



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**RAREX LIMITED
ABN: 65 105 578 756
AND CONTROLLED ENTITIES**

**FINANCIAL STATEMENTS
FOR HALF YEAR ENDED
31 DECEMBER 2020**

RAREX LIMITED AND CONTROLLED ENTITIES



CORPORATE DIRECTORY

DIRECTORS

Mr John Young
Non-Executive Chairman

Mr Jeremy Robinson
Managing Director

Mr Shaun Hardcastle
Non-Executive Director

Mr Cameron Henry
Non-Executive Director

COMPANY SECRETARY

Ms Oonagh Malone

PRINCIPAL PLACE OF BUSINESS

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AUDITOR

Walker Wayland WA Audit Pty Ltd
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DIRECTORS' REPORT

The Board of Directors have pleasure in presenting its interim consolidated report of RareX Limited (**RareX or the Company**) and its controlled entities (**the Group or consolidated entity**) for the half year ended 31 December 2020.

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
Mr Jeremy Robinson
Mr Shaun Hardcastle
Mr Cameron Henry

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:

- completed a 6,146m Reverse Circulation drilling program at the Cummins Range Rare Earths Project which returned spectacular wide, high-grade intercepts;
- completed a drilling program at Weld North Rare Earths Project;
- completed a share placement which raised \$3m before costs; and
- entered into an agreement with Talaxis Group Holdings to secure an option to acquire 24,779,658 shares in Canada Rare Earth Corp.

4. FINANCIAL RESULTS

The loss of the Company for the period ended 31 December 2020 was \$4,336,711 (Six months to 31 December 2019: loss of \$8,115,869). During the half year, total expenses amounted to \$4,391,657 (Six months to 31 December 2019: \$8,128,232). The total expenses includes an expense for acquisition costs of the Company's Cummins Range Rare Earths Project of \$1,164,936 (Six months to 31 December 2019: \$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 \$4,339,065 as at 31 December 2020 (30 June 2020: \$3,425,058).

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:

- On 4th February 2021, the Company announced it had entered into a non-binding Memorandum of Understanding ("MoU") with the leading global rare earths producer, Shenghe Resources Holdings Co. ("Shenghe"). The terms of the MoU provide a framework for Shenghe and RareX to establish an alliance via the formation of a jointly owned Rare Earths Trading Company to source rare earths concentrates globally (excluding from within China) for processing at Shenghe's existing and proposed refining assets within China and around the world.
- On 22nd February 2021, the Company announced it had secured a strategic \$2.75 million (before costs) investment by prominent resource investor Mr Simon Lee AO via a share placement comprising 25 million new fully-paid ordinary shares at A\$0.11 per share. The funds were received on 26th February 2021.



DIRECTORS' REPORT (continued)

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 2020.

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

On behalf of the Directors.

Jeremy Robinson
Managing Director

Signed this 16th day of March 2021.

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 2020 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



Richard Gregson CA
Director

Level 3, 1 Preston Street, COMO WA 6152

Dated this 16th day of March 2021

RAREX LIMITED AND CONTROLLED ENTITIES



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		Consolidated	
		6 months ended 31 December 2020	6 months ended 31 December 2019
	Notes	\$	\$
Income			
Other income	3	54,946	12,363
Total Income		54,946	12,363
Expenses			
Administration expenses		(303,269)	(259,679)
Consultants & management expenses		(166,891)	(122,154)
Depreciation, amortisation and impairment expense	4	(12,760)	-
Finance costs		(2,588)	-
Legal expenses		(24,805)	(33,689)
Share based payments expense	18	(900,405)	(1,294,328)
Exploration expenses		(1,322,747)	(324,261)
Acquisition of tenements	5	(1,164,936)	(6,095,382)
Foreign exchange (loss)/gain		(7,705)	1,455
Loss on revaluation of financial assets		(485,551)	-
Impairment		-	(194)
Total expenses		(4,391,657)	(8,128,232)
Loss from continuing operations before income tax expense		(4,336,711)	(8,115,869)
Income tax expense		-	-
Loss from continuing operations after income tax expense		(4,336,711)	(8,115,869)
Other comprehensive income			
Exchange rate differences on translating foreign operations		8,133	(1,887)
Total comprehensive loss attributable to owners of the parent		(4,328,578)	(8,117,756)
Loss per share			
- basic and diluted		(1.16) cents	(3.57) 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 2020

		Consolidated 31 December 2020	30 June 2020
	Notes	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	4,339,065	3,425,058
Trade and other receivables		194,562	152,116
Total Current Assets		4,533,627	3,577,174
Non-current Assets			
Exploration & evaluation assets	8	505,032	1,656,046
Financial assets at fair value	10	1,953,392	2,388,942
Plant and equipment		128,818	66,800
Right of use asset	11	89,884	-
Total Non-current Assets		2,677,126	4,111,788
TOTAL ASSETS		7,210,753	7,688,962
LIABILITIES			
Current Liabilities			
Trade and other payables	12	200,361	1,318,230
Provisions		39,695	20,550
Lease liability	13	19,723	-
Total Current Liabilities		259,779	1,338,780
Non-Current Liabilities			
Lease liability	13	70,831	-
Total Non-Current Liabilities		70,831	-
TOTAL LIABILITIES		330,610	1,338,780
NET ASSETS		6,880,143	6,350,182
EQUITY			
Contributed equity	14	33,589,732	29,605,193
Reserves	15	5,739,863	4,857,730
Accumulated losses		(32,449,452)	(28,112,741)
TOTAL EQUITY		6,880,143	6,350,182

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 2020

CONSOLIDATED	Notes	Ordinary Shares	Options Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	(Accumulated Losses)	Total Equity
		\$	\$	\$	\$	\$	\$
At 1 July 2020		29,605,193	4,775,912	83,840	(2,022)	(28,112,741)	6,350,182
Currency translation differences					8,133		8,133
Total comprehensive income for the period, net of tax						(4,336,711)	(4,336,711)
Transactions with owners in their capacity as owners							
Share issues	14	4,177,098					4,177,098
Transaction costs	14	(218,964)					(218,964)
Share based payments	18	26,405	874,000				900,405
At 31 December 2020		33,589,732	5,649,912	83,840	6,111	(32,449,452)	6,880,143
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	14	7,379,122					7,379,122
Transaction costs	14	(169,617)					(169,617)
Share based payments	18		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

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 2020

		Consolidated	
		6 months to 31 December 2020	6 months to 31 December 2019
	Notes	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,831,430)	(660,265)
Interest received		5,896	1,704
Interest paid		(2,588)	-
Other income		50,108	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,778,014)	(658,561)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(104,353)	-
Payments to acquire tenements		(582,468)	(525,000)
Payment to acquire option		(50,000)	-
Payment of tenement deposit		(10,000)	-
Proceeds from disposal of investments		-	490,255
Cash acquired on acquisition of subsidiary		-	339
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(746,821)	(34,406)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		3,670,150	2,420,000
Proceeds from issue of share options		-	610
Costs of share issue		(228,132)	(169,617)
Reduction in finance lease liabilities		(3,155)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,438,863	2,250,993
NET DECREASE IN CASH AND CASH EQUIVALENTS		914,028	1,558,026
Cash and cash equivalents at beginning of period		3,425,058	427,318
Effect of movement in exchange rate		(21)	8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	4,339,065	1,985,352

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 2020****1. CORPORATE INFORMATION**

The consolidated financial report of RareX Limited ("the Company") for the half year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 16th March 2021.

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 2020.

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 2020 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 2020, with comparatives for the six month period to 31 December 2019.

Going concern

As at 31 December 2020, the Group had working capital of \$4,333,266 (30 June 2020: \$2,258,944 and returned a loss attributable to owners of \$4,336,041 (31 December 2019: \$8,115,869). The loss for the half year to 31 December 2020 included an expense for acquisition costs of the Cummins Range Rare Earths Project of \$1,164,936 (31 December 2019: \$6,095,382) 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 as the Group has sufficient funds available to meet its committed and required expenditure over the following year.

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.

(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 2020.

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 2020**

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 subsidiaries.

(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) 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 consolidated entity 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 remeasurement 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

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

(f) 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 remeasured 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 remeasured, 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.

(g) 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 18) have been valued by the Directors using the Black-Scholes option pricing model based on the inputs shown at Note 18.

(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 5.

(h) New Standards and Interpretations

In the half year ended 31 December 2020, 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 2020. 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 the new Conceptual Framework for Financial Reporting from 1 July 2020 has not led to any changes in accounting or disclosure for the Group, but the new Conceptual Framework may be referred to if accounting matters arise that are not addressed by accounting standards.

The adoption of the new definition of Material included in AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material from 1 July 2020 provides a new definition of material, which now extends materiality consideration to obscuration and clarifies that materiality now depends on the nature or magnitude of information.

Future effects of the implementation of these standards will depend on future details.

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



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

3. OTHER INCOME

	Consolidated	
	6 months ended 31 December 2020 \$	6 months ended 31 December 2019 \$
Interest received	4,838	5,582
Australian government cash flow boost	50,108	-
Gain on sale of investments	-	6,900
Foreign exchange gain/(loss)	-	(119)
	54,946	12,363

4. EXPENSES

	Consolidated	
	6 months ended 31 December 2020 \$	6 months ended 31 December 2019 \$
Depreciation of property, plant & equipment	12,760	-
	12,760	-

5. ACQUISITION OF TENEMENTS

The Directors have 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 2020 \$	6 months ended 31 December 2019 \$
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 9)	-	4,731,748
Deferred consideration – cash	500,000	-
Deferred – fair value of RareX Ltd shares issued	500,000	-
Stamp duty	164,936	-
	1,164,936	6,095,382



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Cash at bank	4,339,065	3,425,058
	4,339,065	3,425,058

7. FINANCIAL ASSETS

For all financial instruments held as at 31 December 2020, the carrying value approximates fair value.

8. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Cummins Range Rare Earths Project		
Opening balance	1,151,014	-
Tenement acquisition costs (refer Table 8.1)	-	2,363,634
Exploration asset - Cummins Range Pty Ltd (Note 9)	-	4,731,748
Stamp duty on acquisition of tenement	13,922	151,014
Less: Acquisition costs expensed (Note 5)	(1,164,936)	(6,095,382)
Closing balance	-	1,151,014
Hong Kong Gold Project		
Opening balance	505,032	505,032
Tenement acquisition costs	-	-
Stamp duty on acquisition of tenement	-	-
Less: Disposal of 70% interest	-	-
Closing balance	505,032	505,032
Moroccan Cobalt Project		
Opening balance	-	-
Capitalised exploration costs	-	-
Less: Impairment	-	-
Closing balance	-	-
	505,032	1,656,046



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

8. EXPLORATION AND EVALUATION ASSETS (continued)

During the period ended 31 December 2019, 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, which was settled during the half year ended 31 December 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 16(c).

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 8.1	\$
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 settled during the half year ended 31 December 2020	1,000,000
Fair value of tenement acquisition costs paid or payable to Element 25 Ltd	2,363,634



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

9. 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*.

10. FINANCIAL ASSETS AT FAIR VALUE

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Financial assets at fair value through profit or loss		
Non-Current		
Shares in listed corporations, at fair value		
- Kincora Copper Ltd (14,950,000 shares)	1,903,392	2,388,942
Option in listed corporations, at fair value		
- Canada Rare Earth Corp	50,000	-
Investment in Atlas Managem Sarl (20% interest)	507,084	507,084
Less: Impairment	(507,084)	(507,084)
	1,953,392	2,388,942



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

11. RIGHT OF USE ASSET

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Opening balance	-	-
Additions	93,709	-
Depreciation	(3,825)	-
	89,884	-

12. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Trade and other payables	117,893	167,216
Deferred consideration for Cummins Range Rare Earths Project	-	1,000,000
Stamp duty payable on Cummins Range acquisition	82,468	151,014
	200,361	1,318,230

13. LEASE LIABILITIES

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Current liability	19,723	-
Non-current liability	70,831	-
	90,554	-

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Opening balance	-	-
Initial recognition of new lease	93,709	-
Interest	(980)	-
Principal	(2,175)	-
	90,554	-



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

14. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Ordinary shares	33,589,732	29,605,193
	33,589,732	29,605,193

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 2020		12 months ended 30 June 2020	
	Number of shares	\$	Number of shares	\$
As at beginning of period:	354,652,568	29,605,193	3,504,387,675	20,405,948
Conversion of performance rights			15,500,000	-
Consolidation of capital			(3,379,092,015)	-
Fair value of shares issued for part consideration for acquisition of Cummins Range Pty Ltd			60,000,000	⁽²⁾ 3,660,000
Shares issued via placement			68,823,540	1,170,000
Fair value of shares issued for settlement of unpaid director fees			2,329,412	⁽³⁾ 142,094
Fair value of shares issued for settlement of unpaid service provider invoices			5,629,412	⁽⁴⁾ 343,394
Fair value of shares issued for part consideration for acquisition of Cummins Range Rare Earths Project			13,338,261	⁽⁵⁾ 813,634
Shares issued via placement			20,833,334	1,250,000
Fair value of shares issued to service provider			312,500	9,688
Fair value of shares issued to service provider			277,949	6,949
Fair value of shares issued to service provider			312,500	17,188
Shares issued via placement			42,000,000	2,100,000
Options exercised	1,500,000	37,500		
Fair value of shares issued for part consideration for acquisition of Cummins Range Rare Earths Project	7,462,687	⁽⁶⁾ 500,000		
Options exercised	4,000,000	200,000		



NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

14. CONTRIBUTED EQUITY (continued)

Movement in ordinary shares on issue	6 months ended 31 December 2020		12 months ended 30 June 2020	
	Number of shares	\$	Number of shares	\$
Options exercised	400,000	50,000		
Options exercised	7,250,000	181,250		
Options exercised	1,000,000	60,700		
Options exercised	2,000,000	170,000		
Shares issued via placement	29,100,000	2,910,000		
Fair value of shares issued to service provider	277,949	33,353		
Options exercised	1,000,000	60,700		
Less: Transaction costs	-	(218,964)	-	(313,702)
As at end of the period:	408,643,204	33,589,732	354,652,568	29,605,193

- (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.
(6) Fair value of shares issued 28 September 2020 for part consideration for acquisition of Cummins Range Rare Earths Project.

15. RESERVES

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Options reserve	5,649,912	4,775,912
Share-based payment reserve	83,840	83,840
Foreign currency translation reserve	6,111	(2,022)
	5,739,863	4,857,730



**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

16. 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 2020	30 June 2020
	\$	\$
Estimated commitments for which no provisions were included in the financial statements are as follows:		
Payable		
- not later than one year	27,775	277,848
- later than one year and not later than five years	111,101	111,392
	138,876	389,240

(b) 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.

Other than the above, the Company has no other material contractual commitments not otherwise disclosed in the financial statements.

(c) 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 2020.

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

17. 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 2020 the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	\$	\$	\$	\$	\$	\$
Rare Earths (Western Australia)	(2,440,775)	(1,576,926)	27,921	1,168,758	(128,939)	(1,233,477)
Gold (Western Australia)	-	-	505,032	505,032	-	-
Cobalt/Nickel (Austria)	-	-	-	-	-	-
Cobalt (Morocco)	(22,849)	(14,110)	601	620	(1,769)	(2,101)
Copper/Gold (New South Wales)	(36,677)	(21,397)	-	-	-	-
Corporate	(1,836,410)	(6,503,436)	6,677,199	2,127,743	(199,902)	(75,468)
	(4,336,711)	(8,115,869)	7,210,753	3,802,153	(330,610)	(1,311,046)

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

18. SHARE BASED PAYMENTS

During the half year ended 31 December 2020, 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:

	Broker Options
Underlying value of the security	\$0.12
Exercise price	\$0.15
Valuation date	23/11/2020
Expiry date	30/11/2023
Life of Options in years	3
Volatility	134.13%
Risk free rate	0.11%
Probability of vesting	N/a
Number of Options	10,000,000
Valuation per Option	0.0874
Valuation	874,000
Total consideration paid by option holders	-
Valuation less consideration paid	874,000

Share based payments expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2020 consists of the above options as follows:

	\$
Shares	
Fair value adjustment for shares issued to service provider	26,405
Sub-Total Shares	26,405
Options	
Broker Options	874,000
Sub-Total Options	874,000
Total Share Based Payments Expense	900,405

RAREX LIMITED AND CONTROLLED ENTITIES



NOTES TO ACCOUNTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

18. SHARE BASED PAYMENTS (continued)

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 2020

18. 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 2020

18. 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

**NOTES TO ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020****19. 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:

- On 4th February 2021, the Company announced it had entered into a non-binding Memorandum of Understanding ("MoU") with the leading global rare earths producer, Shenghe Resources Holdings Co. ("Shenghe"). The terms of the MoU provide a framework for Shenghe and RareX to establish an alliance via the formation of a jointly owned Rare Earths Trading Company to source rare earths concentrates globally (excluding from within China) for processing at Shenghe's existing and proposed refining assets within China and around the world.
- On 22nd February 2021, the Company announced it had secured a strategic \$2.75 million (before costs) investment by prominent resource investor Mr Simon Lee AO via a share placement comprising 25 million new fully-paid ordinary shares at A\$0.11 per share. The funds were received on 26th February 2021.



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 2020 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
Managing Director

Signed this 16th day of March 2021.

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 2020, 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 2020 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 2020 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*.

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 16th day of March 2021