREO. The exploration target is additive to the existing JORC resource.

Environmental, Social & Governance (ESG)

During the reporting period there were zero safety, health and/or environmental incidents.

ESG is a key focus at American Rare Earths and is central to what we do. We are keenly aware of our role and responsibilities as temporary custodians of the concessions we explore/operate, as employers and leaders and as partners to the communities in which we work. We are shaping the future not only for American Rare Earths, but also the next generation.

Halleck Creek Rare Earths Project

The Halleck Creek Rare Earths project is 100% owned and is located in Wyoming. In September 2022 the Company was excited to share that the Halleck Creek exploration target increased by 328%, exceeding expectations. The mass of mineralised rocks in the new exploration target is more than three times larger

than previously estimated with the updated target outlines 1.01 – 1.27 billion tonnes, an increase from the original target of 308 – 385 million tonnes.

Table 1 – Halleck Creek Exploration Target Estimates

TREO Range (ppm)	Area (ha)	In-Place Tonnage (millions)	Average TREO Grade (ppm)	Average MREO* Grade (ppm)	Average Nd2O3 Grade (ppm)	Average Pr6O11 Grade (ppm)
1,500 – 2,000	90	168 - 210	1,398 - 1,748	461 - 576	336 - 420	89 - 111
2,000 – 2,500	82	183 - 229	1,807 - 2,259	470 - 588	340 - 425	91 - 114
2,500 – 3,000	103	254 - 318	2,213 - 2,766	524 - 655	379 - 473	103 - 129
3,000 – 3,500	133	220 - 275	2,597 - 3,246	593 - 742	433 - 542	119 - 149
3,500 – 4,000	111	149 - 186	2,964 - 3,705	647 - 808	474 - 593	131 - 163
>4,000	42	40 - 50	3,409 - 4,262	740 - 925	547 - 683	149 - 187
Grand Total	561	1,015 - 1,269	2,245 - 2,807	545 - 682	397 - 496	108 - 135

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



Halleck Creek - Red Mountain

Drill hole data from the recent 38-hole Reverse Circulation (RC) drill campaign completed in December show consistent occurrences of rare earth mineralisation to depths of 175.5 metres, an increase of 75.5% over previous drill depths with the deposit remaining open laterally and at depth. Geological data continues to show substantial rare earth mineralisation.

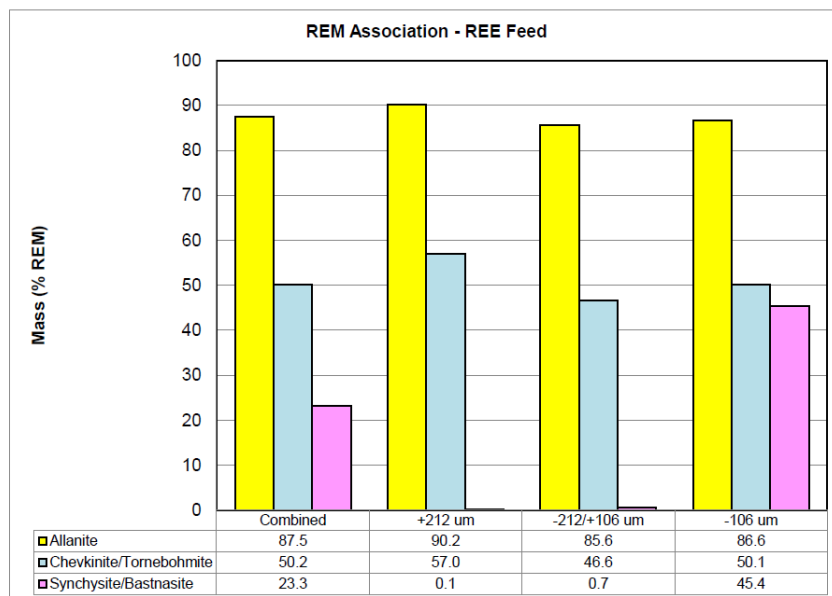
The Company was pleased to receive outstanding mineralogy results from our testing partners, SGS Canada with Nagrom completing the hydrostatic analysis. This test work showed that rare earth elements (REE) rich Allanite is the primary REE bearing mineral at the project. A coarse grain structure was observed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



Halleck Creek – Drill Core

Once the drilling results have been fully evaluated and verified the company expects to announce a maiden resource estimate at Halleck Creek in early 2023.

Metallurgical tests conducted on Halleck Creek samples, conducted by Wood Australia Pty Ltd (Wood), indicate low mining and processing costs due to the less abrasive ore which will require less coarse grinding and a reduction in energy costs, allowing for increased capacity. Crushing and grinding are major costs associated with processing so this less abrasive ore is a positive result. The ore strength ranked in the lowest 14th percentile of more than 1,300 deposits globally.



Liberation of Rare Earth Minerals by Size Fraction

La Paz Rare Earths Project

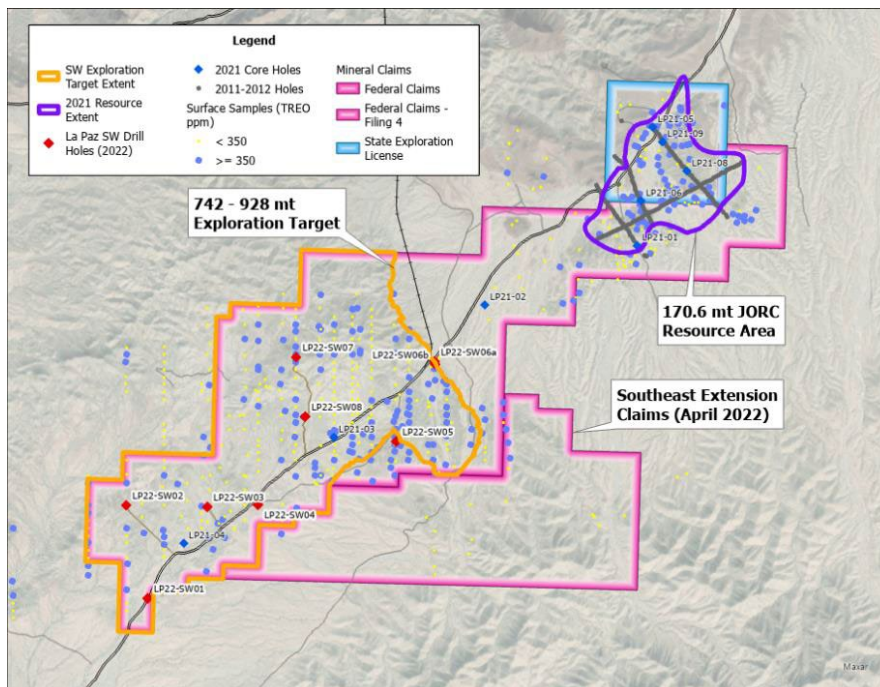
The La Paz Rare Earths project is 100% owned by the Company's wholly owned US based subsidiary, La Paz Rare Earth LLC ("LPRE") and is located approximately 200km northwest of Phoenix, in mining friendly Arizona. The Project incorporates a 170.6 million tonnes JORC compliant resource close to key infrastructure. The current resource estimate encompasses only 10.2% of the project area and is open laterally and at depth.

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La Paz - Exploration Site

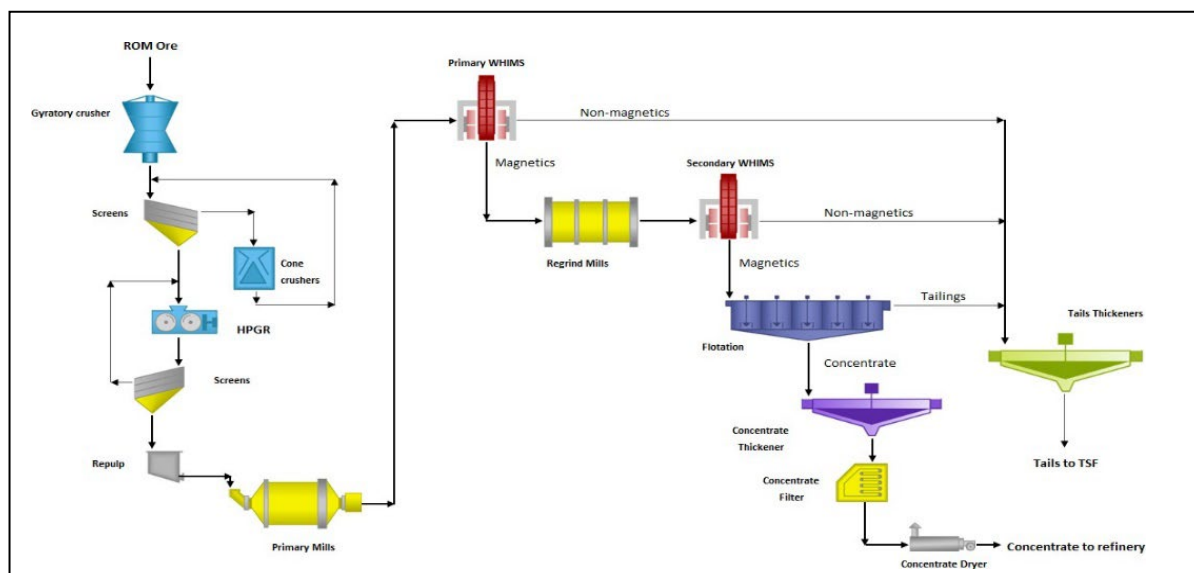
The large-scale project has the advantages of excellent grades of magnet rare earths elements (NdPr) as well as Scandium, and importantly negligible radioactive elements (thorium) which is unusual for rare earths projects.



La Paz - JORC and Exploration Target

Results of metallurgical test-work showed recovery rates of up to 66.4% TREO and 71.5% Scandium achieved and confirmed very low thorium and uranium penalty elements. With metallurgical test-work completed at La Paz the Company requested Wood use the results to develop a conceptual flowsheet for the La Paz concentrator. Further work will continue to build on the process and results.

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Proposed Simplified La Paz Process Flowsheet

Corporate & Finance Review

A substantial and opportunistic capital raise was undertaken with Canaccord Genuity (Australia) Limited in August 2022. Under the raise a total of 48,275,863 shares were issued at a purchase price of A\$0.29 per share, which raised additional capital of A\$14M. The primary purpose of the capital raise and use of funds was to progress our projects and grow the company, with these increased activities reflected in the key financial metrics presented in this report.

A further 400,000 shares were issued during the period due to the exercise of options at A\$0.15 each, which raised additional capital of A\$60k.

As result of the capital raising activities Cash and Cash Equivalents at 31 December 2022 increased to \$15,548,336 (30 June 2022: \$6,339,542).

A total of 6,000,000 unlisted options were issued to the lead manager of the August capital raise following shareholder approval. A total of 7,250,000 employee options were issued to employees and consultants of the Company in December 2022 in accordance with the shareholder approved Employee Share Option Scheme.

The Company increased its investment in Cobalt Blue (COB) during the period and currently holds 4,400,000 COB shares worth A\$2.552M, at a COB closing price of A\$0.58 on 31 December. The Company also holds a A\$3M Promissory Note (PN) interest-free for years one to three with interest payable in arrears at 6% per annum for years four and five. The PN is currently in year four and secured over title to tenements. The Promissory note matures in January 2025. On 31 December 2022 this note has a financial asset value of A\$2.881M. In addition, the Company also holds rights to a Net Smelter Return (NSR) royalty of 2% on all cobalt production from the Thackaringa Project, which was sold to Cobalt Blue Holdings Limited in February 2020.

Total assets increased to \$29,306,455 (30 June 2022: \$16,927,072) and total liabilities increased to \$1,425,514 (30 June 2022: \$925,977). Loss after income tax for the six-month period to 31 December 2022 was \$1,794,315 (2021: loss \$820,735).

Extraordinary items during the period

In November 2022 at the Company AGM shareholders resolved to issue a total of 12 million options to directors of the company. In line with AASB 2, these options have been measured using a Black-Scholes options pricing model on a fair value basis with a deemed value of A\$166,489 which has been recognised in the accounts.

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

Note 12 to the financial statements provides a breakdown of these transactions.

3. Auditor's Independence Declaration

We confirm that we have obtained the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) which is set out on page 13.

4. Subsequent Events

In January 2023 the Company was pleased to announce that it redomiciled from New Zealand to Australia. The registered address of the company is C/O Hall Chadwick, Level 40, 2-26 Park Street, Sydney, NSW, 2000.

Ms. Melissa (Mel) Sanderson joined the Company in the role as President of American Operations, recently vacated by Mr Marty Weems, who took on another role outside the rare earths industry. Melissa brings with her a wealth of experience in government relations and ESG having a distinguished career in US Government roles and with International Mining Companies. Mel will continue in her role on the Board of American Rare Earths.

Mr Noel Whitcher, the Company's CFO and Company Secretary resigned from his positions, to take up a new role in the resources industry. Mr Whitcher's resignation was effective 31 January 2023.

Mr Mark Terry was appointed as interim CFO, bringing with him 25+ years' experience in the resource industry primarily in senior finance and commercial roles.

Mr Wayne Kernaghan continues as Company Secretary.

Signed for and on behalf of the Board



Creagh O'Connor
Chairman



Chris Gibbs
Managing Director

Date: 3rd March 2023

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

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

Conclusion

We have reviewed the half-year financial report of American Rare Earths Limited, which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the American Rare Earths Limited financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of American Rare Earths Limited in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

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

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

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



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



DREW TOWNSEND
Partner
Dated: 3 March 2023

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

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

In accordance with Section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of American Rare Earths Limited. As the lead audit partner for the review of the financial report of American Rare Earths Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



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



DREW TOWNSEND
Partner
Dated: 3 March 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	6 months ended 31/12/2022	6 months ended 31/12/2021
	A\$	A\$
Continuing Operations		
Interest received	115,151	11
Other income	36,438	22,535
Revaluation of financial assets	(53,117)	1,479,264
Consulting fees	(125,151)	(117,951)
Employee expenses	(551,169)	(459,362)
Directors' fees	(96,692)	(112,982)
Investor relations	(91,573)	(112,068)
Accounting, secretarial, legal	(126,519)	(80,792)
Administration expenses	(328,902)	(72,595)
ASX, OTC & Registry	(70,195)	(71,716)
Relocation expenses	-	(44,642)
Depreciation expenses	(37,889)	(32,818)
Auditor's remuneration – auditing the accounts	(22,385)	(31,445)
Marketing & promotion	(113,135)	(13,297)
Interest expenses	(5,236)	(8,773)
Foreign exchange revaluations	(4,159)	-
Loss for the period before extraordinary items	(1,474,533)	343,369
Extraordinary items		
Fair value recognition of share-based payments	(319,782)	(1,041,875)
Exploration expenditure written off	-	(122,229)
Loss for the period after extraordinary items	(1,794,315)	(820,735)
Income tax benefit	-	-
Loss for the period after income tax	(1,794,315)	(820,735)
Other comprehensive income	(39,280)	(75,689)
Total comprehensive income attributable to the Parent entity	(1,833,595)	(896,424)
Net Loss per share		
Basic loss per share from continuing operations	(0.42) cents	(0.24) cents
Diluted loss per share from continuing operations	(0.42) cents	(0.24) cents

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Share capital A\$	Options reserve A\$	Accumulated losses A\$	Foreign currency translation A\$	Total A\$
2022					
Equity at 1 July 2022	20,828,812	1,550,811	(6,359,850)	(18,678)	16,001,095
Issue of share capital net of costs	12,943,334	391,800	-	-	13,335,134
Loss for the year	-	-	(1,794,315)	-	(1,794,315)
Share based payments	-	319,782	-	-	319,782
Exercise of share options	70,625	(12,100)	-	-	58,525
Exchange difference arising on foreign operations	-	-	-	(39,280)	(39,280)
Movement in equity for the period	13,013,959	699,482	(1,794,315)	(39,280)	11,879,846
Equity at 31 December 2022	33,842,771	2,250,293	(8,154,165)	(57,958)	27,880,941
2021					
Equity at 1 July 2021	13,168,308	832,467	(4,319,858)	(126,949)	9,553,968
Issue of share capital net of costs	5,333,064	51,283	-	-	5,384,347
Loss for the year	-	-	(820,735)	-	(820,735)
Share based payments	270,000	771,875	-	-	1,041,875
Exercise of share options	1,111,533	(322,867)	-	-	788,666
Exchange difference arising on foreign operations	-	-	-	(75,689)	(75,689)
Movement in equity for the period	6,714,597	500,291	(820,735)	(75,689)	6,318,464
Equity at 31 December 2021	19,882,905	1,332,758	(5,140,593)	(202,638)	15,872,432

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	31/12/2022 A\$	30/06/2022 A\$
ASSETS			
Current assets			
Cash and cash equivalents		15,548,336	6,339,542
Receivables		96,582	69,109
Other assets		99,543	89,471
Total current assets		15,744,461	6,498,122
Non-current assets			
Property, plant & equipment	6	47,077	36,115
Right-of-use assets	7	140,198	171,353
Exploration and evaluation	8	7,706,139	4,897,590
Security deposits		235,532	69,727
Financial assets	9	5,433,048	5,254,165
Total non-current assets		13,561,994	10,428,950
Total assets		29,306,455	16,927,072
LIABILITIES			
Current liabilities			
Trade and other payables		1,279,957	752,616
Lease liabilities		60,465	57,206
Total current liabilities		1,340,422	809,822
Non-current liabilities			
Lease liabilities		85,092	116,155
Total non-current liabilities		85,092	116,155
Total liabilities		1,425,514	925,977
Net Assets		27,880,941	16,001,095
EQUITY			
Share capital	2	33,842,771	20,828,812
Reserves	2	2,250,293	1,550,811
Foreign currency reserve		(57,958)	(18,678)
Accumulated losses		(8,154,165)	(6,359,850)
Total equity		27,880,941	16,001,095

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Note	6 months ended 31/12/2022	6 months ended 31/12/2021
Cash flows from operating activities			
Interest received		115,151	11
Cash received in the course of operations		20,156	2,188
Interest expenses		(5,236)	(8,773)
Payments to suppliers and employees		<u>(1,909,047)</u>	<u>(1,194,748)</u>
Net cash used in operating activities	3	<u>(1,778,976)</u>	<u>(1,201,322)</u>
Cash flows from investing activities			
Payment for property, plant & equipment		(12,584)	(2,361)
Purchase of investments		(232,000)	-
Security deposit paid		(165,805)	-
Exploration and evaluation expenditure		<u>(1,841,010)</u>	<u>(354,505)</u>
Net cash used in investing activities		<u>(2,251,399)</u>	<u>(356,866)</u>
Cash flows from financing activities			
Share capital issued		14,356,000	6,582,867
Share issue costs		(962,341)	(409,854)
Repayment of lease liabilities		<u>(27,804)</u>	<u>(32,688)</u>
Net cash provided by financing activities		<u>13,365,855</u>	<u>6,140,325</u>
Net increase in cash and cash equivalents held		9,335,481	4,582,137
Exchange difference		(126,687)	(117,204)
Cash and cash equivalents at the beginning of the period		<u>6,339,542</u>	<u>3,700,689</u>
Cash and cash equivalents at the end of the period		<u>15,548,336</u>	<u>8,165,622</u>
Cash comprises:			
Cash at bank		<u>15,548,336</u>	<u>8,165,622</u>

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**1. Summary of Significant Accounting Policies****Reporting entity**

American Rare Earths Limited (**ARR** or **Company**) is a profit-oriented company incorporated in Australia registered under the *Corporations Act 2001* and listed on the Australian Securities Exchange (ASX).

The principal activity of the Company and its subsidiaries (the "Group") is minerals exploration.

The Group consists of American Rare Earths Limited and its wholly owned subsidiaries, Broken Hill Uranium Pty Ltd, Broken Hill Chemical Pty Limited, Broken Hill Minerals Pty Ltd, Murray Basin Minerals Pty Limited, Wyoming Rare Pty Ltd, Western Rare Earth LLC, La Paz Rare Earth LLC and Wyoming Rare (USA) Inc.

These interim financial statements were authorised for issue on 3rd March 2023.

Reporting currency

The functional and presentation currency is Australian dollars.

Basis of preparation: These general-purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards AASB 134, Interim Financial Reporting.

These accounts have been prepared in accordance with generally accepted accounting practice in Australia and therefore also comply with International Financial Reporting Standards. For this purpose, the Company has designated itself as profit oriented. It is recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2022, together with any public announcements made during the half-year.

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis have been followed by the Group.

New or amended Accounting Standards and Interpretations adopted

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

Seasonality of operations

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

Changes in accounting policies

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (continued)

2. Share capital

	31/12/2022	30/06/2022
	A\$	A\$
Ordinary shares – 446,380,799 (30 June 2022: 395,704,936)	33,842,771	20,828,812
Movement in share capital		
Balance at beginning	20,828,812	13,168,308
Shares issued under Placement	14,296,000	5,794,200
Shares issued on exercise of options	70,625	2,078,483
Share based payments	-	270,000
Share issue costs	(960,866)	(430,896)
Option issue costs	(391,800)	(51,283)
Balance at end	33,842,771	20,828,812
Movement in share issued	No. of shares	No. of shares
Share capital at 30 June 2022	395,704,936	344,308,326
Shares issued under placement	50,275,863	39,150,000
Shares issued on exercise of options	400,000	10,746,610
Share based payments	-	1,500,000
Share capital at 31 December 2022	446,380,799	395,704,936
	A\$	A\$
Unlisted options – 47,786,723 (30 June 2022: 22,379,623)	2,250,293	1,550,811
Movement in options reserve		
Balance at beginning	1,550,811	832,467
Options issued under placement	391,800	51,283
Options issued under share-based payment	319,782	1,166,052
Options exercised	(12,100)	(498,991)
Balance at end	2,250,293	1,550,811
Movement in Options issued	No. of options	No. of options
Options on issued at beginning	22,936,723	13,833,333
Options issued under Placement	6,000,000	1,000,000
Share based payments	19,250,000	18,850,000
Options exercised	(400,000)	(10,746,610)
Options on issued at end	47,786,723	22,936,723

All shares have equal voting rights and will share equally in dividends and surplus on winding up.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (continued)

3. Reconciliation of operating cash flow & net income

	6 months ended 31/12/2022 A\$	6 months ended 31/12/2021 A\$
Net loss attributable to members of parent entity	(1,794,315)	(820,735)
Add non-cash items:		
Depreciation expenses	37,889	32,818
Fair value recognition of share based payments	319,782	1,041,875
Revaluation of financial assets	53,117	(1,479,264)
Exploration expenditure written off	-	122,229
Changes in assets and liabilities:		
(Increase)/decrease in receivables and other assets	(37,545)	(50,735)
(Decrease)/increase in trade and other payables	(362,063)	(47,510)
Foreign exchange revaluations	4,159	-
Net cash used in operating activities	<u>(1,778,976)</u>	<u>(1,201,322)</u>

4. Commitments

Expenditure requirements for tenements

The Parent entity had no expenditure requirements for tenements as at 31 December 2022 (2021:\$Nil).

5. Controlled entities

Interests in subsidiaries

Name of Entity	Equity Held		Country of Incorporation
	2022	2021	
Broken Hill Uranium Pty Ltd	100%	100%	Australia
Broken Hill Chemical Pty Ltd	100%	100%	Australia
Broken Hill Minerals Pty Ltd	100%	100%	Australia
Murray Basin Minerals Pty Ltd	100%	100%	Australia
Wyoming Rare Pty Ltd	100%	100%	Australia
Western Rare Earth LLC	100%	100%	United States
La Paz Rare Earth LLC	100%	100%	United States
Wyoming Rare (USA) Inc	100%	100%	United States

All Australian subsidiaries of the Company have June balance dates and the United States subsidiaries have December balance dates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2022 (continued)

6. *Property, plant and equipment*

	31/12/2022	30/06/2022
	A\$	A\$
Computer and office equipment		
Balance at beginning of period	36,115	11,380
Additions	12,584	30,431
Depreciation	(1,622)	(5,696)
Balance at end of period	<u>47,077</u>	<u>36,115</u>

7. *Right-of-use assets*

Right-of-use asset: office lease		
Balance at beginning of period	171,353	47,076
Additions	-	186,931
Depreciation	(31,155)	(62,654)
Balance at end of period	<u>140,198</u>	<u>171,353</u>

8. *Exploration and evaluation assets*

Balance at beginning of period	4,897,590	1,922,022
Exploration & evaluation expenses	2,890,104	3,124,190
Exchange difference	(81,555)	(148,622)
Balance at end of period	<u>7,706,139</u>	<u>4,897,590</u>

9. *Financial assets*

Shares in listed entity at fair value	2,552,000	2,480,000
5-year promissory note at fair value	2,881,048	2,774,165
	<u>5,433,048</u>	<u>5,254,165</u>

10. *Contingent liabilities*

There were no contingent liabilities at 31 December 2022 (31 December 2021: \$nil).

11. *Seasonality of operations*

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (continued)

12. Related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Amount paid to director related entities for director and consulting fees were, for the Company and the Group:

	6 months ended 31/12/2022 A\$	6 months ended 31/12/2021 A\$
Directors' fees	96,692	112,982
Shares issued:		
C Gibbs – 2 million shares @\$0.148	296,000	-
Share based payment:		
C Gibbs – 1.5 million shares @\$0.18	-	270,000
Options issued*:		
C O'Connor – 3 million options @\$0.10	-	306,231
G Hill – 2 million options @\$0.20	-	116,411
D Geldard – 2 million options @\$0.20	-	116,411
K Middleton – 2 million options @\$0.20	-	116,411
C McAllister – 2 million options @\$0.20	-	116,411
R Hudson – 2 million options @\$0.40	139,876	-
C Gibbs – 5 million options @\$0.40	20,357	-
C Gibbs – 5 million options @\$0.47	6,526	-
* Director options issued following vote of shareholders at 8 November 2022 Annual General Meeting. Black-Scholes option pricing model used to determine fair value as per AASB 2.		
Salary and oncosts:		
C Gibbs	174,975	-
Consulting fees:		
Middleton Nominees Pty Ltd – an entity related to K Middleton	-	242,374
	734,426	1,397,231

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (continued)

13. 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 half year to 31 December 2022, CODM has identified the Company as having two reportable segments, being the geographic location of assets in the United States and Australia.

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

	USA A\$	Australia A\$	Total A\$
Consolidated 6 Months Ended December 2022			
Other revenue			
Interest income	106	115,045	115,151
Other income	19,918	16,520	36,438
Revaluation of financial assets	-	(53,117)	(53,117)
	<u>20,024</u>	<u>78,448</u>	<u>98,472</u>
Expenses			
General operating expenses	(587,919)	(1,299,632)	(1,887,551)
Interest expenses	-	(5,236)	(5,236)
Loss before income tax	<u>(567,895)</u>	<u>(1,226,420)</u>	<u>(1,794,315)</u>
Consolidated 6 Months Ended December 2021			
Other revenue			
Interest income	11	-	11
Other income	-	22,535	22,535
Revaluation of financial assets	-	1,479,264	1,479,264
	<u>11</u>	<u>1,501,799</u>	<u>1,501,810</u>
Expenses			
General operating expenses	(273,469)	(2,040,303)	(2,313,772)
Interest expenses	-	(8,773)	(8,773)
Loss before income tax	<u>(273,458)</u>	<u>(547,277)</u>	<u>(820,735)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (continued)

13. Segment information – continued

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

	USA A\$	Australia A\$	Total A\$
Consolidated December 2022			
Current assets	932,913	14,811,548	15,744,461
Non-current assets	7,782,321	5,779,673	13,561,994
Total assets	<u>8,715,234</u>	<u>20,591,221</u>	<u>29,306,455</u>
Current liabilities	983,182	357,240	1,340,422
Non-current liabilities	-	85,092	85,092
Total liabilities	<u>983,182</u>	<u>442,332</u>	<u>1,425,514</u>
Net segment assets	<u>7,732,052</u>	<u>20,148,889</u>	<u>27,880,941</u>
Consolidated June 2022			
Current assets	203,495	6,294,627	6,498,122
Non-current assets	4,960,520	5,468,430	10,428,950
Total assets	<u>5,164,015</u>	<u>11,763,057</u>	<u>16,927,072</u>
Current liabilities	272,182	537,640	809,822
Non-current liabilities	-	116,155	116,155
Total liabilities	<u>272,182</u>	<u>653,795</u>	<u>925,977</u>
Net segment assets	<u>4,891,833</u>	<u>11,109,262</u>	<u>16,001,095</u>

14. Going concern

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

The Group had a net loss of \$1,794,315 and had net operating cash outflows of \$1,778,976 for the 6 months ending 31 December 2022. As of 31 December 2022, the Group has cash and cash equivalents of \$15,548,336, net assets of \$27,880,941 of which \$5,433,048 were financial assets. This places the group in a strong financial position to fund major exploration and evaluation expenses into the next financial year and to meet financial obligations beyond 12 months from the date of this report.

15. Subsequent Events

In January 2023 the Company was pleased to announce that it redomiciled from New Zealand to Australia.

Ms. Melissa (Mel) Sanderson took on the role as President of American Operations, recently vacated by Mr Marty Weems.

Mr Noel Whitcher, the Company's CFO and Company Secretary resigned from his positions, to take up a new role in the resources industry. Mr Whitcher's resignation was effective 31 January 2023.

Mr Mark Terry was appointed as interim CFO, bringing with him 25+ years' experience in the resource industry primarily in senior finance and commercial roles.

Mr Wayne Kernaghan continues as Company Secretary.

DIRECTORS' STATEMENT

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the half yearly report to 31 December 2022 are in accordance with the Corporations Act 2001, including:
 - (a) comply with Accounting Standard AASB 134, Interim Financial Reporting, and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2022 and its performance and cash flows for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed for and on behalf of the Board of Directors.



Creagh O'Connor

Chairman



Chris Gibbs

Managing Director

Date: 3rd March 2023

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