

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

RAREX LIMITED
ABN: 65 105 578 756
AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS
FOR HALF YEAR ENDED
31 DECEMBER 2022

RAREX LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS

Mr John Young
Non-Executive Chairman

Mr Jeremy Robinson
Managing Director

Mr Danny Goeman
Non-Executive Director

Mr Shaun Hardcastle
Non-Executive Director

Mr Cameron Henry
Non-Executive Director

COMPANY SECRETARY

Ms Oonagh Malone

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

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RAREX LIMITED AND CONTROLLED ENTITIES

TABLE OF CONTENTS

DIRECTORS' REPORT 1

AUDITOR'S INDEPENDENCE DECLARATION 3

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 6

CONSOLIDATED STATEMENT OF CASH FLOWS 7

NOTES TO THE FINANCIAL STATEMENTS 8

DIRECTORS' DECLARATION 21

INDEPENDENT AUDITOR'S REPORT 22

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 2022.

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 Danny Goeman (appointed 1 March 2023)
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 continued its exploration programs at the Cummins Range Rare Earths Project, Western Australia, with key points being:

- Release of a positive scoping study for the Cummins Range Project;
- 2022 drilling program completed with 16,000m drilled to support on-going metallurgical studies of a highly successful 6,000m RC and diamond drill program; and
- Outstanding wide rare earths-phosphate intercepts paving the way for pivotal resource upgrade at Cummins Range in 2023.

4. FINANCIAL RESULTS

The loss of the Group for the period ended 31 December 2022 was $4,091,878 (six months to 31 December 2021: loss of $4,721,568). During the half year, total expenses amounted to $6,264,530 (six months to 31 December 2021: $7,946,802).

Unrestricted cash and cash equivalents amounted to $1,740,065 as at 31 December 2022 (30 June 2022: $8,232,977).

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 10 February 2023, the Company issued 18,000,000 performance rights, vesting on various milestones, to employees under the Company's Employee Securities Incentive Plan;
- On 14 February 2023, $2,141,754 was received from the ATO in respect of a Research and Development grant; and
- On 1 March 2023, the Company issued 4.500,000 unquoted options exercisable at $0.10 on or before 1 March 2026 to newly appointed non-executive director, Mr Danny Goeman.

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 2022.

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

On behalf of the Directors.



Jeremy Robinson
Managing Director
Signed this 15th day of March 2023.

Accountants & Advisors

Take the lead

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

As lead auditor, I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

SW Audit

SW Audit
Chartered Accountants

Richard Gregson

Richard Gregson
Partner

Perth, 15 March 2023

RAREX LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

		Consolidated	
	Notes	6 months ended 31 December 2022 $	6 months ended 31 December 2021 Restated $
Income			
Other income	3	30,898	186,998
Grant Income	3	2,141,754	703,847
Gain on disposal of subsidiary	4(a)	-	334,389
Profit from sale of tenements	4(b)	-	2,000,000
Total Income		2,172,652	3,225,234
Expenses			
Administration expenses		(555,795)	(662,385)
Consultants & management expenses		(852,818)	(727,182)
Depreciation, amortisation and impairment expense		(63,936)	(58,597)
Finance costs		(9,441)	(11,818)
Legal expenses		(10,640)	(41,197)
Share based payments expense	18	(446,669)	(1,281,031)
Exploration expenses		(4,076,038)	(2,992,728)
Foreign exchange (loss)/gain		(963)	2,529
Gain/ (Loss) on revaluation of financial assets		12,058	(1,633,752)
Share of loss from associate	9	(260,288)	(35,609)
Exploration and evaluation asset expensed	8	-	(505,032)
Total expenses		(6,264,530)	(7,946,802)
Loss from continuing operations before income tax expense		(4,091,878)	(4,721,568)
Income tax expense		-	-
Loss from continuing operations after income tax expense		(4,091,878)	(4,721,568)
Other comprehensive income			
Exchange rate differences on translating foreign operations		(214)	(3,274)
Total comprehensive loss attributable to owners of the parent		(4,092,092)	(4,724,842)
Loss per share			
- basic and diluted		(0.79) cents	(1.06) 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 2022

		Consolidated	
		31 December 2022	30 June 2022
	Notes	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,740,065	8,232,977
Trade and other receivables	6	2,468,268	502,311
Total Current Assets		4,208,333	8,735,288
Non-current Assets			
Financial assets at fair value	9	1,126,890	1,114,832
Investment in associate	10	1,271,106	1,531,394
Plant and equipment		130,305	139,737
Right of use asset	11	260,832	305,090
Total Non-current Assets		2,789,133	3,091,053
TOTAL ASSETS		6,997,466	11,826,341
LIABILITIES			
Current Liabilities			
Trade and other payables	12	616,635	1,790,180
Provisions		183,248	148,035
Lease liability	13	87,195	83,011
Total Current Liabilities		887,078	2,021,226
Non-Current Liabilities			
Lease liability	13	195,360	240,121
Total Non-Current Liabilities		195,360	240,121
TOTAL LIABILITIES		1,082,438	2,261,347
NET ASSETS		5,915,028	9,564,994
EQUITY			
Contributed equity	14	46,000,134	45,715,177
Reserves	15	8,731,872	8,574,917
Accumulated losses		(48,816,978)	(44,725,100)
TOTAL EQUITY		5,915,028	9,564,994

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED	Notes	Ordinary Shares $	Options Reserve $	Share Based Payments Reserve (Restated) $	Foreign Currency Translation Reserve $	(Accumulated Losses) $	Total Equity (Restated) $
At 1 July 2022		**45,715,177**	**6,163,712**	**2,414,702**	**(3,497)**	**(44,725,100)**	**9,564,994**
Currency translation differences		-	-	-	(214)	-	(214)
Total comprehensive income for the period, net of tax		-	-	-	-	(4,091,878)	(4,091,878)
Transactions with owners in their capacity as owners							
Share issues	14	289,500	(289,500)	-	-	-	-
Transaction costs	14	(4,543)	-	-	-	-	(4,543)
Share based payments	18	-	-	446,669	-	-	446,669
At 31 December 2022		**46,000,134**	**5,874,212**	**2,861,371**	**(3,711)**	**(48,816,978)**	**5,915,028**
At 1 July 2021		**36,189,630**	**6,163,712**	**257,083**	**(963)**	**(34,373,916)**	**8,235,546**
Currency translation differences		-	-	-	(3,274)	-	(3,274)
Total comprehensive income for the period, net of tax		-	-	-	-	(4,721,568)	(4,721,568)
Transactions with owners in their capacity as owners							
Share issues		406,250	-	-	-	-	406,250
Transaction costs		(3,048)	-	-	-	-	(3,048)
Share based payments	18	-	-	1,281,031	-	-	1,281,031
At 31 December 2021		**36,592,832**	**6,163,712**	**1,538,114**	**(4,237)**	**(39,095,484)**	**5,194,937**

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 2022

	Notes	Consolidated 6 months to 31 December 2022 $	Consolidated 6 months to 31 December 2021 $
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		(8,640,999)	(3,579,698)
Interest received		3,972	898
Interest paid		(9,441)	(11,818)
Other income		2,168,679	15,637
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(6,477,789)	(3,574,981)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(9,922)	(1,968)
Payments to acquire tenements		-	(170,677)
Refund of tenement security deposit		-	10,000
Cash disposed on loss of control of subsidiary		-	(2,796)
Payment to acquire option		-	-
Payment of tenement deposit		-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(9,922)	(165,441)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		40,000	-
Proceeds from exercise of options		-	406,250
Costs of share issue		(4,544)	(3,048)
Reduction in finance lease liabilities		(40,577)	(36,381)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5,121)	366,821
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,492,832)	(3,373,601)
Cash and cash equivalents at beginning of period		8,232,977	4,477,985
Effect of movement in exchange rate		(80)	(6)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**1,740,065**	**1,104,378**

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 2022

1. CORPORATE INFORMATION

The consolidated financial report of RareX Limited ("the Company") for the half year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 15th March 2023.

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 general purpose consolidated financial statements for the interim half year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for 'for-profit' orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim consolidated financial report does not include all notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

(a) Basis of Preparation

In the half year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to the Group's operations and effective for annual reporting periods commencing on or after 1 July 2022.

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

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.

Going concern
As at 31 December 2022, the Group had net current assets of $3,321,255 (30 June 2022: $1,038,164) and returned a loss attributable to owners of $4,092,092 (31 December 2021: $4,724,842). 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. In the event that the Company is unable to secure sufficient funding, there is a material uncertainty relating to the Group's ability to continue as going concern and it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

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. The Group has a strong historical record of raising funds and can raise working capital through the issue of debt or equity securities and/or other funding over the next 12 months. Additionally, the Group can revise the scope of their exploration activities in line with the funds available to the Group.

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.

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

(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 2022.

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.

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) 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 Monte Carlo 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.

(e) New Standards and Interpretations

In the half year ended 31 December 2022, 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 2021. 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.

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.

3. OTHER INCOME

	Consolidated	
	6 months ended 31 December 2022 $	6 months ended 31 December 2021 $
Interest received	3,972	684
Stamp duty refund	-	170,677
Sundry income	26,926	15,637
Total other income	30,898	186,998
R&D grant credit	2,141,754	703,847
Total income	2,172,652	890,845

4. (a) GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARY

Cosmos Exploration Ltd ("Cosmos") was divested from the Group during the half-year ended 31 December 2021. RareX received $315,000 cash in settlement of the loan balance and 10 million shares in the separated Cosmos company. The 10 million shares are valued at the issue price of $0.20 per share and has been recognised as an investment from 1 December 2021. Rarex held 28.57% of the issued share capital at 31 December 2022 and, per AASB 128 Investments in Associates, is classified as an associate as it holds more than 20% of the voting rights. Consequently, the investment in Cosmos has been accounted for under an equity accounting basis and the financial statements recognises Rarex's share of Cosmos's post divestment loss.

The gain on the disposal of Cosmos is calculated as follows:

	$
Net gain on disposal	334,389

On 30 November 2021, the Entity disposed of its 100% interest in Cosmos. Cosmos contributed $434,966 loss to the Group's consolidated profit from ordinary activities during the period. Cosmos reported an operating loss for the half-year ended 31 December 2021 of $572,989.

The balance sheet of Cosmos at disposal is as follows:

	$
Cash and cash equivalents	5,069,211
Trade and other receivables	35,176
Total current assets	5,104,387
Total assets	5,104,387
Trade and other payables	345,661
Loans	315,354
Provisions	8,390
IPO share application funds received	4,769,371
Total current liabilities	5,438,776
Total liabilities	5,438,776
Nets assets/(liabilities)	(334,389)

(b) PROFIT/(LOSS) FROM SALE OF TENEMENTS

	$
Shares at fair value (10 million Cosmos shares @ $0.20)	2,000,000

As the Group had previously expensed its exploration expenditure on the tenements spun out to Cosmos and had no capitalised exploration and expenditure asset for these tenements, the fair value of the entire consideration received of 10 million Cosmos shares has been brought to account as a profit from the sale of the tenements. On disposal of its subsidiary Cosmos, RareX sold 6 of its tenements relating to the Orange East and Byro East projects to Cosmos and consideration was received in shares.

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2022 $	30 June 2022 $
Cash at bank	1,740,065	8,232,977
	1,740,065	8,232,977

6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2022 $	30 June 2022 $
Trade Debtors	21,478	15,843
Other Debtors *	2,446,790	486,468
	2,468,268	502,311

* Includes an accrual for $2,141,754 Research and Development grant that was received post 31 December 2022.

7. FINANCIAL ASSETS

For all financial instruments held as at 31 December 2022, the carrying value approximates fair value.

8. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 December 2022 $	30 June 2022 $
Hong Kong Gold Project		
Opening balance	-	505,032
Less: Exploration and evaluation asset expensed	-	(505,032)
Closing balance	-	-

In the previous period, the Company purchased, for $1, the 70% interest in the Hong Kong Gold Project it had previously sold to Pacton Gold Inc in 2018 resulting in the Group now having a 100% ownership and control of the Hong Kong Gold Project. In accordance with the Group's accounting policy, the Directors have decided to fully expense the acquisition cost of the 30% interest in the Hong Kong Gold Project which it had carried forward since 2018 at cost.

9. FINANCIAL ASSETS AT FAIR VALUE

	Consolidated	
	31 December 2022 $	30 June 2022 $
Financial assets at fair value through profit or loss		
Non-Current		
Shares in listed corporations, at fair value		
- Kincora Copper Ltd (4,983,333, shares)	325,109	280,435
- Canada Rare Earth Corp (24,579,658 shares)	801,781	834,397
Investment in Atlas Management Sarl (20% interest)	507,084	507,084
Less: Impairment	(507,084)	(507,084)
	1,126,890	1,114,832

10. INVESTMENT IN ASSOCIATE

In accordance with AASB 128, the Group has recognised its initial investment in Cosmos Exploration Ltd less its share of Cosmos' post divestment loss. At disposal of subsidiary, RareX have sold their tenements to Cosmos and consideration was received by shares.

	Consolidated	
	31 December 2022 $	30 June 2022 $
Cosmos Exploration Ltd (10,000,000 shares)	2,000,000	2,000,000
Less: Loss brought forward	(468,606)	-
Less: Loss for the period	(260,288)	(468,606)
	1,271,106	1,531,394

11. RIGHT OF USE ASSET

	Consolidated	
	31 December 2022 $	30 June 2022 $
Opening balance	305,090	380,630
Additions	-	-
Amortisation	(44,258)	(75,540)
	260,832	305,090

12. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2022 $	30 June 2022 $
Trade and other payables	606,635	1,548,666
Accrued Expenses	10,000	241,514
	616,635	1,790,180

13. LEASE LIABILITIES

	Consolidated	
	31 December 2022 $	30 June 2022 $
Current liability	87,195	83,011
Non-current liability	195,360	240,121
	282,555	323,132
Maturity		
Within 1 year	87,195	83,011
1-2 years	92,149	92,235
2-5 years	103,211	147,886
Over 5 years	-	-
	282,555	323,132

	Consolidated	
	31 December 2022 $	30 June 2022 $
Opening balance	323,132	385,280
Initial recognition of new lease	-	-
Interest	9,441	22,507
Principal	(50,018)	(84,655)
	282,555	323,132

14. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2022 $	30 June 2022 $
Ordinary shares	46,000,134	45,715,177
	46,000,134	45,715,177

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

	6 months ended 31 December 2022		12 months ended 30 June 22	
Movement in ordinary shares on issue	Number of shares	$	Number of shares	$
As at beginning of period:	569,926,537	45,715,177	435,343,204	35,315,630
Shares issued on exercise of options	9,460,038	289,500	16,250,000	406,250
Fair value of shares issued for part consideration for acquisition of Cummins Range Rare Earths Project	-	-	-	-
Issue of shares to Directors	-	-	7,222,222	650,000
Shares issued via placement	-	-	-	-
Shares issued via placement - Directors	-	-	-	-
Fair value of equity settled transaction	-	-	-	-
Shares issued via placement	-	-	111,111,111	10,000,000
Fair value of shares issued to consultant	-	-	-	-
Less: Transaction costs	-	(4,543)	-	(656,703)
As at end of the period:	579,386,575	46,000,134	569,926,537	45,715,177

15. RESERVES

	Consolidated	
	31 December 2022 $	30 June 2022 $
Options reserve	5,874,212	6,163,712
Share-based payment reserve	2,861,371	2,414,702
Foreign currency translation reserve	(3,711)	(3,497)
	8,731,872	8,574,917

15. RESERVES (continued)

	Options (Number)	Performance Rights (Number)
Balance as at 1 July 2022	81,000,000	40,500,000
Movements during the period:		
Exercise of options by a Director [(i)]	(15,000,000)	-
Option Expiry [(ii), (iii) and (iv)]	(49,000,000)	-
Balance as at 31 December 2022	17,000,000	40,500,000

(i) Cashless exercise of 15,000,000 options by J Robinson on 27 September 2022.
(ii) 28.5m options expired on 12 October 2022.
(iii) 8.5m options expired on 13 December 2022.
(iv) 12m options expired on 22 December 2022.

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 2022 $	30 June 2022 $
Estimated commitments for which no provisions were included in the financial statements are as follows:		
Payable		
- not later than one year	199,000	199,000
- later than one year and not later than five years	403,000	572,000
	602,000	771,000

(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 Management S.A.R.L, which holds three Moroccan licences. The Board has elected not to progress with Stage 2 of the acquisition of Atlas Management.

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

(c) Contingent liabilities

As the Company has not completed a positive bankable feasibility (BSF) within 36 months of the acquisition of the Cummins Range Rare Earths Project, the further deferred consideration of $1,000,000 payable in cash or shares to Element 25 Ltd has been replaced by a royalty of 1% of the net smelter return on commercial production. As this royalty is subject to commercial production at the Cummins Range Rare Earths Project, 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 2022.

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. Rarex has reports its segmental information in accordance with AASB 8 Operating Segments,

At 31 December 2022, the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	31/12/2022 $	31/12/2021 $	31/12/2022 $	31/12/2021 $	31/12/2022 $	31/12/2021 $
Rare Earths (Western Australia)	(4,219,865)	(2,904,520)	172,413	124,239	(189,474)	(612,095)
Gold (Western Australia)	-	-	505,032	505,032	-	-
Cobalt (Morocco)	(10,479)	(8,174)	3,976	886	-	-
Corporate	138,466	(1,808,874)	6,316,045	6,139,347	(892,964)	(963,072)
	(4,091,878)	(4,721,568)	6,997,466	6,769,504	(1,082,438)	(1,575,167)

18. SHARE BASED PAYMENTS

Performance rights valuation

During the period ended 31 December 2022, there were no performance rights issued, however, 4,500,000 performance rights granted to an employee on 30 June 2022 have recognised and expensed to the Statement of Profit or Loss (as shown in the table below) from 1 July 2022 on a pro rata basis over the service period condition of the performance rights.

The following performance rights, which were issued to Directors, key management personnel and employees in the year ended 30 June 2022, were recorded at their fair value in the share-based payment reserve. The performance rights have been valued by the Directors at the closing share price on the grant date, less discounts to reflect the effects of any market based vesting conditions as detailed in the below table. The expected vesting period for each performance right for performance based vesting conditions is the period until expiry of the performance right.

Director	Class	Grant date	No. of performance rights	Fair value per performance right ($)	Total fair value of performance rights issued ($)	Expense to Statement of Profit or Loss for period end 31 December 2022 ($)	Expense to Statement of Profit or Loss for period end 31 December 2021 ($)
J Young	E	26/5/2021	1,500,000	0.078200	117,300	19,672	35,720
	F	26/5/2021	1,500,000	0.073800	110,700	18,565	33,709
	G	26/5/2021	1,500,000	0.070300	105,450	17,685	32,108
			4,500,000		333,450	55,922	101,537
J Robinson	E	26/5/2021	5,000,000	0.078200	391,000	65,574	119,061
	F	26/5/2021	5,000,000	0.073800	369,000	61,884	112,362
	G	26/5/2021	5,000,000	0.070300	351,500	58,950	107,022
			15,000,000		1,111,500	186,408	338,445
S Hardcastle	E	26/5/2021	1,500,000	0.078200	117,300	19,672	35,720
	F	26/5/2021	1,500,000	0.073800	110,700	18,565	33,709
	G	26/5/2021	1,500,000	0.070300	105,450	17,685	32,108
			4,500,000		333,450	55,922	101,537
C Henry	E	26/5/2021	1,500,000	0.078200	117,300	19,672	35,720
	F	26/5/2021	1,500,000	0.073800	110,700	18,565	33,709
	G	26/5/2021	1,500,000	0.070300	105,450	17,685	32,108
			4,500,000		333,450	55,922	101,537
O Malone	E	5/2/2021	500,000	0.112400	56,200	5,629	44,875
	F	5/2/2021	500,000	0.106100	53,050	5,314	42,359
	G	5/2/2021	500,000	0.101100	50,550	5,063	40,362
			1,500,000		159,800	16,006	127,596
Other Employees	E	See table	3,500,000	See table	238,900	29,626	179,496
	F	below	3,500,000	below	222,400	24,684	169,434
	G		3,500,000		209,850	22,179	161,449
			10,500,000		671,150	76,489	510,379
Total			40,500,000		2,942,800	446,669	1,281,031

18. SHARE BASED PAYMENTS (continued)

Other Employees	Class	Grant date	No. of performance rights	Fair value per performance right ($)	Total fair value of performance rights issued ($)	Expense to Statement of Profit or Loss for period end 31 December 2022 ($)	Expense to Statement of Profit or Loss for period end 31 December 2021 ($)
	E	5/2/2021	2,000,000	0.112400	224,800	22,516	179,496
	F	5/2/2021	2,000,000	0.106100	212,200	21,254	169,434
	G	5/2/2021	2,000,000	0.101100	202,200	20,252	161,449
			6,000,000		639,200	64,022	510,379
	E	30/6/2022	1,500,000	0.009400	14,100	7,110	-
	F	30/6/2022	1,500,000	0.006800	10,200	3,430	-
	G	30/6/2022	1,500,000	0.005100	7,650	1,927	-
			4,500,000		31,950	12,467	-
			10,500,000		671,150	76,489	510,379

Performance rights are expensed on a straight-line basis over the vesting period.

The performance rights have been valued by the Directors using the Monte Carlo pricing model. The fair value for each class of performance right and the discount applied to share price at grant date to reflect market based vesting condition is shown in the table below:

		Expiry date	Life of Options in Years	Number of Rights	Discount applied to share price at grant date to reflect market based vesting condition	Valuation per Right	Total Fair Value
Directors							
Underlying value of the security	$0.09						
Exercise price	Nil						
Grant date	26/05/2021						
Volatility	104%						
Risk free rate	0.08%						
Performance Right:							
Class E		26/05/2024	3	9,500,000	$0.01	$0.08	$742,900
Class F		26/05/2024	3	9,500,000	$0.01	$0.07	$701,100
Class G		26/05/2024	3	9,500,000	$0.02	$0.07	$667,850
				28,500,000			$2,111,850

18. SHARE BASED PAYMENTS (continued)

		Expiry date	Life of Options in Years	Number of Rights	Discount applied to share price at grant date to reflect market based vesting condition	Valuation per Right	Total Fair Value
Key management personnel and other employees							
Underlying value of the security	$0.056						
Exercise price	Nil						
Grant date	5/02/2021						
Performance Right:							
Class E		5/02/2024	3	2,500,000	$0.0466	$0.0094	$281,000
Class F		5/02/2024	3	2,500,000	$0.0492	$0.0068	$265,250
Class G		5/02/2024	3	2,500,000	$0.0509	$0.0051	$252,750
				7,500,000			$799,000
Underlying value of the security	$0.125						
Exercise price	Nil						
Grant date	1/07/2022						
Performance Right:							
Class E		5/02/2024	2	1,500,000	$0.01	$0.11	$14,000
Class F		5/02/2024	2	1,500,000	$0.02	$0.11	$10,200
Class G		5/02/2024	2	1,500,000	$0.02	$0.10	$7,650
				4,500,000			$31,850
Total				12,000,000			$830,850

The performance rights will vest on meeting the following performance conditions before the expiry date:

Class	Vesting Condition - vesting will occur:	Number
E	20 Day VWAP of $0.20 and 12 months continuous service within 3 years from the date of issue	13,500,000
F	20 Day VWAP of $0.25 and 18 months continuous service within 3 years from the date of issue	13,500,000
G	20 Day VWAP of $0.30 and 24 months continuous service within 3 years from the date of issue	13,500,000

On meeting vesting conditions, performance rights will each convert into one ordinary share with no further consideration. Performance rights were valued at the closing share price on the grant date, less discounts to reflect the effects of any market based vesting conditions as detailed the table above. The expected vesting period for each performance right for performance-based vesting conditions is the period until expiry of the performance right.

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 10 February 2023, the Company issued 18,000,000 performance rights, vesting on various milestones, to employees under the Company's Employee Securities Incentive Plan;
- On 14 February 2023, $2,141,754 was received from the ATO in respect of a Research and Development grant; and
- On 1 March 2023, the Company issued 4.500,000 unquoted options exercisable at $0.10 on or before 1 March 2026 to newly appointed non-executive director, Mr Danny Goeman.

20. RELATED PARTY DISCLOSURE

In the previous year, there was a divestment of the 100% owned subsidiary Cosmos. Post divestment RareX continued to retain a 28.57% of Cosmos' issued share capital at 31 December 2022.

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 2022 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 15th day of March 2023

Accountants & Advisors

Take the lead

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF RAREX LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Rarex Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2022, 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, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (a) in the interim financial report, which indicates that the Group incurred a net loss of $4,092,092 and net cash operating cash outflows of $6,477,789 during the period ended 31 December 2022. As stated in Note 1(a), these events and conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors' for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

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

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.

SW Audit

SW Audit
Chartered Accountants

Richard Gregson

Richard Gregson
Partner

Perth, 15 March 2023