Heavy Rare Earths Limited

(Formerly known as HRE Corporation Limited)

ABN 35 648 991 039

Annual Report - 30 June 2022

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Corporate directory
30 June 2022

Directors	Mr John Bryne (Non-executive Chairman) Mr Richard Brescianini (Executive Technical Director) Mr Ryan Skeen (Non-executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 21, 459 Collins Street Melbourne, Victoria 3000 Ph: +61 3 8630 3321
Principal place of business	Level 21, 459 Collins Street Melbourne, Victoria, 3000
Share register	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW, 2000 Ph: 1300 737 760 (within Australia) Ph: +61 2 9290 9600
Auditor	William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne, Victoria 3000
Stock exchange listing	Heavy Rare Earths Limited shares are listed on the Australian Securities Exchange (ASX code: HRE)
Website	www.hreltd.com.au
Corporate Governance Statement	The Company's Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at the following link: https://hreltd.com.au/about-us/corporate-governance/

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
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Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the company for the period 25 March 2021 to 30 June 2022. As the Company was incorporated 25 March 2021, this is the first audited annual report of the company and no comparative results are therefore presented.

The Corporations Act allows for newly formed entities to be able to prepare their first financial report for a period of up to 18 months from the date of incorporation and as such this financial report has been prepared from the period 25 March 2021 to 30 June 2022.

Directors
The following persons were directors of the company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr John Byrne (Non-executive Chairman) - appointed 2 February 2022
Mr Richard Brescianini (Executive Technical Director) - appointed 2 February 2022
Mr Ryan Skeen (Non-executive Director) - appointed 16 May 2022
Mr Ryan Batros (Non-executive Director) - appointed 25 March 2021 and resigned 16 May 2022
Mr Bryan Frost (Non-executive Director) - appointed 25 March 2021 and resigned 2 February 2022
Mr Justin Mouchacca (Non-executive Director) - appointed 9 November 2021 and resigned 2 February 2022
Mr Wayne Kernaghan (Non-executive Director) - appointed 25 March 2021 and resigned 9 November 2021

Principal activities
The principal activities of the Company during the period consisted of acquiring all rights to an option over 100% of WA exploration license 63/1972 (known as the Cowalinya rare earth element (REE) project), reviewing other potential exploration areas of interest and preparing the Company for a listing on the Australian Securities Exchange (ASX).

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Review of operations
The loss for the company after providing for income tax amounted to $443,893.

Financial performance

During the first period, operating expenses and the loss for the period was $443,893. This included one off fees for IPO costs amounting to $109,213.

Financial position

Net assets of the Company totalled $695,708, and was attributable to the capital raisings completed by the Company during the period. The cash balance at the end of the Financial period was $141,389.

Cash flow

The Company successfully raised gross proceeds of $1,258,912 during the period from capital raisings.

Significant changes in the state of affairs
Pursuant to a Deed of Option dated 27 October 2020, the company executed a deed with Cobold Metals Limited assigning the option held by Cobold Metals to acquire 100% of the Project tenement from the current tenement holders (who are not related parties of the Company). The terms for the acquisition of the Tenement are:

- Option fee: $250 (paid by Cobold Metals);

- Upon exercise of the option: $300,000 will be payable to the Vendors in cash and 1,000,000 fully paid ordinary shares issued to the Vendors in lieu of payment of $200,000, upon and subject to successful completion of the IPO and receipt of conditional listing approval.

- The Company is (and its predecessor Cobold was) obliged to comply with minimum expenditure obligations. Vendors have confirmed expenditure obligations of predecessor under the Deed of Option have been fulfilled or waived.

- The Company issued Cobold 3,000,000 fully paid ordinary shares (Shares) (at a deemed issue price of $0.01 per share on a pre-consolidation basis) in lieu of payment of $30,000 in cash in part payment for exploration services conducted by Cobold at the Project, together with $55,000 (inc GST) in cash.

On 13 May 2021 the Company issued 49,004,405 Shares (on a pre-consolidation basis) to Cobold Metals Ltd shareholders for nil consideration. The issue of shares was at a value of $0.005 (0.5 cents).

On 20 May 2021 the Company issued 16,260,000 Shares (on a pre-consolidation basis) with an issue price of $0.005 (0.5 cents) per share to seed investors raising $81,300.

On 10 June 2021 the Company issued 117,761,211 Shares (on a pre-consolidation basis) with an issue price of $0.01 (1 cent) per share raising $1,177,612 as a placement and entitlement offer.

On 16 March 2022, the Company's name changed to Heavy Rare Earths Limited from HRE Corporation Limited following shareholder approval sought at the Company's General Meeting (GM) held on 16 March 2022.

The Company also sought approval from shareholders at the GM to consolidate the Company's shares on basis that every five (5) fully paid ordinary shares be consolidated into one (1) fully paid ordinary share. Following completion of the consolidation the number of shares on issue was 37,205,150.

On 17 March 2022 and 17 May 2022, the Company issued a total of 70,000 Shares (on a post consolidation basis) to Mr Richard Brescianini in lieu of exploration services provided to the Company. The Shares were issued with an issue price of $0.10 (10 cents) per share.

The Company has also made applications for exploration licences (EL 33101 and EL 33194) in the Tennant Creek region of the Northern Territory (known as the Duke rare earth project), which the Company has identified as having potential to host REEs.

There were no other significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period
On 5 July 2022 the Company lodged a Prospectus with the Australian Securities and Investments Commission for its proposed Initial Public Offering (IPO) and seeking to raise $6,000,000 the issue of 30,000,000 fully paid ordinary shares (**Shares**) with an issue price of $0.20 (20 cents) per share. The Company successfully raised the funds and issued the Shares on 19 August 2022.

On 19 August 2022 the company exercised its option in relation to the Cowalinya Project and executed a Sale and Purchase Agreement with the vendors. The Company paid $300,000 in cash and issued the vendors 1,000,000 fully paid ordinary shares issued in lieu of payment of $200,000.

In accordance with the IPO Prospectus, the Company issued the following options to Directors, consultants and the Company's lead manager on the IPO:

On 22 August 2022, the Company was admitted to the Australian Securities Exchange (ASX) official list and commenced trading on 24 August 2022.

- 7,000,000 Class A Options and 2,500,000 Class B Options to former and existing Directors (or their nominees). The Class A Options are exercisable at $0.30 (30 cents) per option and expiring 3 years from the listing date and the Class B Options are exercisable at $0.40 (40 cents) per option and expiring 3 years from the listing date.
- 2,850,000 Class A Options and 1,850,000 Class B Options to third party advisors including the Lead Manager.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations
Subsequent to the end of the financial period, the Company completed its IPO on ASX and raised $6,000,000. The success of the Company will depend on exploration activities proposed to be carried out on the Company's projects areas of interest which have been acquired or granted to the Company.

The Company will continue to conduct exploration activities at its project areas and these activities will include drilling, assay, metallurgical test work and, if warranted, scoping level feasibility.

Business risk management
The Company is committed to the effective management of risk to reduce uncertainty in the Company's business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the Company's strategic objectives and future prospects.

Key risks and mitigation activities associated with the Company's objectives are set out below:

COVID-19 Impacts
The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of businesses, individuals and governments to operate. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the pandemic on the Company's business (or on the operations of other businesses on which it relies), and there is no guarantee that the Company's efforts to address the adverse impacts of COVID-19 will be effective. The impact to date has included periods of significant volatility in financial, commodities and other markets. This volatility, if it continues could have an adverse impact on the Company's condition and results of operations.

The pandemic may lead to delays or restrictions regarding land access and the Company's ability to freely move people and equipment to and from the Company's exploration projects, leading to delays and cost increases.

There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including (but not limited to) government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions. The impact of some or all of these factors could cause significant disruption to the Company's operations and financial performance. The Company continues to put in place mitigation strategies in relation to the COVID-19 pandemic and ensures a COVID safe environment is carried out at all of its work sites.

Exploration risk
The Company's projects are at various stages of exploration, and potential investors should understand that mineral exploration is a high-risk undertaking. There can be no assurance that exploration of these projects, or any other tenements that may be acquired in the future, will result in the discovery of an economic mineral deposit.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, local title processes, changing government regulations and many other factors beyond the control of the Company.

In addition, the tenements forming the projects of the Company may include various restrictions excluding, limiting or imposing conditions upon the ability of the Company to conduct exploration activities. While the Company will formulate its exploration plans to accommodate and work within such access restrictions, there is no guarantee that the Company will be able to satisfy such conditions on commercially viable terms, or at all.

The Company uses a number of exploration techniques in order to reduce the level of exploration risks and continues to explore new and innovative technologies through its day to day operations.

Regulatory risk
The Company's mining and exploration activities are dependent upon the maintenance (including renewal) of the tenements in which the Company has or acquires an interest. Maintenance of the Company's tenements is dependent on, among other things, the Company's ability to meet the licence conditions imposed by relevant authorities. Although the Company has no reason to think that the tenements in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant authority or whether the Company will be able to meet the conditions of renewal on commercially reasonable terms, if at all.

The Company works with local government and mining departments to ensure it meets the required level of reporting requirements and to reduce any potential for breach of regulatory requirements.

Future funding risk
The Company has no operating revenue and is unlikely to generate any operating revenue in the foreseeable future. Exploration and development costs and pursuit of its business plan will use funds from the Company's current cash reserves and the amount raised under the Equity Offer.

The development of one or more of its projects may require the Company to raise capital in excess of the funds proposed to be raised under the Equity Offer.

Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price (or Offer Price) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern. The Company's funding requirements are reviewed on a regular basis in order to mitigate future funding risk.

Environmental regulation
The Company is now the holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial period and up to the date of the Directors' report.

Information on directors

Name:	Mr John Byrne
Title:	Non-Executive Chairman (appointed 2 February 2022)
Experience and expertise:	Mr Byrne has 40 years' experience in the natural resource industry as a financial analyst, investor and mine developer. John formed and mentored Cambrian Mining Plc in 2002, which started with net assets of GBP£1.4 million and before being acquired in 2008 had net assets of GBP£149 million. John has been Chairman and CEO of numerous successful resource companies, including Western Coal Corp which was capitalised at less than C$1 million when he joined, and was sold for C$3.3billion in 2010. Currently Mr Byrne is the Chairman of Lions Bay Capital Limited (LBI:TSXV) and Fidelity Minerals Limited (FMN:TSXV), both listed on the Toronto Ventures Exchange. Mr Bryne was previously Chairman of ASX listed Kalina Power Limited (ASX:KPO) and Jervois Global Limited (then Jervois Mining Limited) (ASX:JRV).
Other current directorships:	Lions Bay Capital Limited (LBI: TSXV) and Fidelity Minerals Limited (FMM: TSXV)
Former directorships (last 3 years):	Kalina Power Limited (ASX: KPO) - resigned 30 June 2019
Interests in shares:	650,000 fully paid shares
Interests in options:	2,000,000 options exercisable at $0.30 expiring on 24 August 2025

Name:	Mr Richard Brescianini
Title:	Executive Director (appointed 2 February 2022)
Qualifications:	B. Sc (Hons)
Experience and expertise:	Mr Brescianini is a qualified geoscientist with an Honours degree from the University of Tasmania and is a member of the Australian Institute of Geoscientists and Australian Society of Exploration Geophysicists. Richard commenced his career in mineral exploration with BHP Minerals in 1987 working in teams focused on the discovery of base and precious metal deposits across Australia and North America. Richard's experience includes working as the Director of the Northern Territory Government's Geological Survey and working for rare earths developer Arafura Resources for 14 years in its executive management team.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	120,000 fully paid shares
Interests in options:	2,000,000 options exercisable at $0.30 expiring on 24 August 2025

Name:	Mr Ryan Skeen
Title:	Non-Executive Director (appointed 16 May 2022)
Qualifications:	Master Applied Fin. (Dis), B. Buss (Financial Risk Management)
Experience and expertise:	Mr Skeen has a deep understanding of financial and economic markets while providing investment and strategic advice in complex situations. He is well versed in various capital raisings including IPO's, placements and rights issues and is focused on business development and growth. Mr Skeen is the Chief Executive Officer of First Au Limited (ASX:FAU). He holds a Master of Applied Finance (Distinction) and a Bachelor of Business (Financial Risk Management).
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	90,000 fully paid shares
Interests in options:	nil
Interests in rights:	nil

Name:	Mr Ryan Batros
Title:	Non-Executive Director (resigned 2 February 2022)
Experience and expertise:	Mr Batros has worked in the stockbroking and financial services industry for over 15 years. During this time, Ryan has been involved in numerous seed, pre-IPO and IPO capital raisings as a corporate advisor and active investor. Mr Batros currently runs corporate advisory and investor relations firm Boston Road Capital, which specialises in advising small to medium capitalised companies, listed or unlisted, on a corporate development management basis.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	N/A - resigned as a Director

Name:	Mr Bryan Frost
Title:	Non-Executive Director (resigned 2 February 2022)
Experience and expertise:	Mr Frost is Executive Chairman and Managing Director of First Au Limited (ASX:FAU) and Executive Chairman of Peregrine Corporate Limited. Mr Frost has a career spanning nearly 60 years that includes experience in stockbroking, investment banking, venture capital, direct investment and corporate structuring. In 1989, Mr Frost co-founded Peregrine Corporate Limited, an Australian boutique investment bank which maintains a Financial Services Licence. Mr Frost has been involved in a myriad of public companies, usually through appointments to board positions and direct funding in a number of sectors including consumer products, mining, biotechnology and technology in Australia, Canada, South Africa, USA, UK, Ghana, Chile, and several other countries.
Other current directorships:	First AU Limited (ASX: FAU)
Former directorships (last 3 years):	None
Interests in shares:	N/A – resigned as a Director

Name:	Mr Wayne Kernaghan
Title:	Non-Executive Director (resigned 9 November 2021)
Experience and expertise:	Wayne is a qualified chartered accountant who spent 5 years with Price Waterhouse. On leaving Price Waterhouse he has spent over 20 years as Finance Director and Company Secretary within the mining industry for ASX listed companies and as an Investment Manager in Australia and the United Kingdom, including with Waverly Asset Management. Wayne is a member of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors and a Chartered Secretary.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	N/A - resigned as a Director

Name:	Mr Justin Mouchacca
Title:	Non-Executive Director (resigned 2 February 2022)
Experience and expertise:	Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	50,000 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Mr Justin Mouchacca, CA FGIA

Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the period ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr John Byrne [(1)]	1	1
Mr Richard Brescianini [(1)]	1	1
Mr Ryan Skeen [(2)]	1	1
Mr Ryan Batros [(3)]	1	1
Mr Bryan Frost [(4)]	1	1
Mr Justin Mouchacca [(5)]	1	1
Mr Wayne Kernaghan [(6)]	1	1

Held: represents the number of meetings held during the time the director held office.

[(1)] Appointed 2 February 2022
[(2)] Appointed 16 May 2022
[(3)] Appointed 25 March 2021 and resigned 16 May 2022
[(4)] Appointed 25 March 2021 and resigned 2 February 2022
[(5)] Appointed 9 November 2021 and resigned 2 February 2022
[(5)] Appointed 25 March 2021 and resigned 9 November 2021

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having financial performance as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 16 March 2022, where the shareholders approved a maximum annual aggregate remuneration of $350,000.

Executive remuneration
The company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

The long-term incentives ('LTI') include share-based payments. During the financial period to 30 June 2022, there were no options issued to directors which formed part of their remuneration.

The Company did not use any external remuneration consultants during the financial period.

Company performance and link to remuneration
The remuneration of directors and executives are not linked to the performance, share price or earnings of the Company.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors of the company:

- Mr John Byrne (Non-executive Chairman) - appointed 2 February 2022
- Mr Richard Brescianini (Executive Technical Director) - appointed 2 February 2022
- Mr Ryan Skeen (Non-executive Director) - appointed 16 May 2022
- Mr Ryan Batros (Non-executive Director) - appointed 25 March 2021 and resigned 16 May 2022
- Mr Bryan Frost (Non-executive Director) - appointed 25 March 2021 and resigned 2 February 2022
- Mr Justin Mouchacca (Non-executive Director) - appointed 9 November 2021 and resigned 2 February 2022
- Mr Wayne Kernaghan (Non-executive Director) - appointed 25 March 2021 and resigned 9 November 2021

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
25 March 2021 - 30 June 2022	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	$	$	$	$	$	$	$
Non-Executive Directors:							
Mr John Byrne [1]	-	-	-	-	-	-	-
Mr Ryan Skeen [1]	-	-	-	-	-	-	-
Mr Ryan Batros [2]	62,545	-	-	-	-	-	62,545
Mr Bryan Frost [3]	70,057	-	-	-	-	-	70,057
Mr Justin Mouchacca [4]	44,750	-	-	-	-	-	44,750
Mr Wayne Kernaghan [5]	-	-	-	-	-	-	-
Executive Directors:							
Mr Richard Brescianini [6]	66,725	-	-	-	-	7,000	73,725
	244,077	-	-	-	-	7,000	251,077

[1] appointed 2 February 2022.
[2] appointed 25 March 2021 and resigned 16 May 2022. All amounts paid to Secla Pty Ltd for management services provided to the Company.
[3] appointed 25 March 2021 and resigned 2 February 2022. All amounts noted above were paid to Peregrine Corporate Limited for capital raising services provided to the Company.
[4] appointed 9 November 2021 and resigned 2 February 2022. All fees paid to JM Corporate Services for Company Secretarial and Accounting services provided to the Company.
[5] appointed 25 March 2021 and resigned 9 November 2021.
[6] All amounts included above were paid to Total Rare Earth Solutions for exploration services provided to the Company from his appointment date.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 25 March 2021 - 30 June 2022	At risk - STI 25 March 2021 - 30 June 2022	At risk - LTI 25 March 2021 - 30 June 2022
Non-Executive Directors:			
Mr John Byrne	-	-	-
Mr Ryan Skeen	-	-	-
Mr Ryan Batros	100%	-	-
Mr Bryan Frost	100%	-	-
Mr Justin Mouchacca	100%	-	-
Mr Wayne Kernaghan	-	-	-
Executive Directors:			
Mr Richard Brescianini	92%	-	8%

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Richard Brescianini
Title:	Executive Technical Director
Term of agreement:	This contract will continue from commencement date until terminated.
Details:	Mr Brescianini will be remunerated at $200,000 per annum (plus superannuation). The contract may be terminated any time with 3 months' written notice being provided by either the Company or Mr Brescianini. Upon expiration of the term the contract may be renewed by mutual agreement.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2022 are set out below:

Name	Date	Shares	Issue price	$
Mr Richard Brescianini	17 March 2022	50,000	$0.10	5,000
Mr Richard Brescianini	17 May 2022	20,000	$0.10	2,000

Options
There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the period ended 30 June 2022.

Additional information
The earnings of the company since listing are summarised below:

	25 March 2021 - 30 June 2022 $
Loss before income tax	(443,893)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial period by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Ordinary shares					
Mr John Byrne	-	-	150,000	-	150,000
Mr Richard Brescianini	-	70,000	50,000	-	120,000
Mr Ryan Skeen	-	-	90,000	-	90,000
Mr Ryan Batros*	-	-	612,667	(612,667)	-
Mr Bryan Frost**	-	-	812,666	(812,666)	-
Mr Justin Mouchacca	-	-	50,000	-	50,000
Mr Wayne Kernaghan***	20	-	40	(60)	-
	20	70,000	1,765,373	(1,425,393)	410,000

* Resigned as a Director on 16 May 2022.
** Shares purchased and sold during the financial period.
*** Resigned as a Director on 9 November 2021.

All shareholdings noted above are adjusted on a post consolidation basis.

Loans to key management personnel and their related parties
There were no loans to Key Management Personnel at any time during the financial period.

Other transactions with key management personnel and their related parties
During the financial period, the Company paid the following amounts to related entities of Directors:

- JM Corporate Services Pty Ltd, an entity related to Mr Justin Mouchacca, was paid $44,750 for Company Secretarial and Accounting services provided to the Company.
- Total Rare Earth Solutions Pty Ltd, an entity related to Mr Richard Brescianini, was paid $73,725 exploration services provided to the Company.
- Peregrine Corporate Limited, an entity related to Mr Bryan Frost, was paid $70,057 for capital raising services provided to the Company.
- Secla Pty Ltd, an entity associated to Mr Ryan Batros, was paid $62,545 for management services during the period whilst he was a Director of the Company. An additional $20,000 was incurred subsequent to his resignation.

All fees and services noted above were conducted on an arm's length basis.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
Class A Options	24 August 2025	$0.30	9,850,000
Class B Options	24 August 2025	$0.40	4,350,000
			14,200,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the period ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 12 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 12 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of William Buck Audit (Vic) Pty Ltd
There are no officers of the company who are former partners of William Buck Audit (Vic) Pty Ltd.

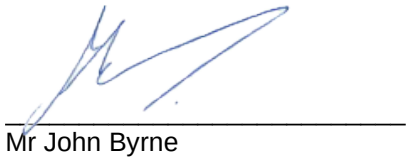
Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Directors' report
30 June 2022

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Mr John Byrne
Non-executive Chairman

30 September 2022

William Buck
ACCOUNTANTS & ADVISORS

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

I declare that, to the best of my knowledge and belief during the period ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C Luckins
Director
Melbourne, 30th September 2022

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Statement of profit or loss and other comprehensive income
For the period ended 30 June 2022

	Note	25 March 2021 - 30 June 2022 $
Expenses		
Corporate and administrative expenses		(334,680)
IPO costs		(109,213)
Loss before income tax expense		(443,893)
Income tax expense		-
Loss after income tax expense for the period attributable to the owners of Heavy Rare Earths Limited		(443,893)
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period attributable to the owners of Heavy Rare Earths Limited		(443,893)
		Cents
Basic earnings per share	18	(8.00)
Diluted earnings per share	18	(8.00)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Statement of financial position
As at 30 June 2022

	Note	30 June 2022 $
Assets		
Current assets		
Cash and cash equivalents		141,389
Trade and other receivables	5	35,637
Total current assets		177,026
Non-current assets		
Exploration and evaluation	6	783,215
Total non-current assets		783,215
Total assets		960,241
Liabilities		
Current liabilities		
Trade and other payables	7	264,533
Total current liabilities		264,533
Total liabilities		264,533
Net assets		695,708
Equity		
Issued capital	8	1,139,601
Accumulated losses		(443,893)
Total equity		695,708

The above statement of financial position should be read in conjunction with the accompanying notes

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Statement of changes in equity
For the period ended 30 June 2022

	Issued capital $	Accumulated losses $	Total equity $
Balance at 25 March 2021	-	-	-
Loss after income tax expense for the period	-	(443,893)	(443,893)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(443,893)	(443,893)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 8)	1,139,601	-	1,139,601
Balance at 30 June 2022	1,139,601	(443,893)	695,708

The above statement of changes in equity should be read in conjunction with the accompanying notes

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Statement of cash flows
For the period ended 30 June 2022

	Note	25 March 2021 - 30 June 2022 $
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)		(285,237)
Payments for security deposits		(11,790)
Net cash used in operating activities	17	(297,027)
Cash flows from investing activities		
Payments for exploration and evaluation	6	(664,185)
Net cash used in investing activities		(664,185)
Cash flows from financing activities		
Proceeds from issue of shares	8	1,258,912
Payments for capital raising costs		(156,311)
Net cash from financing activities		1,102,601
Net increase in cash and cash equivalents		141,389
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period		141,389

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Heavy Rare Earths Limited as an individual entity. The financial statements are presented in Australian dollars, which is Heavy Rare Earths Limited's functional and presentation currency.

Heavy Rare Earths Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 21, 459 Collins Street
Melbourne, VIC 3000
Ph: (03) 8630 3321

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost assumption.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 2. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Heavy Rare Earths Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2022. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and carry-forward tax losses only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Issue of shares to shareholders of Cobold Metals Ltd
On 13 May 2021 the Company issued 49,004,405 ordinary fully paid shares to shareholders of Cobold Metals Ltd. These shares were registered in ASIC records on 13 May 2021. In recording a nil value to the issue of these shares and that this transaction did not constitute a share-based payment, the directors considered the following:

a) the assignment of the option held by Cobald Metals Ltd to Heavy Rare Earths Limited did not occur until 9 June 2021, after (and not commensurate with) the issue of the shares;
b) the deed of assignment did not make any linkage (implied or actual) to the issue of the shares; and
c) the fact that the original option agreement held by Cobold was acquired for only nominal consideration of $250 (refer to Note 14).

Note 4. Operating segments

Identification of reportable operating segments
The Company has identified its operating segments based on the investment decisions of the board and used by the chief operating decision makers in assessing performance and in determining the allocation of resources. The Company operates in one segment being the evaluation and exploration of heavy rare earths and resources in Australia.

Note 5. Current assets - trade and other receivables

	30 June 2022 $
Trade receivables	1,650
Security deposit	11,790
GST receivable	22,197
	35,637

Note 6. Non-current assets - exploration and evaluation

	30 June 2022 $
Exploration and evaluation assets	783,215

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Exploration and evaluation $	Total $
Balance at 25 March 2021	-	-
Expenditure during the period	783,215	783,215
Balance at 30 June 2022	783,215	783,215

Although planned, future anticipated exploration expenditure does not constitute a commitment or contingent liability under accounting standards. In the event that planned exploration expenditure under an area of interest is not met, there is a possibility that the regulatory authority charged with administering that area of interest has the ability to rescind the rights of the Company to explore and evaluate that area of interest, but not, however enforce payment of that planned expenditure.

Note 7. Current liabilities - trade and other payables

	30 June 2022 $
Trade payables	250,533
Accrued expenses	14,000
	264,533

Refer to note 10 for further information on financial instruments.

Note 8. Equity - issued capital

	30 June 2022 Shares	$
Ordinary shares - fully paid	37,275,150	1,139,601

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	25 March 2021	-		-
Issue of shares on incorporation	25 March 2021	100	$0.01	-
Issue of shares to Cobold Metals Ltd shareholders	13 May 2021	49,004,405	-	-
Issue of shares to Seed Investors	20 May 2021	16,260,000	$0.005	81,300
Issue of Shares for Placement and entitlement offer	10 June 2021	117,761,211	$0.01	1,177,612
Shares issued to Cobold Metals Ltd for exploration services	30 June 2021	3,000,000	$0.01	30,000
Consolidation of shares on 5 to 1 basis	16 March 2022	(148,820,566)	-	-
Shares issued to Director for services provided	17 March 2022	50,000	$0.10	5,000
Shares issued to Director for services provided	17 May 2022	20,000	$0.10	2,000
Capital raising costs		-	-	(156,311)
Balance	30 June 2022	37,275,150		1,139,601

During the financial period, the Company sought shareholder approval for a consolidation of capital on a 5 to 1 basis with fractional entitlements rounded to the nearest whole share. As at 16 March 2022 the Company had 186,025,716 fully paid ordinary shares on issue which were consolidated into 37,205,150 fully paid ordinary shares.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current financial period.

Note 10. Financial instruments

Financial risk management objectives
The company's activities expose it to liquidity risk. It has no exposure to price risk, interest rate risk, market risk or credit risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Financial instruments of the company consist of cash and cash equivalents, goods and services tax credits and trade and other payables.

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. As at balance date all financial liabilities had payable terms within 60 days.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.
As at report date, all financial liabilities of the company had maturities of less than 60 days.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 11. Key management personnel disclosures

Directors
The following persons were directors of Heavy Rare Earths Limited during the financial period:

Mr John Byrne (Non-executive Chairman)	(Appointed 2 February 2022)
Mr Richard Brescianini (Executive Technical Director)	(Appointed 2 February 2022)
Mr Ryan Skeen (Non-executive Director)	(Appointed 16 May 2022)
Mr Ryan Batros (Non-executive Director)	(Appointed 25 March 2021 and resigned 16 May 2022)
Mr Bryan Frost (Non-executive Director)	(Appointed 25 March 2021 and resigned 2 February 2022)
Mr Justin Mouchacca (Non-executive Director)	(Appointed 9 November 2021 and resigned 2 February 2022)
Mr Wayne Kernaghan (Non-executive Director)	(Appointed 25 March 2021 and resigned 9 November 2021)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	25 March 2021 - 30 June 2022 $
Short-term employee benefits	244,077
Share-based payments	7,000
	251,077

Note 12. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the company:

	25 March 2021 - 30 June 2022 $
Audit services - William Buck Audit (Vic) Pty Ltd	
Audit or review of the financial statements	26,500
Other services - William Buck Audit (Vic) Pty Ltd	
Independent accountant's report	12,500
	39,000

Note 13. Contingent liabilities

On 9 June 2021, the Company entered into an Assignment of Option to Acquire Exploration Licence Deed (Assignment Deed) in relation to the assignment the proposed acquisition of an option to acquire 100% of Western Australia Exploration Licence 63/1972 (EL 63/1972). The Assignment Deed was entered into with Cobold Metals Limited (Cobold)

Below is a summary of the details relating to a Deed of Option (Option Deed) dated 27 October 2020 and as executed with the vendors of EL 63/1972, which the Company will now be required to provide once the option has been exercised:

- Option fee: $250 (paid by Cobold Metals);
- Upon exercise of the option: $300,000 will be payable to the Vendors in cash and 1,000,000 fully paid ordinary shares issued to the Vendors in lieu of payment of $200,000, upon and subject to successful completion of the IPO and receipt of conditional listing approval.
- The Company is (and its predecessor Cobold was) obliged to comply with minimum expenditure obligations. Vendors have confirmed expenditure obligations of predecessor under the Deed of Option have been fulfilled or waived.

In accordance with the Option Deed the Company proposes to enter into a Royalty Agreement whereby the previous tenement holder will receive rights to a royalty of $A0.25 per tonne for any type of ore processed from the tenements or any successor tenement payable on sale of the relevant mineral product provided that such royalty rate is not more than what would be deemed fair and reasonable and/or having regard to prevailing industry evidence of commercial arm’s length royalty rates for such commodities. The total amount payable in accordance with the Royalty Agreement will be capped at $250,000 per annum.

The contingent liability was crystalised subsequent to the end of the financial period and the Company exercised the option to acquire the project.

Note 14. Commitments

The Company has to perform minimum exploration work and expend minimum amounts of money on its tenements. The overall expenditure requirement tends to be limited in the normal course of the Company's tenement portfolio management through expenditure exemption approvals and expenditure reductions through relinquishment of parts of the whole of tenements deemed on prospective. Should the Company wish to preserve interest in its current tenements the amount which may be required to be expended is as follows:

	30 June 2022 $
Planned Exploration Expenditure	
Within one year	120,000
One to five years	520,000
More than five years	720,000
Total commitment	1,360,000

Note 15. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 11 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	25 March 2021 - 30 June 2022 $
Payment for other expenses:	
Amounts paid to Peregrine Corporate Limited for capital raising services and accounted for in equity	70,057
Amounts paid to Peregrine Corporate Limited relating to office admin costs (entity associated with Bryan Frost) and recorded in the statement of financial performance	6,000
Consulting fees paid to Secla Pty Ltd (entity associated with Ryan Batros)*	82,545
Consulting fees paid to Total Rare Earth Solutions (entity associated with Richard Brescianini)	73,725
Company Secretarial and accounting services paid to JM Corporate Services (an entity associated with Justin Mouchacca)	44,750

* During the period whilst Mr Batros was a Director he was paid $62,545.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 June 2022 $
Current payables:	
Trade payables to JM Corporate Services (entity associated with Justin Mouchacca)	22,500
Trade payables to Secla Pty Ltd (entity associated with Ryan Batros)	40,000

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 16. Events after the reporting period

On 5 July 2022 the Company lodged a Prospectus with the Australian Securities and Investments Commission for its proposed Initial Public Offering (IPO) and seeking to raise $6,000,000 the issue of 30,000,000 fully paid ordinary shares (**Shares**) with an issue price of $0.20 (20 cents) per share. The Company successfully raised the funds and issued the Shares on 19 August 2022.

On 19 August 2022 the company exercised its option in relation to the Cowalinya Project and executed a Sale and Purchase Agreement with the vendors. The Company paid $300,000 in cash and issued the vendors 1,000,000 fully paid ordinary shares issued in lieu of payment of $200,000.

In accordance with the IPO Prospectus, the Company issued the following options to Directors, consultants and the Company's lead manager on the IPO:

- 7,000,000 Class A Options and 2,500,000 Class B Options to former and existing Directors (or their nominees). The Class A Options are exercisable at $0.30 (30 cents) per option and expiring 3 years from the listing date and the Class B Options are exercisable at $0.40 (40 cents) per option and expiring 3 years from the listing date.
- 2,850,000 Class A Options and 1,850,000 Class B Options to third party advisors including the Lead Manager.

On 22 August 2022, the Company was admitted to the Australian Securities Exchange (ASX) official list and commenced trading on 24 August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 17. Reconciliation of loss after income tax to net cash used in operating activities

	25 March 2021 - 30 June 2022 $
Loss after income tax expense for the period	(443,893)
Change in operating assets and liabilities:	
Increase in trade and other receivables	(35,637)
Increase in security deposits	(11,790)
Increase in trade and other payables	193,701
Increase in employee benefits	592
Net cash used in operating activities	(297,027)

Note 18. Earnings per share

	25 March 2021 - 30 June 2022 $
Loss after income tax attributable to the owners of Heavy Rare Earths Limited	(443,893)
	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	5,547,442
Weighted average number of ordinary shares used in calculating diluted earnings per share	5,547,442
	Cents
Basic earnings per share	(8.00)
Diluted earnings per share	(8.00)

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr John Byrne
Non-executive Chairman

30 September 2022

William Buck
ACCOUNTANTS & ADVISORS

Heavy Rare Earths Limited
Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Heavy Rare Earths Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the period ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

ACCOUNTING FOR TRANSACTIONS RELATING TO THE INITIAL PUBLIC OFFERING ("IPO")	
Area of focus **Refer also to notes 2, 3, 6, 8, 13 and 16**	**How our audit addressed it**
As set out in Notes 2, 3, 6, 8, 13, and 16 the Company was in the process of conducting an IPO transaction during the period. In leading up to this event, the Company conducted the following significant transactions: — Acquired its exploration areas of interest through asset acquisitions and settlement of subsequent expenses incurred at the Project through the payment of cash and issue of fully paid ordinary shares; — Raised pre-IPO capital through the issue of ordinary shares; and — Incurred pre-IPO costs from its brokers, professional advisors and regulators in-relation to the IPO. These significant transactions were key sources of estimation and judgement uncertainty for these financial statements and is therefore a key audit matter, namely: — Recording costs relating to the issue of new shares to equity and those costs relating to the quotation of existing shares to the profit or loss; — Ensuring that all related party transactions were completely and accurately disclosed.	Our audit procedures included the following: — We examined the option agreement and assignment to the Company to support the acquisition of areas of interest and ensured that the accounting derived from those purchases was appropriate in the context of those agreements; — We recalculated the roll of equity from inception through to 30 June 2022, which includes the funds raised from the pre-IPO capital raising; and — We assessed the appropriateness of the treatment of the pre-IPO costs, which have been deemed to be charged to the profit or loss. We also assessed the appropriateness of disclosures made in-relation to these matters, as described in critical estimates and judgements in a note to the financial statements and also the attaching related party disclosures.
CAPITALISATION OF EXPLORATION AND EVALUATION COSTS	
Area of focus **Refer also to notes 2, 3 and 6**	**How our audit addressed it**
The Company has incurred exploration and evaluation costs for exploration projects in Australia of $783,214 for the period ended 30 June 2022 and has elected to capitalise all these costs as a non-current asset in the Statement of Financial Position in accordance with the Company accounting policies. There is a risk that the Company may lose or relinquish its rights to explore and evaluate those areas of interest and therefore amounts capitalised to the Statement of Financial Position from the current and historical periods, be no longer recoverable. The assessment of the non-current assets for impairment requires significant judgement involved and as such, has been deemed to be a key audit matter During the period no impairment charge was recognised in relation to exploration and evaluation.	Our audit procedures included the following: — Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the Company's purchase in that area of interest; — Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying exploration expenditure plan; — Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest; and — From an overall perspective, comparing the market capitalisation of the Company to the net carrying value of its assets on the Statement of Financial Position to identify any other additional indicators of impairment. We also assessed the adequacy of the Company's disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the period ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2022.

In our opinion, the Remuneration Report of Heavy Rare Earths Limited, for the period ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director
Melbourne, 30th September 2022

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Shareholder information
30 June 2022

The shareholder information set out below was applicable as at 13 September 2022.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	9	-	-	-
1,001 to 5,000	78	0.35	-	-
5,001 to 10,000	96	1.33	-	-
10,001 to 100,000	293	18.81	-	-
100,001 and over	123	79.51	9	100.00
	599	100.00	9	100.00
Holding less than a marketable parcel	42	-	-	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	5,333,333	7.81
Dinwoodie Investments Pty Ltd (Dinwoodie Investments A/C)	2,836,667	4.15
Slipline Pty Limited (Warrell Holdings S/Fund A/C)	2,000,000	2.93
Ms Chunyan Niu	1,500,000	2.20
Peter Vial & Amanda Vial (Vial Super Fund A/C)	1,400,000	2.05
Merrill Lynch (Australia) Nominees Pty Limited	1,341,574	1.96
Mr Nicholas D McDonald	1,250,000	1.83
Beaumy Pty Ltd (Robert Frost Family A/C)	1,250,000	1.83
Mr David Hannon	1,225,000	1.79
Benprop Pty Ltd (Benprop Property A/C)	1,166,561	1.71
UBS Nominees Pty Ltd	1,150,000	1.68
Mr Nicholas D McDonald	1,086,667	1.59
Porpette Pty Ltd (Porpette Investment A/C)	1,046,667	1.53
Disco Capital Pty Ltd (Disco Capital A/C)	1,008,903	1.48
Mr Robert J Hunt	862,500	1.26
Ricketts Point Investments Pty Ltd (Dickson Family A/C)	800,000	1.17
Barloo Investments Pty Ltd	750,000	1.10
Terranora Limited	719,417	1.05
Mr Mathhew S Millar	650,000	0.95
RAH (STC) Pty Ltd (Meh Retirement A/C)	650,000	0.95
	28,027,289	41.02

Heavy Rare Earths Limited
(Formerly known as HRE Corporation Limited)
Shareholder information
30 June 2022

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares - Class A options exercisable at $0.30 on or before 24 August 2025	9,850,000	7
Options over ordinary shares - Class B options exercisable at $0.40 on or before 24 August 2025	4,350,000	2

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Pty Limited	5,333,333	7.81

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Fully paid ordinary shares	24 August 2024	7,787,220
Fully paid ordinary shares	19 August 2024	1,000,000
Class A Options	24 August 2024	9,850,000
Class B Options	24 August 2024	4,350,000
		22,987,220

Consistency with business objectives – ASX Listing Rule 4.10.19

In accordance with ASX Listing Rule 4.10.9, the consolidated entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company. Consistent with the use of funds which were disclosed in the Company's Prospectus dated 5 July 2022, the consolidated entity believes it has used its cash in a consistent manner for the following purposes following listing on ASX in August 2022:

- drilling - exploration & resource upgrade,
- assaying;
- metalurgical process development;
- Duke project exploration (NT);
- Payment to Cowalinya vendors - exercise option to acquire;
- Costs of the offier;
- project studies; and
- administration & working capital.

The Company was admitted to the official list on ASX on 22 August 2022 and will report against the spend noted above in the future financial periods.

Tenements

Description	Tenement number	Interest owned %
Exploration Licence - Western Australia	E63/1972	100.00
Exploration Licence application – Northern Territory	EL 33101	-
Exploration Licence application – Northern Territory	EL 33194	-