



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**RAREX LIMITED
(FORMERLY SAGON RESOURCES LIMITED)
ABN: 65 105 578 756
AND CONTROLLED ENTITIES**

**FINANCIAL STATEMENTS
FOR HALF YEAR ENDED
31 DECEMBER 2019**

RAREX LIMITED AND CONTROLLED ENTITIES



CORPORATE DIRECTORY

DIRECTORS

Mr John Young
Non-Executive Chairman

Mr Jeremy Robinson
Executive Director

Mr Shaun Hardcastle
Non-Executive Director

COMPANY SECRETARY

Ms Oonagh Malone

PRINCIPAL PLACE OF BUSINESS

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AUDITOR

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DIRECTORS' REPORT

The Board of Directors have pleasure in presenting its report on the consolidated entity for the half year ended 31 December 2019.

1. DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr John Young	(appointed 18 February 2020)
Mr Jeremy Robinson	(appointed 27 September 2019)
Mr Shaun Hardcastle	
Mr Scott Patrizi	(resigned 18 February 2020)
Mr David Scoggin	(resigned 23 August 2019)

2. PRINCIPAL ACTIVITIES

The principal activities of the Group are mineral exploration and development. No significant change in the nature of these activities occurred during the half year.

3. REVIEW OF OPERATIONS

During the half year, the Company:

- undertook a consolidation of capital on the basis of 1 share for every 25 shares held;
- acquired 100% of the Cummins Range Rare Earths Project;
- completed two capital raisings which raised a total of \$2.42m before costs;
- commenced exploration activities at Cummins Range Rare Earths Project which comprised of an extensive passive seismic survey;
- changed its name to RareX Limited and its ASX code to REE;
- appointed Mr Gavin Beer as lead consultant metallurgist and Mr Guy Moulang as head of exploration; and
- acquired the Weld North Project.

4. FINANCIAL RESULTS

The loss of the Company for the period ending 31 December 2019 was \$8,115,869 (Six months to 31 December 2018: loss of \$1,206,211). During the half year, total expenses amounted to \$8,128,232 (Six months to 31 December 2018: \$1,351,011). The total expenses includes an expense for acquisition costs of the Company's Cummins Range Rare Earths Project of \$6,095,382 which the Directors have elected to charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Unrestricted cash and cash equivalents amounted to \$1,985,352 as at 31 December 2019 (30 June 2019: \$427,318).

5. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There are no matters or circumstances which have arisen since the end of the half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than:

- The Company announced on 31st January 2020 it has reached an agreement with TSX Venture Exchange ("TSXV") listed company Kincora Copper Limited ("Kincora Copper") for the partial sale of its NSW Copper Gold tenements. RareX Ltd has entered a binding Memorandum of Understanding ("MoU") with Kincora Copper whereby Kincora Copper has paid a non-refundable option payment of C\$25,000 (A\$27,650) to RareX Ltd for 6-week exclusive option period ("Exclusivity Period").

Upon exercise of the option by Kincora Copper, it must pay RareX Ltd an additional C\$150,000 and issue RareX Ltd 14.95 million shares in Kincora Copper at a deemed issue price of C\$0.065 each equating to C\$971,750. The shares will be subject to a 12-month voluntary escrow period, subject to standard exceptions.



DIRECTORS' REPORT (continued)

Upon exercise of the option by Kincora Copper, RareX Ltd will transfer a 65% interest in its NSW tenements and RareX Ltd will retain a 35% free carried interest until such time as positive scoping study or preliminary economic assessment is delivered following which industry standard JV dilution mechanisms will apply.

- On 12th March 2020, the Company announced that Kincora Copper had exercised the option with respect to the NSW Copper Gold tenements.
- On 18th February 2020, Mr John Young was appointed as Non-Executive Chairman of the Company and Mr Scott Patrizi resigned as Non-Executive Director.
- The Company secured a landmark strategic partnership with Talaxis Limited ("Talaxis") a wholly-owned subsidiary of Noble Group Holdings Limited. Talaxis will assist the Company with securing offtake, financial partners and strategic investors to develop the Cummins Range Rare Earths Project.

6. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2019.

This report is made in accordance with a resolution of the Directors.

On behalf of the Directors.

Jeremy Robinson
Executive Director

Signed this 13th day of March 2020.

**Auditor's Independence Declaration Under Section 307C of The Corporations Act
2001 to The Directors of RareX Limited**

I declare that, to the best of my knowledge and belief, during the half-year end 31 December 2019 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.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

Richard Gregson CA

Director

Level 3, 1 Preston Street, COMO WA 6152

Dated this 13th day of March 2020.

RAREX LIMITED AND CONTROLLED ENTITIES



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Consolidated	
		6 months ended 31 December 2019	6 months ended 31 December 2018
	Notes	\$	\$
Income			
Other income	3	12,363	97,854
Sale of tenements	4	-	591,479
Loss on revaluation of financial assets		-	(544,533)
Total Income		12,363	144,800
Expenses			
Administration expenses		(259,679)	(155,089)
Consultants & management expenses		(122,154)	(148,277)
Depreciation, amortisation and impairment expense	5	-	(2,090)
Legal expenses		(33,689)	(209,648)
Share based payments expense	17	(1,294,328)	(568,993)
Exploration expenses		(324,261)	(266,914)
Acquisition of tenements	6	(6,095,382)	-
Foreign exchange gain		1,455	-
Impairment		(194)	-
Total expenses		(8,128,232)	(1,351,011)
Loss from continuing operations before income tax expense		(8,115,869)	(1,206,211)
Income tax expense		-	-
Loss from continuing operations after income tax expense		(8,115,869)	(1,206,211)
Other comprehensive income			
Exchange rate differences on translating foreign operations		(1,887)	(1,085)
Total comprehensive loss attributable to owners of the parent		(8,117,756)	(1,207,296)
Loss per share			
- basic and diluted		(3.5729) cents	(0.9000) cents

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes

RAREX LIMITED AND CONTROLLED ENTITIES



CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Consolidated 31 December 2019	30 June 2019
	Notes	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,985,352	427,318
Trade and other receivables		160,755	283,140
Financial assets at fair value through profit or loss	11	-	307,737
Total Current Assets		2,146,107	1,018,195
Non-current Assets			
Exploration & evaluation assets	9	1,656,046	505,032
Total Non-current Assets		1,656,046	505,032
TOTAL ASSETS		3,802,153	1,523,227
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,303,972	165,869
Provisions (current)		7,074	-
Total Current Liabilities		1,311,046	165,869
TOTAL LIABILITIES		1,311,046	165,869
NET ASSETS		2,491,107	1,357,358
EQUITY			
Contributed equity	13	27,615,453	20,405,948
Reserves	14	4,416,473	2,376,360
Accumulated losses		(29,540,819)	(21,424,950)
TOTAL EQUITY		2,491,107	1,357,358

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.



RAREX LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED	Notes	Ordinary Shares	Options Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)	Total Equity
		\$	\$	\$	\$	\$	\$
At 1 July 2019		20,405,948	2,294,087	83,840	(1,567)	(21,424,950)	1,357,358
Currency translation differences					(1,887)		(1,887)
Total comprehensive income for the period, net of tax						(8,115,869)	(8,115,869)
Transactions with owners in their capacity as owners							
Share issues	13	7,379,122					7,379,122
Transaction costs	13	(169,617)					(169,617)
Share based payments	17		2,042,000				2,042,000
At 31 December 2019		27,615,453	4,336,087	83,840	(3,454)	(29,540,819)	2,491,107
At 1 July 2018		19,455,681	2,279,087	-	-	(19,215,941)	2,518,827
Currency translation differences		-	-	-	(1,085)	-	(1,085)
Total comprehensive income for the period, net of tax		-	-	-		(1,206,211)	(1,206,211)
Transactions with owners in their capacity as owners							
Share issues	13	1,010,003	-	-	-	-	1,010,003
Transaction costs	13	(59,739)	-	-	-	-	(59,739)
Share based payments	17	-	152,500	416,493	-	-	568,993
At 31 December 2018		20,405,945	2,431,587	416,493	(1,085)	(20,422,152)	2,830,788

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Consolidated	
		6 months to	6 months to
		31 December	31 December
		2019	2018
	Notes	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		(660,265)	(693,924)
Interest received		1,704	1,647
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(658,561)	(692,277)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for capitalised exploration expenditure		-	(49,587)
Payments to acquire tenements		(525,000)	(247,084)
Proceeds from disposal of tenements		-	208,200
Proceeds from disposal of investments		490,255	-
Proceeds from disposal of royalty		-	100,000
Cash acquired on acquisition of subsidiary		339	-
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(34,406)	11,529
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		2,420,000	750,003
Proceeds from issue of share options		610	-
Costs of share issue		(169,617)	(59,739)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,250,993	690,264
NET DECREASE IN CASH AND CASH EQUIVALENTS		1,558,026	9,516
Cash and cash equivalents at beginning of period		427,318	470,269
Effect of movement in exchange rate		8	258
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	1,985,352	480,043

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019****1. CORPORATE INFORMATION**

The consolidated financial report of RareX Limited ("the Company") for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 13th March 2020.

RareX Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The principal activities during the year of the entities within the consolidated entity were mineral exploration and development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, and should be read in conjunction with the annual Financial Report of RareX Limited for the year ended 30 June 2019.

It is also recommended that the half year financial report be considered together with any public announcements made by RareX Limited and its controlled entities ('the Group') during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half year consolidated financial report has been prepared in accordance with AASB 134 "Interim Financial Reporting". The half year financial report has been prepared on a historical cost basis, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

This report presents financials for the six month period to 31 December 2019, with comparatives for the six month period to 31 December 2018.

Going concern

As at 31 December 2019, the Group had working capital of \$842,135 (30 June 2019: \$852,326) and returned a loss attributable to owners of \$8,115,869 (31 December 2018: \$1,206,211). The loss for the half year to 31 December 2019 included an expense for acquisition costs of the Cummins Range Rare Earths Project of \$6,095,382 (31 December 2018: nil) which the Directors have elected to charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The ability of the Group to continue as a going concern is dependent upon the future successful raising of the necessary funding through disposal of assets, equity and/or debt and the successful exploitation of the Group's tenements.

The Directors believe it is appropriate to prepare the Financial Statements on a going concern basis because the Directors have appropriate plans to raise additional funds if required.

These Financial Statements have been prepared on the basis that the Group can meet its commitments as and when they fall due and can therefore continue normal business activities and the realisation of its assets and settlement of its liabilities can occur in the ordinary course of business.

In the event the Group is not able to achieve the above requirements, there is uncertainty whether the Group will continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in its financial report.

(b) Changes in accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

The Group has adopted all mandatory new and amended standards and interpretations applicable for the current period. The adoption of these standards and interpretations had no material impact on these financial statements or on the financial position or performance of the Group.



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective. Certain amounts in the comparative financial statements have been reclassified to conform to the current period presentation.

(c) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of RareX Limited and its controlled subsidiary.

(d) Exploration and Evaluation Expenditure Assets

Exploration and evaluation costs are accumulated and accounted for separately on an area of interest basis. An area of interest is represented by an exploration project, which may include multiple tenements within a single geographic region.

For each area of interest, the Company makes an election regarding its treatment of exploration and evaluation expenditure (including the costs of tenement acquisitions) and whether it will be charged to the income statement as incurred, under the expense category "exploration expenditure" (or other appropriate expense category), or capitalised as an exploration and evaluation asset, or a combination thereof.

An exploration and evaluation asset can only be recognised in relation to an area of interest if the following conditions are satisfied:

- a) the rights to tenure of the area of interest are current; and
- b) at least one of the following conditions is also met:
 - i. the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - ii. exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration and evaluation expenditures are recorded as an exploration asset at cost less impairment charges. All capitalised exploration and evaluation expenditure are monitored for indicators of impairment. Where an impairment indicator is identified, an assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

(e) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment – general

The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Where impairment has been triggered, assets are written down to their recoverable amounts.

(ii) Options and Share Based Payments value

The options and share based payments issued by the Group during the half year (refer Note 17) have been valued by the Directors using the Black-Scholes option pricing model based on the inputs shown at Note 17.

(iii) Tenement acquisition costs

The Directors have elected to expense certain tenement acquisition costs in relation to the Cummins Range Rare Earths Project as disclosed in Note 6.



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) New Standards and Interpretations

In the half year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods commencing on or after 1 July 2019. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to accounting policies.

The adoption of AASB 16 Leases from 1 July 2019 has not affected balances of the Group because the Group does not have any leases. Future effects of the implementation of this standard will depend on details in future agreements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group.

3. OTHER INCOME

	Consolidated	
	6 months ended 31 December 2019 \$	6 months ended 31 December 2018 \$
Interest received	5,582	2,558
Proceeds from sale of royalty	-	100,000
Gain/(loss) on sale of investments	6,900	(4,704)
Foreign exchange loss	(119)	-
	12,363	97,854

4. SALE OF TENEMENTS

During the half year ended 31 December 2019, there were no tenements sold.

During the half year ended 31 December 2018, Pacton Gold Inc ("Pacton") acquired a 70% equity interest in the Company's Hong Kong Project in the Pilbara (Exploration Licence E47/3566).

	\$
Cash consideration	208,200
Fair value of Pacton shares received as consideration	1,561,687
Total Consideration	1,769,887
Less: carrying value of 70% interest in Hong Kong Project	1,178,408
Gain on sale of tenement	591,479

5. EXPENSES

	Consolidated	
	6 months ended 31 December 2019 \$	6 months ended 31 December 2018 \$
Depreciation of plant & equipment	-	2,090
	-	2,090


**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**
6. ACQUISITION OF TENEMENTS

During the period, the Directors elected to expense the following costs in relation to the acquisition of the Cummins Range Rare Earths Project to the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	Consolidated	
	6 months ended 31 December 2019	6 months ended 31 December 2018
	\$	\$
Option fee	50,000	-
Upfront consideration – cash	500,000	-
Upfront consideration – fair value of Rarex Ltd shares issued	813,634	-
Exploration asset - Cummins Range Pty Ltd (Note 10)	4,731,748	-
	6,095,382	-

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Cash at bank	1,985,352	427,318
	1,985,352	427,318

8. FINANCIAL ASSETS

For all financial instruments held as at 31 December 2019, the carrying value approximates fair value.



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

9. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Cummins Range Rare Earths Project		
Opening balance	-	-
Tenement acquisition costs (refer Table 9.1)	2,363,634	-
Exploration asset - Cummins Range Pty Ltd (Note 10)	4,731,748	-
Stamp duty on acquisition of tenement	151,014	-
Less: Acquisition costs expensed (Note 6)	(6,095,382)	-
Closing balance	1,151,014	-
Hong Kong Gold Project		
Opening balance	505,032	1,683,440
Tenement acquisition costs	-	-
Stamp duty on acquisition of tenement	-	-
Less: Disposal of 70% interest	-	(1,178,408)
Closing balance	505,032	505,032
Moroccan Cobalt Project		
Opening balance	-	-
Capitalised exploration costs	-	50,251
Less: Impairment	-	(50,251)
Closing balance	-	-
	1,656,046	505,032

During the period, Cummins Range Pty Ltd acquired the Cummins Range Rare Earths Project from Element 25 Ltd. The consideration for the acquisition of the project in accordance with the agreement between Cummins Range Pty Ltd and Element 25 Ltd is as follows:

- non-refundable option fee of \$50,000;
- upfront consideration of \$500,000 cash and \$500,000 settled in shares in RareX Ltd being 13,338,261 shares at a deemed price of \$0.0375 per shares. As the share price at the date of issue of these shares was \$0.061 per share, for accounting purposes these 13,338,261 shares have a fair value of \$813,634;
- deferred consideration to be settled on or before 27 September 2020 consisting of \$500,000 in cash and a further \$500,000 to be settled in cash or shares in RareX Ltd at the election of Rarex Ltd; and
- subject to a positive bankable feasibility study (BFS) being achieved within 36 months from settlement, further deferred consideration of \$1,000,000 is payable to Element 25 Ltd and is to be settled in cash or shares in RareX Ltd at the election of RareX Ltd. As this further deferred consideration is subject to a positive BFS, it has not being included in the tenement acquisition costs, however, has been disclosed as a contingent liability in Note 15(d).



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

9. EXPLORATION AND EVALUATION ASSETS (continued)

The fair value of the tenement acquisition costs paid or payable to Element 25 Ltd for the Cummins Range Rare Earths Project brought to account is as follows:

Table 9.1	\$
Option fee paid in cash	50,000
Cash consideration paid	500,000
Fair value of 13,338,261 shares in RareX Ltd	813,634
Deferred consideration to be settled in September 2020	1,000,000
Fair value of tenement acquisition costs paid or payable to Element 25 Ltd	2,363,634

10. ACQUISITION OF SUBSIDIARY

During September 2019, the Company completed the acquisition of 100% of the issued share capital of Cummins Range Pty Ltd which holds the tenements for the Cummins Range Rare Earths Project.

The consideration for the acquisition of Cummins Range Pty Ltd was as follows:

- non-refundable deposit of \$25,000;
- 60,000,000 shares in RareX Ltd issued to the shareholders of Cummins Range Pty Ltd or their nominees with a fair value of \$3,660,000; and
- 25,000,000 options in RareX Ltd with an exercise price of \$0.025 and an expiry date of 27/9/21 with a fair value of \$1,097,250.

	\$
Cash deposit	25,000
Fair value of 60,000,000 shares in RareX Ltd	3,660,000
Fair value of 25,000,000 options in RareX Ltd	1,097,250
Total consideration paid	4,782,250

The assets and liabilities recognised as a result of the acquisition of Cummins Range Pty Ltd are as follows:

	\$
Cash	339
Other receivables	5,626
Exploration and evaluation assets	50,000
Trade and other payables	(5,463)
Net identifiable assets acquired	50,502
Add: Exploration asset	4,731,748
Net assets acquired	4,782,250
Total consideration paid	4,782,250

The acquisition of Cummins Range Pty Ltd has been accounted for as an acquisition of an asset on the basis that it does not constitute a business as defined by *AASB 3 Business Combinations*.



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

11. FINANCIAL ASSETS AT FAIR VALUE

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Financial assets at fair value through profit or loss		
Current		
Shares in listed corporations, at fair value		
- Cadence Minerals PLC (nil shares; 30 June 2019: 7,000,000 shares)	-	13,911
- Pacton Gold Inc (nil shares; 30 June 2019: 1,687,113 shares)	-	293,826
	-	307,737
Non-Current		
Investment in Atlas Managem Sarl (20% interest)	507,084	507,084
Less: Impairment	(507,084)	(507,084)
	-	-

12. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Trade and other payables	152,958	165,869
Deferred consideration for Cummins Range Rare Earths Project	1,000,000	-
Stamp duty accrued on Cummins Range acquisition	151,014	-
	1,303,972	165,869



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

13. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Ordinary shares	27,615,453	20,405,948
	27,615,453	20,405,948

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movement in ordinary shares on issue	6 months ended 31 December 2019		12 months ended 30 June 2019	
	Number of shares	\$	Number of shares	\$
As at beginning of period:	3,504,387,675	20,405,948	3,124,385,675	19,455,681
Conversion of performance rights	15,500,000	-	-	-
Consolidation of capital	(3,379,092,015)	-	-	-
Shares issued	60,000,000	⁽²⁾ 3,660,000	1,000	3
Shares issued	68,823,540	1,170,000	250,000,000	750,000
Shares issued	2,329,412	⁽³⁾ 142,094	130,000,000	⁽¹⁾ 260,000
Shares issued	5,629,412	⁽⁴⁾ 343,394	1,000	3
Shares issued	13,338,261	⁽⁵⁾ 813,634	-	-
Shares issued	20,833,334	1,250,000	-	-
Less: Transaction costs	-	(169,617)	-	(59,739)
As at end of the period:	311,749,619	27,615,453	3,504,387,675	20,405,948

- (1) Fair value of shares issued 24 October 2018 for part consideration in relation to the Moroccan licences.
(2) Fair value of shares issued 27 September 2019 for part consideration for acquisition of Cummins Range Pty Ltd.
(3) Fair value of shares issued 27 September 2019 for settlement of unpaid director fees.
(4) Fair value of shares issued 27 September 2019 for settlement of unpaid service provider invoices.
(5) Fair value of shares issued 27 September 2019 for part consideration for acquisition of Cummins Range Rare Earths Project.

14. RESERVES

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Options reserve	4,336,087	2,294,087
Share-based payment reserve	83,840	83,840
Foreign currency translation reserve	(3,454)	(1,567)
	4,416,473	2,376,360



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

15. COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below:

(a) Exploration Expenditure Commitments

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Estimated commitments for which no provisions were included in the financial statements are as follows:		
Payable		
- not later than one year		
NSW tenements	711,000	591,000
Other tenements	27,793	2,826
	738,793	593,826
- later than one year and not later than five years		
NSW tenements	1,047,000	397,000
Other tenements	111,171	11,305
	1,158,171	408,305
	1,896,964	1,002,131

The Company is currently in the process of divesting its tenements in New South Wales after which it will have a 35% free carried interest in the NSW tenements. Accordingly, following settlement of the transaction, the Company will not be responsible for the expenditure commitments in relation to the NSW tenements referred to in the above table.

(b) Operating Lease Commitments

The Company has no operating lease commitments.

(c) Contractual Commitments

The Company entered an agreement to acquire up to 100% of three cobalt licences in Morocco.

As at the balance date, the Company had acquired a 20% interest in these cobalt licences via the completion of the first stage of the acquisition by acquiring an initial 20% interest in Atlas Managem S.A.R.L, which holds three Moroccan licences. The Board is currently reviewing its strategy and options for the Morocco Cobalt Project and at this point, has elected not to progress with Stage 2 of the acquisition of Atlas Managem.

The remaining stages of the acquisition, which at this time the Directors have elected not to proceed with, are as follows:

("Stage 2"): payment of US\$200,000 and issue of 120 million fully paid ordinary shares in the Company within 6 months and 5 days from the completion of Stage 1, in consideration for a further 20% interest;
 ("Stage 3"): payment of US\$200,000 and issue of 120 million fully paid ordinary shares in the Company within 6 months and 5 days from the completion of Stage 2, in consideration for a further 20% interest;
 ("Stage 4"): payment of US\$200,000 and issue of 120 million fully paid ordinary shares in the Company within 6 months and 5 days from the completion of Stage 3, in consideration for a further 20% interest; and
 ("Stage 5"): payment of US\$200,000 and issue of 120 million fully paid ordinary shares in the Company within 6 months and 5 days from the completion of Stage 4, in consideration for a further 20% interest, such that the Company (or a subsidiary of the Company) will have acquired or been issued a 100% interest at the completion of Stage 5.



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

15. COMMITMENTS AND CONTINGENCIES (continued)

(d) Contingent liabilities

Subject to a positive bankable feasibility study (BFS) being achieved within 36 months from settlement of the acquisition of the Cummins Range Rare Earths Project by the Company, further deferred consideration of \$1,000,000 is payable to Element 25 Ltd which is to be settled in cash or shares in RareX Ltd at the election of RareX Ltd. As this further deferred consideration is subject to a positive BFS, it is disclosed as a contingent liability and has not been brought to account as a liability in the financial statements as at 31 December 2019.

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

16. SEGMENT REPORTING

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified by the Group as the Board of directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

At 31 December 2019 the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	\$	\$	\$	\$	\$	\$
Rare Earths (Western Australia)	(1,576,926)	-	1,168,758	-	(1,233,477)	-
Gold (Western Australia)	-	160,152	505,032	505,032	-	-
Cobalt/Nickel (Austria)	-	-	-	-	-	-
Cobalt (Morocco)	(14,110)	(232,734)	620	627,397	(2,101)	(147,434)
Copper/Gold (New South Wales)	(21,397)	(12,475)	-	-	-	-
Corporate	(6,503,436)	(1,121,154)	2,127,743	1,918,745	(75,468)	(72,952)
	(8,115,869)	(1,206,211)	3,802,153	3,051,174	(1,311,046)	(220,386)

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. SHARE BASED PAYMENTS

During the half year ended 31 December 2019, the following share based payments were made. The options have been valued by the Directors using the Black-Scholes option pricing model based on the following:

	Cummins Range Consideration Options	Employee Options #1	Employee Options #2	Employee Options #3	Consultant Options #1	Director Options #1
Underlying value of the security	\$0.061	\$0.061	\$0.061	\$0.061	\$0.055	\$0.044
Exercise price	\$0.025	\$0.025	\$0.025	\$0.025	\$0.085	\$0.0607
Valuation date	27/09/2019	27/09/2019	27/09/2019	27/09/2019	11/10/2019	12/12/2019
Expiry date	27/09/2021	27/09/2022	27/09/2022	27/09/2022	11/10/2022	12/12/2022
Life of Options in years	2	3	3	3	3	3
Volatility	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Risk free rate	0.70%	0.70%	0.70%	0.70%	0.68%	0.70%
Probability of vesting ¹	N/a	54.50%	38.70%	30.10%	N/a	31.70%
Number of Options	25,000,000	5,000,000	5,000,000	5,000,000	18,000,000	2,000,000
Valuation per Option	0.0439	0.0256	0.0182	0.0141	0.0292	0.0077
Valuation	1,097,500	128,000	91,000	70,500	525,600	15,400
Total consideration paid by option holders	250	50	50	50	180	-
Valuation less consideration paid	1,097,250	127,950	90,950	70,450	525,420	15,400

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. SHARE BASED PAYMENTS (continued)

	Director Options #2	Director Options #3	Employee Options #4	Employee Options #5	Employee Options #6	Consultant Options #2
Underlying value of the security	\$0.044	\$0.044	\$0.044	\$0.044	\$0.044	\$0.046
Exercise price	\$0.0607	\$0.0607	\$0.0607	\$0.0607	\$0.0607	\$0.085
Valuation date	12/12/2019	12/12/2019	12/12/2019	12/12/2019	12/12/2019	20/12/2019
Expiry date	12/12/2022	12/12/2022	12/12/2022	12/12/2022	12/12/2022	11/10/2022
Life of Options in years	3	3	3	3	3	2.8
Volatility	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Risk free rate	0.70%	0.70%	0.70%	0.70%	0.70%	0.85%
Probability of vesting ¹	23.90%	19.10%	31.70%	23.90%	19.10%	N/a
Number of Options	2,000,000	2,000,000	1,500,000	1,500,000	1,500,000	3,000,000
Valuation per Option	0.0058	0.0047	0.0077	0.0058	0.0047	0.0219
Valuation	11,600	9,400	11,550	8,700	7,050	65,700
Total consideration paid by option holder	-	-	-	-	-	30
Valuation less consideration paid	11,600	9,400	11,550	8,700	7,050	65,670

¹ The probability of vesting in relation to share price vesting conditions is calculated using a probability calculation model and the volatility of the share price.

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. SHARE BASED PAYMENTS (continued)

Share based payments expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2019 consists of the above options as follows:

	\$
Shares	
Fair value adjustment for shares issued to directors and management personnel to settle unpaid fees	145,200
Fair value adjustment for shares issued to service providers to settle unpaid invoices	204,988
Sub-Total Shares	350,188
Options	
Employee Options #1	127,950
Employee Options #2	90,950
Employee Options #3	70,450
Consultant Options #1	525,420
Director Options #1	15,400
Director Options #2	11,600
Director Options #3	9,400
Employee Options #4	11,550
Employee Options #5	8,700
Employee Options #6	7,050
Consultant Options #2	65,670
Sub-Total Options	944,140
Total Share Based Payments Expense	1,294,328

The movement in the option reserve for the half year ended 31 December 2019 is as follows:

	\$
Consideration options	
Valuation excluding consideration paid	1,097,250
Consideration paid	250
	1,097,500
Other options	
Share based payment expense (options)	944,140
Consideration paid	360
	944,500
Movement in option reserve	2,042,000

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

17. SHARE BASED PAYMENTS (continued)

During the half year ended 31 December 2018, the following share based payments were made. The options and performance rights have been valued by the Directors using the Black-Scholes option pricing model based on the following:

	Options	Consultant Options	Director Performance Rights			
			Tranche 1	Tranche 2	Tranche 3	Tranche 4
Underlying value of the security	\$0.003	\$0.002	\$0.002	\$0.002	\$0.002	\$0.002
Exercise price	\$0.004	\$0.005	Not applicable	Not applicable	Not applicable	Not applicable
Valuation date	20/8/18	24/10/18	31/10/18	31/10/18	31/10/18	31/10/18
Expiry date	9/5/19	24/10/20	3/8/19	20/8/21	20/8/21	20/8/21
Life of Options in years	0.7 years	2 years	0.75 years	2.8 years	2.8 years	2.8 years
Volatility	136.69%	190.13%	190.08%	190.08%	190.08%	190.08%
Risk free rate	2.02%	2.06%	2.02%	2.02%	2.02%	2.02%
Probability of vesting ¹	Not applicable	Not applicable	100%	30.6%	26.30%	23.40%
Number of Options	125,000,000	10,000,000	115,500,000	115,500,000	115,500,000	115,500,000
Valuation per Option	\$0.0011	\$0.0015	\$0.002	\$0.0006120	\$0.0005260	\$0.0004680
Valuation	\$137,500	\$15,000	\$231,000	\$70,686	\$60,753	\$54,054

¹ The probability of vesting in relation to share price vesting conditions is calculated using a probability calculation model and the volatility of the share price.

Share based payments expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2018 consists of the above options and performance rights as follows:

	\$
Options	
Options	\$137,500
Consultant Options	\$15,000
Sub-Total - Options	\$152,500
Director Performance Rights	
Tranche 1	\$231,000
Tranche 2	\$70,686
Tranche 3	\$60,753
Tranche 4	\$54,054
Sub-Total – Director Performance Rights	\$416,493
Total Share Based Payments Expense	\$568,993

**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019****18. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

There are no matters or circumstances which have arisen since the end of the half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than:

- The Company announced on 31st January 2020 it has reached an agreement with TSX Venture Exchange ("TSXV") listed company Kincora Copper Limited ("Kincora Copper") for the partial sale of its NSW Copper Gold tenements. RareX Ltd has entered a binding Memorandum of Understanding ("MoU") with Kincora Copper whereby Kincora Copper has paid a non-refundable option payment of C\$25,000 (A\$27,650) to RareX Ltd for 6-week exclusive option period ("Exclusivity Period").

Upon exercise of the option by Kincora Copper, it must pay RareX Ltd an additional C\$150,000 and issue RareX Ltd 14.95 million shares in Kincora Copper at a deemed issue price of C\$0.065 each equating to C\$971,750. The shares will be subject to a 12-month voluntary escrow period, subject to standard exceptions.

Upon exercise of the option by Kincora Copper, RareX Ltd will transfer a 65% interest in its NSW tenements and RareX Ltd will retain a 35% free carried interest until such time as positive scoping study or preliminary economic assessment is delivered following which industry standard JV dilution mechanisms will apply.

- On 12th March 2020, the Company announced that Kincora Copper had exercised the option with respect to the NSW Copper Gold tenements.
- On 18th February 2020, Mr John Young was appointed as Non-Executive Chairman of the Company and Mr Scott Patrizi resigned as Non-Executive Director.
- The Company secured a landmark strategic partnership with Talaxis Limited (Talaxis) a wholly-owned subsidiary of Noble Group Holdings Limited. Talaxis will assist the Company with securing offtake, financial partners and strategic investors to develop the Cummins Range Rare Earths Project.



DIRECTORS' DECLARATION

In the opinion of the Directors of RareX Limited:

1. The financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half year ended on that date of the Company.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Jeremy Robinson
Executive Director

Signed this 13th day of March 2020.

Independent Auditor's Review Report To the Members of RareX Limited

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of RareX Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2019 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*. As the auditor of RareX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RareX Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

- (i) giving a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
- (ii) and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

Without modifying our opinion, we draw attention to the following matter. As a result of the matters disclosed in Note 1a) "Going Concern" of the financial report, there are material uncertainties that cast significant doubt whether the group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The ability of the Group to continue as a going concern is dependent upon its ability to generate additional funding through further capital raising and or the successful exploration of its tenements.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

Richard Gregson CA

Director

Level 3, 1 Preston Street, COMO WA 6152

Dated this 13th day of March 2020.