RAREX LIMITED

ABN: 65 105 578 756
AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

CORPORATE DIRECTORY

DIRECTORS

Mr John Young
Non-Executive Chairman

Mr Jeremy Robinson
Managing Director

Mr Shaun Hardcastle
Non-Executive Director

Mr Cameron Henry
Non-Executive Director

COMPANY SECRETARY

Ms Oonagh Malone

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Unit 6, 94 Rokeby Road
Subiaco
Western Australia 6008

Telephone: (08) 6383 6593
Website: www.rarex.com.au

LAWYERS

HWL Ebsworth Lawyers
Level 20, 240 St Georges Terrace
Perth
Western Australia 6000

AUDITOR

Walker Wayland WA Audit Pty Ltd
Level 3, 1 Preston Street
Como
Western Australia 6152

SHARE REGISTRY

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Australia

Telephone: 1300 288 664

ASX CODE: REE

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting its report on the consolidated entity consisting of RareX Limited (Company or RareX) and the entities (Group or Consolidated Entity) it controlled at the end of, or during, the year ended 30 June 2021.

1. Directors

The names and details of the Company's Directors in office at any time during the year to 30 June 2021 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr John Young, B.AppSc(Geology), MAusIMM
Non-Executive Chairman – Appointed 18 February 2020
Mr Young has a Bachelor of Applied Science (Geology) and is a member of AusIMM. Mr Young is a highly experienced geologist who has worked on exploration and production projects encompassing gold, uranium and specialty metals, including tungsten, molybdenum, tantalum and lithium. Mr Young's corporate experience includes appointments as Chief Executive Officer of Marenica Energy Limited and CEO and Director of Thor Mining PLC. Mr Young was Exploration Manager of Pilbara Minerals Ltd (ASX: PLS) from June 2014 until August 2015, appointed Technical Director in September 2015 and transitioned to Non-Executive Director in July 2017 until his resignation on 20 April 2018. Mr Young was also the Managing Director of Bardoc Gold Limited (ASX: BDC) from May 2017 to April 2019 and remains a Non-Executive Director. Mr Young is also a Non-Executive Director of AIM listed Mosman Oil and Gas Ltd and Trek Metals Ltd (ASX: TKM).

Mr Jeremy Robinson, BComm
Managing Director – Appointed 27 September 2019
Mr Robinson is an experienced mining executive having held senior roles at multiple junior and mid-tier mining and exploration companies. Mr Robinson holds a Bachelor of Commerce from the University of Western Australia majoring in Corporate Finance, Investment Finance and Marketing. He is also currently a director of Cosmos Exploration Limited and Churchill Strategic Investments Group.

Mr Shaun Hardcastle, LLB, BA
Non-Executive Director – Appointed 1 December 2017
Mr Hardcastle has over 15 years' experience as a corporate lawyer and extensive experience in corporate governance, risk management and compliance. He has been involved in a broad range of cross-border and domestic transactions including IPOs, capital raisings, joint ventures, corporate restructuring, project finance and asset/equity sales and acquisitions. Mr Hardcastle has practiced law both in Australia and overseas and is a partner at HWL Ebsworth Lawyers. Mr Hardcastle is currently a non-executive director of ASX listed Cygnus Gold Limited (ASX: CY5). Mr Hardcastle was also previously non-executive director of Schrole Group Ltd (ASX:SCL); Hawkstone Mining Limited (ASX: HWK) until 14 July 2020 and Bunji Corporation Limited (ASX: BCL) until 28 April 2020.

Mr Cameron Henry,
Non-Executive Director - Appointed 2 June 2020
Mr Henry is the founding Managing Director of ASX-listed engineering firm, Primero Group Limited (ASX: PGX), where he has led the Company's strategic and operational direction resulting in its successful listing on the ASX in 2018 and rapid growth globally. Mr Henry has over 20 years of industry experience in the development and delivery of minerals processing, energy and infrastructure projects across Australia, Indonesia, North and South America. Mr Henry has been a member of the Australian Institute of Company Directors since 2013 and was previously non-executive director of Titan Minerals Limited (ASX: TTM) until 15 July 2019.

2. Company Secretary

Ms Oonagh Malone – Appointed 1 February 2018
Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. Ms Malone has over 10 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. Ms Malone currently acts as company secretary for ASX-listed Caprice Resources Limited, Carbine Resources Limited, Aston Minerals Limited, Hawkstone Mining Limited, Riversgold Ltd and African Gold Limited. Ms Malone is a non-executive director of Carbine Resources Limited and Peak Minerals Ltd.

3. Principal Activities

The principal activities during the year of the entities within the consolidated entity were mineral exploration.

DIRECTORS' REPORT

4. Review of financial performance

The net consolidated loss from continuing operations for the year ended 30 June 2021, after income tax, amounted to $6,261,175 (2020: $6,687,791).

During the year ended 30 June 2021, total expenses amounted to $6,920,377 (2020: $9,330,344). Unrestricted cash and cash equivalents amounted to $4,477,985 as at 30 June 2021 (30 June 2020: $3,425,058).

5. Dividends

No dividend has been declared or paid by the Company since the end of the previous financial year and the Directors do not at present recommend a dividend.

6. Review of Operations

During the year, the Company:

- completed a 6,146m Reverse Circulation drilling program at the Cummins Range Rare Earths Project which returned spectacular wide, high-grade intercepts;
- completed a drilling program at Weld North Rare Earths Project;
- completed a share placement which raised $3m before costs;
- acquired 24,779,658 shares in Canada Rare Earth Corp from Talaxis Group Holding for CAD991,186;
- subscribed for 3,500,000 shares at A$0.20 per share as part of Kincora Copper Ltd's A$10 million capital raising and Initial Public Offering of 50 million Chess Depository Units on the ASX;
- commenced activities to spin-out of its non-core Byro East Nickel-Copper-PGE Project and Orange East Gold Project, respectively located in Western Australia and New South Wales, subject to shareholder and other requisite approvals. The assets will be spun out into RareX's 100% owned subsidiary, Cosmos Exploration Ltd;
- completed a $2.75 million (before costs) placement comprising 25 million new fully-paid ordinary shares at A$0.11 per share to prominent resource investor Mr Simon Lee AO via a share placement;
- reported a substantial resource upgrade for its 100%-owned Cummins Range Rare Earths Project; and
- completed over 3,000m of reverse circulation drilling at the Cummins Range Rare Earths Project.

7. Likely Developments and Expected Results

Other than as referred to in this report, further information as to likely developments in the operations of the Company and likely results of those operations in future financial years would, in the opinion of the Directors, be speculative.

8. Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs during the financial year ending 30 June 2021, other than as follows:

- Completion of the following share placements:
  - $3,000,000 (before costs) via the issue of 30,000,000 ordinary shares at an issue price of $0.10 per share; and
  - $2,750,000 (before costs) via the issue of 25,000,000 ordinary shares at an issue price of $0.11 per share.

9. Significant Events After Balance Date

Subsequent to 30 June 2021, the Company:

- On 28 September 2021, the Company released the prospectus for Cosmos Exploration Ltd in relation to the spin out of its non-core Byro East Nickel-Copper-PGE Project and Orange East Gold Project, respectively located in Western Australia and New South Wales, subject to shareholder and other requisite approvals. The prospectus is for the offer of 25,000,000 shares in Cosmos Exploration Ltd at an issue price of $0.20 each to raise $5,000,000 (before costs).

DIRECTORS' REPORT

10. Indemnity and Insurance for Group Officers and Auditor

To the extent permitted by law, the Company indemnifies every person who is or has been:

- an Officer against any liability to any person (other than the Company or a related entity) incurred while acting in that capacity and in good faith; and
- an Officer or auditor of the Company, against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

The Company has in respect of any person who is or has been a director or officer of the Company paid a premium in respect of a contract insuring all directors and officers against a liability. The Company maintains insurance policies for the benefit of the relevant director or officer for the term of their appointment and for a period of seven years after retirement or resignation.

The Company has entered into a Deed of Indemnity, Access and Insurance with each of its Directors and the Company Secretary. Under the Deeds of Indemnity, Access and Insurance the Company will indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Deeds of Indemnity, Access and Insurance also provide for the right to access Board papers and other Company records.

To the extent permitted by law, the Company has agreed to indemnify its auditor, Walker Wayland WA Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify either Walker Wayland WA Audit Pty Ltd during, or since the end of, the financial year.

DIRECTORS' REPORT

11. Remuneration Report – Audited

This report details the nature and amount of remuneration for each Director of RareX Limited and the Group and for the executives receiving the highest remuneration in accordance with the requirements of Section 300A of the Corporations Act 2001 and its Regulations. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Act. This remuneration report forms a part of the Directors' Report.

For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Remuneration Policy

The remuneration policy of RareX Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of RareX Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as align interests of directors, executives and shareholders.

The Board believes that shares are an effective remuneration tool which preserves the cash reserves of the Company whilst providing valuable remuneration. During the year ended 30 June 2021, no options (2020: 33,000,000) and 30,000,000 performance rights (2020: nil) were issued to key management personnel of the Company.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board.
- All executives receive a base salary (which is based on factors such as length of service and experience).
- The Board reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

All remuneration paid to directors and executives is valued at the cost to the Company and is expensed over the appropriate vesting period. Shares issued under the Employee Share Plan are valued using the Black Scholes methodology.

Non-Executive Directors

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Currently there is a maximum aggregate sum of $200,000 per annum, which is to be divided between the non-executive directors in the proportions agreed between them or, failing agreement, equally.

Company performance, shareholder wealth and director and executive remuneration

Shares have been issued to directors and executives to encourage the alignment of personal and shareholder interests in prior years. Options have been issued to directors to encourage the alignment of personal and shareholder interests in the current year.

Executive and non-executive directors, other key management personnel and other senior employees have been granted ordinary shares and options. The recipients of shares and options are responsible for growing the Company and increasing shareholder value. If they achieve this goal the value of the shares and options granted to them will also increase. Therefore, the shares and options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

There is no policy in place which limits exposure to risk in relation to those securities in the Company which constitute an element of directors' remuneration and which are linked to satisfaction of Company performance conditions.

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2021:

Consolidated Entity:

	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Revenue	$709,202	$2,642,553	$725,440	$495,640	$20,741
Net loss before tax	($6,211,175)	($6,687,791)	($2,209,009)	($1,276,041)	($998,614)
Net loss after tax	($6,211,175)	($6,687,791)	($2,209,009)	($1,276,041)	($998,614)
Share price at end of year	7.2 cents	9.2 cents	0.1 cents[1]	0.4 cents[1]	0.2 cents[1]
Basic loss per share	(1.53 cents)	(2.48 cents)	(0.06 cents)[1]	(0.04 cents)[1]	(0.04 cents)[1]
Diluted loss per share	(1.53 cents)	(2.48 cents)	(0.06 cents)[1]	(0.04 cents)[1]	(0.04 cents)[1]

Note: No dividends have been declared or paid since the Company was listed.
[1] The share price at end of year and basic and diluted loss per share for the years ended 30 June 2019 and prior are disclosed in the above table on a pre-consolidated basis. On 2 August 2019 the shareholders of the Company approved the consolidation of the Company's capital on a 1 for 25 basis.

Key Management Personnel Remuneration Policy

The remuneration structure for key management personnel, as determined by the Board, is based on a number of factors, including length of service, particular experience of the individual concerned and their role within the organisation.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Key Management Personnel Remuneration:

Remuneration for the year ended 30 June 2021

Key Management Person	Short-term benefits			Long Term benefits	Post-employment benefits	Long term incentives	Total
	Salary or Fees Paid or Payable	Consulting Fees	Non Monetary Benefits	Long Service Leave	Superannuation	Share-based payments	
	$	$	$	$	$	$	$
J Young	50,417	-	-	-	-	10,649	61,066
J Robinson	225,833	-	580	-	20,030	35,494	281,937
S Hardcastle	43,915	-	-	-	-	10,649	54,564
C Henry	42,237	-	-	-	4,013	10,649	56,899
O Malone	40,500	-	-	-	-	21,160	61,660
	402,902	**-**	**580**	**-**	**24,043**	**88,601**	**516,126**

Remuneration for the year ended 30 June 2020

Key Management Person	Short-term benefits			Long Term benefits	Post-employment benefits	Long term incentives	Total
	Salary or Fees Paid or Payable	Consulting Fees	Non Monetary Benefits	Long Service Leave	Superannuation	Share-based payments	
	$	$	$	$	$	$	$
J Young[1]	13,046	-	-	-	-	20,200	33,246
J Robinson[2]	138,618	-	-	-	25,000	289,350	452,968
S Hardcastle	34,500	-	-	-	-	69,447	103,947
C Henry[3]	2,943	-	-	-	279	70,600	73,822
O Malone	30,000	-	-	-	-	42,706	72,706
S Patrizi[4]	24,000	-	-	-	-	69,447	93,447
D Scoggin[5]	8,700	-	-	-	-	-	8,700
	251,807	**-**	**-**	**-**	**25,279**	**561,750**	**838,836**

[1] J Young was appointed as a director on 18 February 2020.
[2] J Robinson was appointed as a director on 27 September 2019.
[3] C Henry was appointed as a director on 2 June 2020.
[4] S Patrizi resigned as a director on 18 February 2020.
[5] D Scoggin resigned as a director on 27 September 2019.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Shares

During the year, no ordinary shares were issued in relation to the settlement of outstanding invoices for fees owed to key management personnel (2020: 3,300,000). The deemed issue price of the shares issued in 2020 was $0.017 per share, however, the last sale price on the date of issue, being 27 September 2019, was $0.061 per share resulting in an adjustment to the fair value of these shares of $0.044 per share. The ordinary shares were issued as follows:

Key management personnel	Total amount of outstanding invoices ($)	No. of shares issued	Fair value per share ($)	Fair value of shares issued ($)	Fair value adjustment[2] ($)
S Hardcastle	19,800	1,164,706	0.061	71,047	51,247
O Malone	16,500	970,588	0.061	59,206	42,706
S Patrizi[1]	19,800	1,164,706	0.061	71,047	51,247
	56,100	3,300,000		201,300	145,200

[1] S Patrizi resigned as a director on 18 February 2020.
[2] The fair value adjustment has been included as a share-based payment in the remuneration table for the year ended 30 June 2020.

Options

No options were issued to directors and key management personnel as part of their remuneration during the year ended 30 June 2021 (2020: 33,000,000). No options were exercised or forfeited during the year by current Directors or key management personnel. The option issued in 2020 were as follows:

Director	Option series	Grant date	No. of options	Value per option ($)	Total value of options issued ($)	Consideration paid ($)	Total fair value of options issued ($)	No. of options vested
J Young	Series 7	18/02/2020	2,000,000	0.0044	8,800	-	8,800	-
J Young	Series 8	18/02/2020	2,000,000	0.0032	6,400	-	6,400	-
J Young	Series 9	18/02/2020	2,000,000	0.0025	5,000	-	5,000	-
			6,000,000		20,200	-	20,200	-
J Robinson	Series 4	27/09/2019	5,000,000	0.0256	128,000	50	127,950	127,950
J Robinson	Series 5	27/09/2019	5,000,000	0.0182	91,000	50	90,950	-
J Robinson	Series 6	27/09/2019	5,000,000	0.0141	70,500	50	70,450	-
			15,000,000		289,500	150	289,350	127,950
S Hardcastle	Series 1	12/12/2019	1,000,000	0.0077	7,700	-	7,700	-
S Hardcastle	Series 2	12/12/2019	1,000,000	0.0058	5,800	-	5,800	-
S Hardcastle	Series 3	12/12/2019	1,000,000	0.0047	4,700	-	4,700	-
			3,000,000		18,200	-	18,200	-
C Henry	Series 7	2/06/2020	2,000,000	0.0141	28,200	-	28,200	-
C Henry	Series 8	2/06/2020	2,000,000	0.0115	23,000	-	23,000	-
C Henry	Series 9	2/06/2020	2,000,000	0.0097	19,400	-	19,400	-
			6,000,000		70,600	-	70,600	-
S Patrizi	Series 1	12/12/2019	1,000,000	0.0077	7,700	-	7,700	-
S Patrizi	Series 2	12/12/2019	1,000,000	0.0058	5,800	-	5,800	-
S Patrizi	Series 3	12/12/2019	1,000,000	0.0047	4,700	-	4,700	-
			3,000,000		18,200	-	18,200	-
			33,000,000		416,700	150	416,550	127,950

Note:
Series 1: Director options exercisable at $0.0607 each expiring 12 December 2022 and vesting on 20 day VWAP exceeding $0.10.
Series 2: Director options exercisable at $0.0607 each expiring 12 December 2022 and vesting on 20 day VWAP exceeding $0.15.
Series 3: Director options exercisable at $0.0607 each expiring 12 December 2022 and vesting on 20 day VWAP exceeding $0.20.
Series 4: Options exercisable at $0.025 each expiring 27 September 2022 and vesting on 6 months employment and 20 day VWAP exceeding $0.05.
Series 5: Options exercisable at $0.025 each expiring 27 September 2022 and vesting on 6 months employment and 20 day VWAP exceeding $0.10.
Series 6: Options exercisable at $0.025 each expiring 27 September 2022 and vesting on 6 months employment and 20 day VWAP exceeding $0.15.
Series 7: Director options exercisable at $0.0607 each expiring 22 December 2022 and vesting on 20 day VWAP exceeding $0.10.
Series 8: Director options exercisable at $0.0607 each expiring 22 December 2022 and vesting on 20 day VWAP exceeding $0.15.
Series 9: Director options exercisable at $0.0607 each expiring 22 December 2022 and vesting on 20 day VWAP exceeding $0.20.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Performance Rights

The following performance rights were issued to directors and key management personnel as part of their remuneration during the year ended 30 June 2021 (2020: nil).

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 the year[1] ($)
J Young	E	26/5/2021	1,500,000	0.078200	117,300	3,746
	F	26/5/2021	1,500,000	0.073800	110,700	3,535
	G	26/5/2021	1,500,000	0.070300	105,450	3,368
			4,500,000		333,450	10,649
J Robinson	E	26/5/2021	5,000,000	0.078200	391,000	12,486
	F	26/5/2021	5,000,000	0.073800	369,000	11,784
	G	26/5/2021	5,000,000	0.070300	351,500	11,224
			15,000,000		1,111,500	35,494
S Hardcastle	E	26/5/2021	1,500,000	0.078200	117,300	3,746
	F	26/5/2021	1,500,000	0.073800	110,700	3,535
	G	26/5/2021	1,500,000	0.070300	105,450	3,368
			4,500,000		333,450	10,649
C Henry	E	26/5/2021	1,500,000	0.078200	117,300	3,746
	F	26/5/2021	1,500,000	0.073800	110,700	3,535
	G	26/5/2021	1,500,000	0.070300	105,450	3,368
			4,500,000		333,450	10,649
O Malone	E	5/2/2021	500,000	0.112400	56,200	7,442
	F	5/2/2021	500,000	0.106100	53,050	7,024
	G	5/2/2021	500,000	0.101100	50,550	6,694
			1,500,000		159,800	21,160
Total			30,000,000		2,271,650	88,601

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

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

The Board considers that the performance rights are a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of the management, and are consistent with the strategic goals and targets of the Company.

No performance rights vested during the year (2020: 15,500,000 pre-consolidation). The remaining performance rights (shown below on a post-consolidated basis) held by Directors and key management personnel will vest on meeting the following performance conditions before the expiry date:

Class	Vesting Condition - vesting will occur:	Number
B	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.25 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	250,000
C	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.375 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	250,000
D	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.50 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	250,000
E	20 Day VWAP of $0.20 and 12 months continuous service within 3 years from the date of issue	10,000,000
F	20 Day VWAP of $0.25 and 18 months continuous service within 3 years from the date of issue	10,000,000
G	20 Day VWAP of $0.30 and 24 months continuous service within 3 years from the date of issue	10,000,000

The movement during the reporting period in the number of ordinary shares of RareX Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

(i) SHARES – 30 June 2021

	Held at 1 July 2020	Acquired	Disposed	Other	Held at 30 June 2021 or date of resignation
Director					
J Young	397,000	2,607,000	-	-	3,004,000
J Robinson	8,550,000	750,000	-	-	9,300,000
S Hardcastle	1,708,823	400,000	-	-	2,108,823
C Henry	-	1,557,000	-	-	1,557,000
Company Secretary					
O Malone	580,588	-	-	-	580,588
	11,236,411	5,314,000	-	-	16,550,411

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

(ii) SHARES – 30 June 2020

	Held at 1 July 2019[7]	Consolidation adjustment[1]	Acquired	Disposed	Other	Held at 30 June 2020 or date of resignation
Director						
J Young[2]	-	-	397,000	-	-	397,000
J Robinson[3]	-	-	8,550,000	-	-	8,550,000
S Hardcastle	-	-	1,708,823	-	-	1,708,823
C Henry[4]	-	-	-	-	-	-
S Patrizi[5]	-	-	1,414,706	-	-	1,414,706
D Scoggin[6]	-	-	120,000	-	-	120,000
Company Secretary						
O Malone	4,000,000	(3,840,000)	970,588	(550,000)		580,588
	4,000,000	(3,840,000)	13,161,117	(550,000)	-	12,771,117

[1] On 2 August 2019 the shareholders of the Company approved the consolidation of the Company's capital on a 1 for 25 basis.
[2] J Young was appointed as a director on 18 February 2020.
[3] J Robinson was appointed as a director on 27 September 2019.
[4] C Henry was appointed as a director on 2 June 2020.
[5] S Patrizi resigned as a director on 18 February 2020.
[6] D Scoggin resigned as a director on 27 September 2019.
[7] Pre-consolidation basis.

The movement during the reporting period in the number of options over ordinary shares of RareX Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

(iii) OPTIONS – 30 June 2021

	Held at 1 July 2020	Granted	Exercised	Expired/ Forfeited/ Other	Held at 30 June 2021 or date of resignation
Director					
J Young	6,000,000	-	-	-	6,000,000
J Robinson	17,750,000	-	-	-	17,750,000
S Hardcastle	3,800,000	-	-	(800,000)	3,000,000
C Henry	6,000,000	-	-	-	6,000,000
Company Secretary					
O Malone	-	-	-	-	-
	33,550,000	-	-	(800,000)	32,750,000

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

(iv) OPTIONS – 30 June 2020

	Held at 1 July 2019[7]	Consolidation adjustment[1]	Granted	Exercised	Expired/ Forfeited/ Other	Held at 30 June 2020 or date of resignation
Director						
J Young[2]	-	-	6,000,000	-	-	6,000,000
J Robinson[3]	-	-	17,750,000[8]	-	-	17,750,000
S Hardcastle	20,000,000	(19,200,000)	3,000,000	-	-	3,800,000
C Henry[4]	-	-	6,000,000	-	-	6,000,000
S Patrizi[5]	30,000,000	(28,800,000)	3,000,000	-	-	4,200,000
D Scoggin[6]	-	-				
Company Secretary						
O Malone	-	-	-	-	-	-
	50,000,000	(48,000,000)	35,750,000	-	-	37,750,000

[1] On 2 August 2019 the shareholders of the Company approved the consolidation of the Company's capital on a 1 for 25 basis.
[2] J Young was appointed as a director on 18 February 2020.
[3] J Robinson was appointed as a director on 27 September 2019.
[4] C Henry was appointed as a director on 2 June 2020.
[5] S Patrizi resigned as a director on 18 February 2020.
[6] D Scoggin resigned as a director on 27 September 2019.
[7] Pre-consolidation basis.
[8] Options issued to J Robinson consisted of 15,000,000 in relation to remuneration and 2,750,000 issued as part consideration for the acquisition of the Cummins Range Pty Ltd which holds the Cummins Range Rare Earths Project.

The movement during the reporting period in the number of performance rights of RareX Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

(v) PERFORMANCE RIGHTS – 30 June 2021

	Held at 1 July 2020	Granted	Converted	Expired/ Forfeited/ Other	Held at 30 June 2021	Vested
Director						
J Young	-	4,500,000	-	-	4,500,000	-
J Robinson	-	15,000,000	-	-	15,000,000	-
S Hardcastle	750,000	4,500,000	-	-	5,250,000	-
C Henry	-	4,500,000	-	-	4,500,000	-
Company Secretary						
O Malone	-	1,500,000	-	-	1,500,000	-
	750,000	30,000,000	-	-	30,750,000	-

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

(vi) PERFORMANCE RIGHTS – 30 June 2020

	Held at 1 July 2019[4]	Consolidation adjustment[1]	Granted	Converted	Expired/ Forfeited/ Other	Held at 30 June 2020	Vested
Director							
S Hardcastle	25,000,000	(18,000,000)	-	(6,250,000)	-	750,000	-
S Patrizi[2]	25,000,000	(18,000,000)	-	(6,250,000)	(750,000)	-	-
D Scoggin[3]	12,000,000	(8,640,000)	-	(3,000,000)	(360,000)	-	-
		(44,640,000)	-	(15,500,000)	(1,110,000)	750,000	-

[1] On 2 August 2019 the shareholders of the Company approved the consolidation of the Company's capital on a 1 for 25 basis.
[2] S Patrizi resigned as a director on 18 February 2020.
[3] D Scoggin resigned as a director on 27 September 2019.
[4] Pre-consolidation basis.

Details of share-based payments in existence during the year ended 30 June 2021 are disclosed in this Directors' Report and Notes 21, 29 and 30 to the Annual Financial Statements.

Contracts with Directors and Key Management Personnel

A summary of contracts entered into with Executives is set out below:

Executive	Mr Jeremy Robinson
Term of Agreement	Ongoing until terminated in accordance with the agreement
*Base salary per annum including any superannuation** *(Non-performance based)*	$293,568 (ie: $270,000 plus statutory superannuation)
Termination Conditions	3 months notice by either party
Elements of remuneration related to performance issued during the year	• 5,000,000 performance rights expiring 26 May 2024 and 20 day VWAP of $0.20 and 12 months continuous service. • 5,000,000 performance rights expiring 26 May 2024 and 20 day VWAP of $0.25 and 18 months continuous service. • 5,000,000 performance rights expiring 26 May 2024 and 20 day VWAP of $0.30 and 24 months continuous service.

* Base salary as reviewed during the year and is the position as at 30 June 2021; salaries are reviewed annually.

[END OF REMUNERATION REPORT]

12. Auditor Independence and Non-Audit Services

The Group's current auditor, Walker Wayland WA Audit Pty Ltd, did not perform any services in addition to its statutory audit services (2020: nil).

13. Auditor's Independence Declaration

The auditor's independence declaration for the reporting period ended 30 June 2021 has been received and can be found on page 16.

DIRECTORS' REPORT

14. Share Options

At the date of this report 97,250,000 options (2020: 93,900,000) to acquire ordinary shares in RareX Limited were on issue.

Type of Options	Expiry date	Exercise price	Number
Unquoted options	27/9/21	$0.025	16,250,000
Unquoted options vesting on 6 months employment and 20 day VWAP exceeding $0.05	27/9/22	$0.025	5,000,000
Unquoted options vesting on 6 months employment and 20 day VWAP exceeding $0.10	27/9/22	$0.025	5,000,000
Unquoted options vesting on 6 months employment and 20 day VWAP exceeding $0.15	27/9/22	$0.025	5,000,000
Unquoted options	11/10/22	$0.085	28,500,000
Unquoted director options vesting on 20 day VWAP exceeding $0.10	12/12/22	$0.0607	1,000,000
Unquoted director options vesting on 20 day VWAP exceeding $0.15	12/12/22	$0.0607	1,000,000
Unquoted director options vesting on 20 day VWAP exceeding $0.20	12/12/22	$0.0607	2,000,000
Unquoted employee options vesting on 20 day VWAP exceeding $0.10	12/12/22	$0.0607	1,500,000
Unquoted employee options vesting on 20 day VWAP exceeding $0.15	12/12/22	$0.0607	1,500,000
Unquoted employee options vesting on 20 day VWAP exceeding $0.20	12/12/22	$0.0607	1,500,000
Unquoted director options vesting on 20 day VWAP exceeding $0.10	22/12/22	$0.0607	4,000,000
Unquoted director options vesting on 20 day VWAP exceeding $0.15	22/12/22	$0.0607	4,000,000
Unquoted director options vesting on 20 day VWAP exceeding $0.20	22/12/22	$0.0607	4,000,000
Unquoted options	30/11/23	$0.15	10,000,000
Unquoted options	31/12/23	$0.15	5,000,000
Unquoted options	31/12/23	$0.15	2,000,000

Share-based payments and options issued to directors, consultants and eligible employees, are disclosed in this Directors' Report and Notes 21, 29 and 30 to the Annual Financial Statement.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

15. Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the year ended 30 June 2021 and the number of meetings attended by each director was as follows:

Director	Directors' Meetings Eligible to Attend	Directors' Meetings Attended
J Young	4	4
J Robinson	4	4
S Hardcastle	4	4
C Henry	4	4

16. Risk Management

The Company takes a proactive approach to risk management including monitoring actual performance against budgets and forecast and monitoring investment performance. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the consolidated entity's objectives and activities are aligned with the risks and opportunities identified by the Board.

DIRECTORS' REPORT

17. Environmental Regulations and Performance

The Company is required to carry out the exploration and evaluation of its mining tenements in accordance with various State Government Acts and Regulations.

In regard to environmental considerations, the Company is required to obtain approval from various State regulatory authorities before any exploration requiring ground disturbance, is carried out. It is normally a condition of such regulatory approval that any area of ground disturbed during the Company's activities is rehabilitated in accordance with various guidelines. There have been no significant breaches of these guidelines.

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

Jeremy Robinson
Managing Director
Dated this 30th September 2021

Walker Wayland WA Audit Pty Ltd

ABN 94 608 776 834
www.ww-wa.com.au

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

Richard Gregson CA
Director
Level 3, 1 Preston Street, COMO WA 6152
Dated this 30th day of September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
		2021	2020
	Notes		$
Income			
Other income	4(a)	56,726	48,378
Sale of tenements	5	-	1,301,466
Gain on sale of investments	4(b)	382,976	6,900
Fair value increase in financial assets	4(c)	219,500	1,285,809
Total income			
		659,202	2,642,553
Expenses			
Administration expenses		(797,441)	(489,647)
Consultants and management expenses	8(a)	(728,715)	(256,181)
Depreciation and amortisation	8(b)	(48,863)	-
Financial costs		(7,664)	-
Legal expenses		(38,010)	(48,371)
Share-based payment expense	30	(1,671,448)	(1,761,028)
Exploration expenses	7	(2,291,409)	(677,849)
Acquisition of tenements	6	(1,335,613)	(6,095,382)
Foreign exchange loss		(1,203)	(1,684)
Impairment	15	(11)	(202)
Total expenses		(6,920,377)	(9,330,344)
Loss before income tax		(6,261,175)	(6,687,791)
Income tax expense		-	-
Loss attributable to the owners of RareX Limited		(6,261,175)	(6,687,791)
Expense			
Other comprehensive loss			
Foreign currency translation reserve		1,059	(455)
Total comprehensive loss attributable to owners of the parent		(6,260,116)	(6,688,246)
Loss per share			
- basic and diluted	10	(1.54) cents	(2.48) cents

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
		2021	2020
	Notes	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	11	4,477,985	3,425,058
Trade and other receivables	12	227,303	152,116
Total Current Assets		4,705,288	3,577,174
Non-current Assets			
Exploration and evaluation costs	13	505,032	1,656,046
Financial assets at fair value	15	3,657,619	2,388,942
Plant and equipment	16	114,431	66,800
Right of use asset	17	380,630	-
Total Non-current Assets		4,657,712	4,111,788
TOTAL ASSETS		9,363,000	7,688,962
LIABILITIES			
Current Liabilities			
Trade and other payables	18	668,948	1,318,230
Provisions		73,226	20,550
Lease liability	19	71,220	-
Total Current Liabilities		813,394	1,338,780
Non-current Liabilities			
Lease liability	19	314,060	-
Total Non-current Liabilities		314,060	-
TOTAL LIABILITIES		1,127,454	1,338,780
NET ASSETS		8,235,546	6,350,182
EQUITY			
Contributed equity	20	36,189,630	29,605,193
Reserves	21	6,419,832	4,857,730
Accumulated losses		(34,373,916)	(28,112,741)
TOTAL EQUITY		8,235,546	6,350,182

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Contributed equity $	Options reserve $	Share- based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
At 1 July 2020		29,605,193	4,775,912	83,840	(2,022)	(28,112,741)	6,350,182
Currency translation differences		-	-	-	1,059	-	1,059
Total comprehensive income for the year, net of tax		-	-	-	-	(6,261,175)	(6,261,175)
Issue of share capital - cash	20	6,510,150	-	-	-	-	6,510,150
Issue of share capital – equity settled transactions	20	6,949	-	-	-	-	6,949
Transaction costs on share issues	20	(543,067)	-	-	-	-	(543,067)
Share-based payment expense	30	110,405	1,387,800	173,243	-	-	1,671,448
Fair value consideration for acquisition of subsidiary	14	500,000	-	-	-	-	500,000
At 30 June 2021		36,189,630	6,163,712	257,083	(963)	(34,373,916)	8,235,546
At 1 July 2019		20,405,948	2,294,087	83,840	(1,567)	(21,424,950)	1,357,358
Currency translation differences		-	-	-	(455)	-	(455)
Total comprehensive income for the year, net of tax		-	-	-	-	(6,687,791)	(6,687,791)
Issue of share capital - cash	20	4,520,000	-	-	-	-	4,520,000
Issue of share capital – equity settled transactions	20	519,313	-	-	-	-	519,313
Transaction costs on share issues	20	(313,702)	-	-	-	-	(313,702)
Share-based payment expense	30	-	1,383,965	-	-	-	1,383,965
Fair value consideration for acquisition of subsidiary	14	3,660,000	1,097,250	-	-	-	4,757,250
Fair value consideration for acquisition of tenement	13	813,634	-	-	-	-	813,634
Consideration received from issue of options	21	-	610	-	-	-	610
At 30 June 2020		29,605,193	4,775,912	83,840	(2,022)	(28,112,741)	6,350,182

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated 2021 $	2020 $
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,472,147)	(1,395,829)
Interest received		9,841	13,437
Interest paid		(7,664)	-
Other income		48,305	33,506
NET CASH FLOWS USED IN OPERATING ACTIVITIES	22	(3,421,665)	(1,348,886)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Payments for acquisition of investments	15	(1,757,309)	-
Payments for property, plant and equipment		(104,353)	(33,400)
Payments for acquisition of tenements		(664,936)	(525,000)
Proceeds from disposal of tenements		-	198,333
Proceeds from sale of investments	15	1,091,107	490,255
Payment of security deposits		(26,942)	-
Cash acquired on acquisition of subsidiary		-	339
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(1,462,433)	130,527
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	20	5,950,000	4,520,000
Proceeds from exercise of options	20	560,150	-
Proceeds from issue of options		-	610
Share issue transaction costs		(552,234)	(304,534)
Payment of finance lease liability		(20,891)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,937,025	4,216,076
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,052,927	2,997,717
Cash and cash equivalents at beginning of year		3,425,058	427,318
Effect of movement in exchange rate		-	23
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	4,477,985	3,425,058

The accompanying notes form part of these financial statements.

NOTES TO ACCOUNTS

1. CORPORATE INFORMATION

The financial statements of RareX Limited (the Company or the Group) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30th September 2021. RareX Limited is a for profit entity. RareX Limited (the parent) is a company limited by shares, incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for RareX Limited as an individual entity and the consolidated entity consisting of RareX Limited and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. These financial statements have also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. These financial statements are presented in Australian dollars.

Going concern

As at 30 June 2021, the Group had working capital of $3,891,894 (2020: $2,188,394) and returned a loss attributable to owners of $6,261,175 (2020: $6,687,791). The ability of the Group to continue as a going concern is dependent upon the future successful raising of the necessary funding through equity and/or debt and the successful exploitation of the Group's tenements.

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

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

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

(b) Statement of Compliance

These financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

(c) New accounting standards and interpretations

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

New accounting Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these consolidated financial statements. The Company has not elected to adopt any new Accounting Standards or Interpretations prior to their applicable date of implementation.

There are no standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(e) Investment in joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Group can elect to contribute to ongoing exploration costs in proportion to its interests or dilute (a farm-out arrangement). If contributions are made during the reporting period, they are accounted for as exploration expenditure. Once the joint arrangement partner had earned its interest, the Company recovers expenditure equivalent to the other joint arrangement partner's interest.

The Group does not record any expenditure made by the farminee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements. Any cash consideration received directly from the farminee is credited against costs previously incurred in relation to the whole interest.

When the Group, acting as an operator, receives reimbursement of direct costs recharged to the joint operation, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint operation and therefore have no effect on profit or loss.

In many cases, the Group also incurs certain general overhead expenses in carrying out activities on behalf of the joint operation. As these costs can often not be specifically identified, joint operation agreements allow the operator to recover the general overhead expenses incurred by charging an overhead fee that is based on a fixed percentage of the total costs incurred for the year, often in the form of a management fee. Although the purpose of this recharge is very similar to the reimbursement of direct costs, the Group is not acting as an agent in this case. Therefore, the general overhead expenses and the overhead fee are recognised in profit or loss as an expense and income, respectively.

(f) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(g) Segment reporting

Management has assessed that the Group's reportable business segments under the quantitative criteria set out in AASB 8 *Segment Reporting* and has determined that no additional operating segments disclosures are required.

AASB 8 requires the 'management approach' to the identification, measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments.

In its adoption of the 'management approach' to segment reporting, the Group has identified that it continues to operate as a gold, copper and base metals explorer and developer, in a single reportable business segment, under one segment manager, in one geographical location being Australia, consistent with the prior year. The information disclosed in the financial statements is the same information utilised internally by the chief operating decision maker. Accordingly, no additional quantitative or qualitative disclosures are required.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of not more than 3 months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. The consolidated entity does not have any bank overdraft facilities.

Where the Company calls cash in advance from its joint venture partners, the cash is recognised as an asset with an offsetting liability for the amount of expenses not yet incurred on the relevant joint venture project at balance date. The liability is then released to the profit and loss as the expenditure is incurred.

(i) Trade and other receivables

Trade receivables are generally paid on 30-day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision would be recognised when legal notice has been sent and a reply not received within 30 days.

(j) Investments and other financial assets

Investments and financial assets in the scope of AASB 9 *Financial Instruments* are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

(i) Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

(ii) *Loans and receivables*
Loans and receivables including loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at the transaction price minus principal repayments and minus any allowance for impairment or uncollectability. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. Loans and receivables are included with receivables in current assets in the statement of financial position, except for those with maturities greater than 12 months after balance date, which are classified as non-current. Loans and receivables with maturities greater than 12 months are carried at amortised cost using the effective interest rate method.

(iii) Financial assets carried at cost
Investments are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Group's financial statements. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(k) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line and diminishing value methods to allocate the cost of the specific assets over their estimated useful lives. The expected useful lives are detailed in Note 16.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The directors have determined that items of plant and equipment do not generate independent cash inflows and that the business of the consolidated entity is, in its entirety, a cash-generating unit. The recoverable amount of plant and equipment is thus determined to be its fair value less costs to sell.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income as an expense.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is consolidated entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Right of use assets

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right of use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.

(m) Trade and other payables

Trade payables and other payables are carried at the transaction price minus principal repayments. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Provisions and employee benefits

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(o) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled with 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the current provision for the employee benefits. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. For annual leave, expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Share-based payment transactions

(i) Equity settled transactions

The consolidated entity provides benefits to its directors, employees and consultants in the form of share-based payments, whereby directors and employees render services in exchange for options to acquire shares, rights over shares (equity-settled transactions) and shares issued pursuant to the Company's Employee Share and Loan Plan ("Plan"). The consolidated entity has also issued ordinary shares and unlisted options as consideration to vendors for the acquisition of exploration licences and drilling services.

The cost of these equity-settled transactions is measured by reference to the fair value to the Company of the equity instruments at the date at which they were granted in the case of options and shares issued under the Plan for directors, employees and consultants; and the closing share price on, or just before, either the date of entering into, or executing, an exploration licence purchase agreement in the case of options and shares issued to tenement vendors as consideration for the settlement price. The fair value of the unlisted options and shares issued under the Plan is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity over the period in which the vesting and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant directors and employees become fully entitled to the options (the vesting date) or shares issued under the Plan.

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

(i) the grant date fair value of the options and shares issued under the Plan;

(ii) the current best estimate of the number of options and shares issued under the Plan that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at balance date; and

(iii) the extent to which the vesting period has expired.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and shares issued under the Plan is reflected as additional share dilution in the computation of diluted earnings per share.

(q) 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.

(r) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Rendering of Services*

Where the work performed in relation to a joint venture or other contract outcome can be reliably measured:

- right to receive compensation for the services provided and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours performed to date as a percentage of total estimated labour hours in relation to a joint venture or for each contract. Where it is probable that a loss will arise in relation to a joint venture or from a contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the contract outcome cannot be reliably measured:

- revenue is recognised only to the extent that the costs that have been incurred are recoverable.

Unearned income is recognised in respect of progress billings and advances on exploration contracts in progress, received in advance, or not represented by work done or reimbursable expenditure incurred, under joint venture arrangements. Such income is recognised and brought to account over time as it is earned.

(ii) *Interest revenue*

Revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised costs of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of Goods and Services Tax (“GST”).

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets, liabilities and their carrying amounts for financial statements purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax consolidation legislation
RareX Limited and its wholly-owned Australian controlled entity formed a tax consolidated group on 1 July 2008. However, they continue to account for their own current and deferred tax amounts. The consolidated entity has applied the stand alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, RareX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have not entered into a tax funding agreement and as no current tax assets or liabilities or deferred tax assets are recognised in relation to tax losses or unused tax credits, no contributions or distributions are required to be made under AASB Int 1052 Tax Consolidation Accounting.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Earnings per share

Basic earnings per share is calculated as profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Exploration Expenditure

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

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

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

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

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

(v) Financial Liabilities and Equity Instruments Issued by the Consolidated Entity

(i) Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

(ii) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financially liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. 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 Company.

Key estimates and judgements

(i) Impairment – general
The Company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions. No impairment is recognised for the Hong Kong Gold Project because the Company has an ongoing right to explore over the project with substantive ongoing exploration planned, the Company has not decided to discontinue exploration in the project area, and insufficient data exists that could indicate that the carrying amount of the project is unlikely to be recovered in full from successful development or by sale.

(ii) Options and share-based payment transaction
The Consolidated Entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions and inputs detailed in Note 30.

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

4. INCOME

	Consolidated	
	2021	**2020**
	$	**$**
(a) Other Income		
Interest received	8,421	14,872
Australian Government cash flow boost	48,305	33,506
	56,726	48,378
(b) Gain on sale of investments		
Gain on sale of 3,500,000 Kincora Copper Ltd (ASX: KCC) shares	373,879	-
Gain on sale of 200,000 Canada Rare Earth Corp (TSXV: LL.V) shares	9,097	-
Gain on sale of nil (2020: 1,687,113) Pacton Gold Inc shares	-	9,640
Loss on sale of nil (2020: 7,000,000) Cadence Minerals PLC shares	-	(2,740)
	382,976	6,900
(c) Fair value increase/(decrease) in financial assets		
Shares in Kincora Copper Ltd (TSXV: KCC.V)	(1,105,405)	1,285,809
Shares in Canada Rare Earth Corp (TSXV: LL.V)	1,324,905	-
	219,500	1,285,809

NOTES TO ACCOUNTS

5. SALE OF TENEMENTS

	Consolidated	
	2021	2020
	$	$
Sale of 65% interest in NSW Tenements	-	1,301,466
	-	1,301,466

(i) During the 2020 year, Kincora Copper Ltd ("Kincora") acquired a 65% interest in RareX's tenements in New South Wales (except for EL8442).

Sale of 65% of New South Wales tenements (excluding EL8442)	$
Cash consideration (CAD175,000)	198,333
Fair value of Kincora shares received as consideration	1,103,133
Total Consideration	1,301,466
Less: Carrying value of 65% interest in tenements	-
Gain on sale of tenements	1,301,466

6. ACQUISITION OF TENEMENTS

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

	Consolidated	
	2021	2020
	$	$
Option fee	-	50,000
Consideration – cash	500,000	500,000
Consideration – fair value of RareX Ltd shares issued	500,000	813,634
Exploration asset - Cummins Range Pty Ltd (Note 14)	-	4,731,748
Stamp duty	335,613	-
	1,335,613	6,095,382

7. EXPLORATION EXPENSES

During the year, the Directors elected to expense the following costs in relation to the exploration activities of the Group to the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	Consolidated	
	2021	2020
	$	$
Balance at the beginning of the year	-	-
Exploration expenditure incurred	2,291,409	677,849
Exploration expenditure expensed	(2,291,409)	(677,849)
Balance at the end of the year	-	-

The Directors have elected to expense exploration expenditure for all areas of interest of the Group (Note 2(u)).

NOTES TO ACCOUNTS

8. OTHER EXPENSES

		Consolidated	
		2021 $	2020 $
(a)	**Consultants and management expense**		
	Consultants	235,522	26,269
	Directors' fees - executive	225,833	149,423
	Directors' fees – non-executive	136,569	83,189
	Salary and on costs	408,381	148,719
	Company secretarial fees	40,500	30,000
	Less: Expenditure allocated to exploration and evaluation	(318,090)	(181,419)
		728,715	256,181
(b)	**Depreciation and amortisation included in income statement**		
	Depreciation of plant & equipment	15,663	-
	Depreciation of motor vehicles	7,659	-
	Depreciation of right of use assets	25,541	-
		48,863	-

NOTES TO ACCOUNTS

9. INCOME TAX

		Consolidated 2021 $	Consolidated 2020 $
(a)	**Income tax expense**		
	The major components of income tax expense are:		
	Statement of profit or loss and other comprehensive income		
	Current income tax		
	Current income tax charge/(benefit)	-	-
	Adjustments in respect of current income tax of previous years	-	-
	Deferred income tax	-	-
	Relating to origination and reversal of temporary differences	-	-
	Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income	-	-
(b)	**Amounts charged or credited directly to equity**		
	Deferred income tax related to items charged or credited directly to equity	-	-
	Unrealised loss on available-for-sale financial assets	-	-
	Income tax benefit reported in equity	-	-
(c)	**Numerical reconciliation of accounting profit to tax expense**		
	A reconciliation between tax expense and the accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:		
	Accounting loss before income tax	(6,261,175)	(6,687,791)
	At the consolidated entity's statutory income tax rate of 27.5% (2020: 27.5%)	(1,721,823)	(1,839,143)
	Non-deductible items	1,312	3,334
	Non-assessable income	(13,284)	(9,214)
	Share-based payments	459,648	484,283
	Unrealised loss on investments	(60,363)	(353,597)
	Impairment	367,294	1,871,751
	Capital raising expenditure	(56,025)	(39,099)
	Increase in unrecognised deferred tax assets	1,023,241	(118,315)
		-	-

		Consolidated 2021 $	Consolidated 2020 $
(d)	**Current tax assets and liabilities**		
	Current tax liability	-	-

(e) Recognised deferred tax assets and liabilities

The Group has not recognised any deferred tax assets or liabilities during the year (2020: Nil).

NOTES TO ACCOUNTS

9. INCOME TAX (continued)

(f) Tax losses

The Group has Australian revenue tax losses for which no deferred tax asset is recognised on the statement of financial position of $22,408,167 (2020: $17,297,867) which are available indefinitely for offset against future taxable income subject to continuing to meet the relevant statutory tests.

The Group has no Australian capital tax losses available (2020: nil).

(g) Unrecognised temporary differences

As at 30 June 2021, the Group has other temporary differences (excluding tax differences relating to tax losses) for which no deferred tax asset is recognised in the statement of financial position of $131,018 (2020: $63,411). None of these unrecognised temporary differences relate to investments in subsidiaries, associates or joint ventures.

(h) Tax consolidation

Members of the tax consolidated group and the tax sharing agreement

RareX Limited and its 100% owned Australian resident subsidiary were both subsidiaries in a tax-consolidated group with Geoinformatics Exploration Australia Pty Ltd as the head entity until 2 July 2007. A new tax-consolidated group was formed on 1 July 2008 with RareX Limited as Head Entity. Members of the new tax-consolidated group have not yet entered into a tax sharing agreement.

10. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations.

		Consolidated	
		2021 $	2020 $
(a)	**Earnings used in calculating earnings per share**		
	For basic and diluted earnings per share		
	Loss from continuing operations after tax for the year	(6,261,175)	(6,687,791)
(b)	**Weighted average number of shares**		
	Weighted average number of shares used in calculation of basic earnings per share	406,315,446	270,070,160
	Weighted average number of shares used in calculation of diluted earnings per share	406,315,446	270,070,160
(c)	**Earnings per share**		
	Basic loss per share	(1.54 cents)	(2.48 cents)
	Diluted loss per share	(1.54 cents)	(2.48 cents)

11. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021 $	2020 $
Cash at bank	4,477,985	3,425,058
	4,477,985	3,425,058

NOTES TO ACCOUNTS

12. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	$	$
Sundry debtors	8,968	8,478
Security and tenement deposits	124,442	90,000
Accrued income	214	1,634
GST input tax refundable	71,742	38,014
Prepayments	21,937	13,990
	227,303	152,116

Fair value and credit risk

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value. GST input tax refundable is receivable from the Commonwealth of Australia and is therefore viewed as having low credit risk. Accrued income is receivable from National Australia Bank and is therefore viewed as having low credit risk.

13. EXPLORATION AND EVALUATION ASSETS

		Consolidated	
		2021	2020
	Notes	$	$
Cummins Range Rare Earths Project			
Opening balance		1,151,014	-
Tenement acquisition costs	(i)	-	2,363,634
Acquisition of Cummins Range Pty Ltd (refer Note 14)		-	4,731,748
Stamp duty on acquisition of tenement		184,599	151,014
Less: Acquisition of costs expensed		(1,335,613)	(6,095,382)
		-	1,151,014
Hong Kong Gold Project			
Opening balance		505,032	505,032
Movement for the year		-	-
	(ii)	505,032	505,032
Moroccan Cobalt Project			
Opening balance			-
Capitalised exploration costs		-	-
Less: Impairment		-	-
		-	-
		505,032	1,656,046

(i) During the period year ended 30 June 2020, Cummins Range Pty Ltd acquired the Cummins Range Rare Earths Project from Element 25 Ltd. The consideration for the acquisition of the project in accordance with the agreement between Cummins Range Pty Ltd and Element 25 Ltd is as follows:

• non-refundable option fee of $50,000;

• upfront consideration of $500,000 cash and $500,000 settled in shares in RareX Ltd being 13,338,261 shares at a deemed price of $0.0375 per shares. As the share price at the date of issue of these shares was $0.061 per share, for accounting purposes these 13,338,261 shares have a fair value of $813,634;

• deferred consideration to be settled on or before 27 September 2020 consisting of $500,000 in cash and a further $500,000 to be settled in cash or shares in RareX Ltd at the election of RareX Ltd; and

• subject to a positive bankable feasibility study (BFS) being achieved within 36 months from settlement, further deferred consideration of $1,000,000 is payable to Element 25 Ltd and is to be settled in cash or shares in RareX Ltd at the election of RareX Ltd. As this further deferred consideration is subject to a positive BFS, it has not been included in the tenement acquisition costs, however, has been disclosed as a contingent liability in Note 26.

(ii) The balance carried forward represents the acquisition costs of the Hong Kong Gold Project which is in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

NOTES TO ACCOUNTS

14. ACQUISITION OF SUBSIDIARY

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

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

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

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

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

The acquisition of Cummins Range Pty Ltd has been accounted for as an acquisition of an asset pursuant to *AASB 116 Property Plant and Equipment* on the basis that it does not constitute a business as defined by *AASB 3 Business Combinations*.

NOTES TO ACCOUNTS

15. FINANCIAL ASSETS AT FAIR VALUE

	Consolidated 2021 $	2020 $
Financial assets at fair value through profit or loss		
Non-Current		
Shares in listed corporations, at fair value		
- Kincora Copper Ltd (TSXV: KCC.V)(4,983,333 shares[2]; 2020: 14,950,000)[1]	1,283,537	2,388,942
- Canada Rare Earth Corp (TSXV: LL.V) (24,579,658 shares; 2020: nil shares)[3]	2,374,082	-
Investment in Atlas Managem Sarl (20% interest)	507,084	507,084
Less: Impairment	(507,084)	(507,084)
	3,657,619	2,388,942
Impairment expense in Statement of Profit or Loss and Other Comprehensive Income		
Impairment of Moroccan VAT receivable	11	202
	11	202

[1] The market value of the shares in Kincora Copper Ltd as at 30 June 2021 is based on a closing price of Kincora Copper Ltd shares of CAD0.24 (2020: CAD0.15 pre-consolidation) and an exchange rate of 1AUD = 0.9318CAD (2020: 0.9387CAD).
[2] During the year, Kincora Copper Ltd consolidated its share capital on a 1 for 3 basis. Therefore, the 14,950,000 shares held at 30 June 2020 were consolidated into 4,983,333 post-consolidation shares).
[3] The market value of the shares in Canada Rare Earth Corp as at 30 June 2021 is based on a closing price of Canada Rare Earth Corp shares of CAD0.09 and an exchange rate of 1AUD = 0.9318CAD.

	Consolidated 2021 $	2020 $
During the year, cash outflows in relation to financial assets acquired were:		
3,500,000 shares in Kincora Copper Ltd (ASX: KCC) shares	700,000	-
24,779,658 shares in Canada Rare Earth Corp (TSXV: LL.V)	1,057,309	-
Payments for acquisition of investments	1,757,309	
During the year, cash inflows in relation to financial assets disposed of were:		
3,500,000 shares in Kincora Copper Ltd (ASX: KCC) shares	1,073,879	-
200,000 shares in Canada Rare Earth Corp (TSXV: LL.V)	17,228	-
Nil (2020: 1,687,113) shares in Pacton Gold Inc	-	303,465
Nil (2020: 7,000,000) shares in Cadence Minerals PLC	-	11,172
Receipt of settlement funds from Pacton Gold Inc shares sold in 2018/19 year	-	175,618
Proceeds from sale of investments	1,091,107	490,254

NOTES TO ACCOUNTS

16. PLANT AND EQUIPMENT

	Consolidated	
	2021	**2020**
	$	**$**
Original Cost		
Computer Equipment		
At 1 July	16,628	16,628
Additions	10,964	-
Disposals	-	-
At 30 June	27,592	16,628
Plant and Equipment		
At 1 July	66,800	-
Additions	-	66,800
Disposals	-	-
At 30 June	66,800	66,800
Motor Vehicles		
At 1 July	-	-
Additions	59,989	-
Disposals	-	-
At 30 June	66,800	-
Total Property, Plant and Equipment		
At 1 July	83,428	16,628
Additions	70,953	66,800
Disposals	-	-
At 30 June	154,381	83,428

Accumulated Depreciation		
Computer Equipment		
At 1 July	16,628	16,628
Depreciation charge for year	2,303	-
Accumulated depreciation on disposals	-	-
At 30 June	18,931	16,628
Plant and Equipment		
At 1 July	-	-
Depreciation charge for year	13,360	(iii)-
Accumulated depreciation on disposals	-	-
At 30 June	13,360	-
Motor Vehicles		
At 1 July	-	-
Depreciation charge for year	7,659	-
Accumulated depreciation on disposals	-	-
At 30 June	7,659	-
Total Accumulated Depreciation		
At 1 July	16,628	16,628
Depreciation charge for year	23,322	-
Accumulated depreciation on disposals	-	-
At 30 June	39,950	16,628
Total Plant and Equipment		
Original cost	154,381	83,428
Accumulated depreciation	(39,950)	(16,628)
Net carrying amount	114,431	66,800

NOTES TO ACCOUNTS

16. PLANT AND EQUIPMENT (continued)

(i) The useful life of the assets was estimated as follows:

Sundry equipment:	5 to 15 years
Computer equipment:	4 years
Motor vehicles:	5 to 8 years
Furniture and Fittings:	5 to 15 years
Library:	7 years
Leasehold improvements:	Over the remainder of the lease term up to 2 years

(ii) No assets have been pledged as security for borrowings.

(iii) The plant and equipment acquired during the year was not installed ready-for-use as at 30 June 2020. Accordingly, the asset was not depreciated during the year ended 30 June 2020.

17. RIGHT OF USE ASSET

	Consolidated	
	2021 $	2020 $
Land and buildings - right-of-use		
Opening balance	-	-
Additions	406,171	-
Depreciation	(25,541)	-
	380,630	-

Additions to the right-of-use assets during the year were $406,171. The consolidated entity leases land and buildings for its offices and warehouse under agreements of between four to five years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

18. TRADE AND OTHER PAYABLES

		Consolidated	
	Notes	2021 $	2020 $
Trade payables	(i) – (ii)	269,394	124,355
Accrued expenses		228,877	42,861
Deferred consideration for Cummins Range Project		-	1,000,000
Estimated stamp duty accrued on Cummins Range acquisition		170,677	151,014
		668,948	1,318,230

Terms and conditions:

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
(ii) Trade payables are non-interest bearing and are normally settled on 30 day terms.

NOTES TO ACCOUNTS

19. LEASE LIABILITIES

	Consolidated 2021 $	Consolidated 2020 $
Current liability	71,220	-
Non-current liability	314,060	-
	385,280	-

	Consolidated 2021 $	Consolidated 2020 $
Opening balance	-	-
Initial recognition of new leases	406,171	-
Interest	6,939	-
Principal	(27,830)	-
	385,280	-

The consolidated entity leases land and buildings for its offices and warehouse under agreements of between four to five years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

NOTES TO ACCOUNTS

20. ISSUED CAPITAL

		Consolidated	
		2021	2020
	Notes	$	$
Ordinary shares	(a)	36,189,630	29,605,193

(a) Ordinary shares

Issued and fully paid ordinary shares carry one vote per share and carry the right to dividends. On 2 August 2019, the shareholders of the Company approved the consolidation of capital of the Company on the basis of 1 ordinary share for every 25 ordinary shares held. This consolidation of capital also applied to options and performance rights on the same basis. Unless stated otherwise, references to shares, options and performance rights in these financial statements are on a post-consolidation basis.

		Consolidated			
		2021		2020	
		No. of shares	$	No. of shares	$
Movement in ordinary shares on issue					
As at 1 July		354,652,568	29,605,193	3,504,387,675[1]	20,405,948
Add:	Shares issued on exercise of options	13,150,000	560,150		
	Fair value of shares issued for part consideration for acquisition of Cummins Range Rare Earths Project	7,462,687	500,000		
	Issue of shares to Directors	4,000,000	200,000		
	Shares issued via placement	29,100,000	2,910,000		
	Shares issued via placement - Directors	900,000	90,000		
	Fair value of equity settled transaction	277,949	33,354		
	Shares issued via placement	25,000,000	2,750,000		
	Fair value of shares issued to consultant	800,000	84,000		
	Conversion of performance rights			15,500,000[1]	-
	Consolidation of capital			(3,379,092,015)	-
	Fair value of shares issued for part consideration for acquisition of Cummins Range Pty Ltd			60,000,000	3,660,000
	Shares issued via placement			68,823,540	1,170,000
	Fair value of shares issued for settlement of unpaid director fees			2,329,412	142,094
	Fair value of shares issued for settlement of unpaid service provider invoices			5,629,412	343,394
	Fair value of shares issued for part consideration for acquisition of Cummins Range Rare Earths Project			13,338,261	813,634
	Shares issued via placement			20,833,334	1,250,000
	Fair value of shares issued to service provider			312,500	9,688
	Fair value of shares issued to service provider			277,949	6,949
	Fair value of shares issued to service provider			312,500	17,188
	Shares issued via placement			42,000,000	2,100,000
Less:	Transactions costs on share issues	-	(543,067)	-	(313,702)
As at 30 June		435,343,204	36,189,630	354,652,568	29,605,193

[1] Pre-consolidation basis.

NOTES TO ACCOUNTS

20. ISSUED CAPITAL (CONTINUED)

(b) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain appropriate returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures an appropriate cost of capital available for the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in the year ended 30 June 2021 and no dividends are expected to be paid in the 2021/22 financial year.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and actual expenditures against budget on a monthly basis.

21. RESERVES

	Consolidated	
	2021	2020
	$	$
Options reserve	6,163,712	4,775,912
Share-based payment reserve	257,083	83,840
Foreign currency translation reserve	(963)	(2,022)
	6,419,832	4,857,730
(a) Movement in reserves		
Options reserve		
Balance at beginning of the financial year	4,775,912	2,294,087
Consideration received from issue of options	-	610
Fair value of options issued	1,387,800	2,481,215
Balance at end of financial year	6,163,712	4,775,912
Share-based payment reserve		
Balance at beginning of the financial year	83,840	83,840
Fair value of performance rights issued	173,243	-
Balance at end of financial year	257,083	83,840
Foreign currency translation reserve		
Balance at beginning of the financial year	(2,022)	(1,567)
Currency translation differences	1,059	(455)
Balance at end of financial year	(963)	(2,022)

(b) Nature and purpose of reserves

The options reserve records the value of share options issued to the Company's directors, employees, consultants and brokers as well as the vendors of drilling services and tenements.
The share-based payments reserve records the value of performance rights issued to the Company's directors.
The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

NOTES TO ACCOUNTS

21. RESERVES (CONTINUED)

(c) Movement in options

Expiry date of options	Notes	Exercise price	On issue at 1 July 2020	Granted	Exercised	Cancelled/ expired/ forfeited	On issue at 30 June 2021
30/11/20	(i)	$0.1750	800,000	-	-	(800,000)	-
31/12/20	(ii)	$0.1625	1,200,000	-	-	(1,200,000)	-
31/12/20	(iii)	$0.1250	400,000	-	(400,000)	-	-
27/09/21	(iv)	$0.0250	25,000,000	-	(8,750,000)	-	16,250,000
27/09/22	(v)	$0.0250	5,000,000	-	-	-	5,000,000
27/09/22	(vi)	$0.0250	5,000,000	-	-	-	5,000,000
27/09/22	(vii)	$0.0250	5,000,000	-	-	-	5,000,000
11/10/22	(viii)	$0.0850	18,000,000	-	(2,000,000)	-	16,000,000
12/12/22	(ix)	$0.0607	2,000,000	-	(1,000,000)	-	1,000,000
12/12/22	(x)	$0.0607	2,000,000	-	(1,000,000)	-	1,000,000
12/12/22	(xi)	$0.0607	2,000,000	-	-	-	2,000,000
12/12/22	(xii)	$0.0607	1,500,000	-	-	-	1,500,000
12/12/22	(xiii)	$0.0607	1,500,000	-	-	-	1,500,000
11/10/22	(xiv)	$0.0607	1,500,000	-	-	-	1,500,000
11/10/22	(xv)	$0.0850	3,000,000	-	-	-	3,000,000
22/12/22	(xvi)	$0.0607	2,000,000	-	-	-	2,000,000
22/12/22	(xvii)	$0.0607	2,000,000	-	-	-	2,000,000
22/12/22	(xviii)	$0.0607	2,000,000	-	-	-	2,000,000
11/10/22	(xix)	$0.0850	1,250,000	-	-	-	1,250,000
11/10/22	(xx)	$0.0850	1,250,000	-	-	-	1,250,000
22/12/22	(xxi)	$0.0607	2,000,000	-	-	-	2,000,000
22/12/22	(xxii)	$0.0607	2,000,000	-	-	-	2,000,000
22/12/22	(xxiii)	$0.0607	2,000,000	-	-	-	2,000,000
11/10/22	(xxiv)	$0.0850	7,000,000	-	-	-	7,000,000
30/11/23	(xxv)	$0.1500	-	10,000,000	-	-	10,000,000
31/12/23	(xxvi)	$0.1500	-	5,000,000	-	-	5,000,000
31/12/23	(xxvii)	$0.1500	-	2,000,000	-	-	2,000,000
			95,400,000	17,000,000	(13,150,000)	(2,000,000)	97,250,000

NOTES TO ACCOUNTS

21. RESERVES (CONTINUED)

All option granted have been valued according to the Black Scholes model.

(i) Issued to a director in December 2017.
(ii) Issued to a director in January 2018.
(iii) Issued to a consultant in October 2018.
(iv) Issued to the vendors of Cummins Range Pty Ltd in September 2019.
(v) Issued to J Robinson (Executive Director) in September 2019; vesting on 6 months employment and 20 day VWAP exceeding $0.05.
(vi) Issued to J Robinson (Executive Director) in September 2019; vesting on 6 months employment and 20 day VWAP exceeding $0.10.
(vii) Issued to J Robinson (Executive Director) in September 2019; vesting on 6 months employment and 20 day VWAP exceeding $0.15.
(viii) Issued to a consultant in October 2019.
(ix) Issued to S Hardcastle and S Patrizi (Non-Executive Directors) in December 2019; vesting on 20 day VWAP exceeding $0.10.
(x) Issued to S Hardcastle and S Patrizi (Non-Executive Directors) in December 2019; vesting on 20 day VWAP exceeding $0.15.
(xi) Issued to S Hardcastle and S Patrizi (Non-Executive Directors) in December 2019; vesting on 20 day VWAP exceeding $0.20.
(xii) Issued to an employee in December 2019; vesting on 20 day VWAP exceeding $0.10.
(xiii) Issued to an employee in December 2019; vesting on 20 day VWAP exceeding $0.15.
(xiv) Issued to an employee in December 2019; vesting on 20 day VWAP exceeding $0.20.
(xv) Issued to a consultant in December 2019.
(xvi) Issued to J Young (Non-Executive Chairman) in February 2020; vesting on 20 day VWAP exceeding $0.10.
(xvii) Issued to J Young (Non-Executive Chairman) in February 2020; vesting on 20 day VWAP exceeding $0.15.
(xviii) Issued to J Young (Non-Executive Chairman) in February 2020; vesting on 20 day VWAP exceeding $0.20.
(xix) Issued to a consultant in March 2020.
(xx) Issued to a consultant in June 2020.
(xxi) Issued to C Henry (Non-Executive Director) in June 2020; vesting on 20 day VWAP exceeding $0.10.
(xxii) Issued to C Henry (Non-Executive Director) in June 2020; vesting on 20 day VWAP exceeding $0.15.
(xxiii) Issued to C Henry (Non-Executive Director) in June 2020; vesting on 20 day VWAP exceeding $0.20.
(xxiv) Issued to a consultant in June 2020.
(xxv) Issued to a broker in November 2020.
(xxvi) Issued to a corporate advisor in February 2021.
(xxvii) Issued to a consultant in February 2021.

(d) Movement in performance rights

	Note	Exercise price	On issue at 1 July 2020	Granted during the year	Vested during the year	Cancelled/ expired/ forfeited	On issue at 30 June 2021
Class B	(i)	$0.000	250,000	-	-	-	250,000
Class C	(i)	$0.000	250,000	-	-	-	250,000
Class D	(i)	$0.000	250,000	-	-	-	250,000
Class E	(ii)	$0.000	-	12,000,000	-	-	12,000,000
Class F	(ii)	$0.000	-	12,000,000	-	-	12,000,000
Class G	(ii)	$0.000	-	12,000,000	-	-	12,000,000
			750,000	36,000,000	-	-	36,750,000

(i) Performance rights issued to Directors.
(ii) Performance rights issued to Directors, key management personnel and other employees.

Class	Vesting Condition - vesting will occur:	Number on issue at 30 June 2021
B	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.25 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	250,000
C	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.375 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	250,000
D	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.50 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	250,000
E	20 Day VWAP of $0.20 and 12 months continuous service within 3 years from the date of issue	12,000,000
F	20 Day VWAP of $0.25 and 18 months continuous service within 3 years from the date of issue	12,000,000
G	20 Day VWAP of $0.30 and 24 months continuous service within 3 years from the date of issue	12,000,000

NOTES TO ACCOUNTS

22. STATEMENT OF CASH FLOWS RECONCILIATION

	Consolidated	
	2021	2020
	$	$
Reconciliation of the net loss after tax to net cash flows from operations		
Loss from ordinary activities after income tax	(6,261,175)	(6,687,791)
Adjustments for:		
Depreciation	48,863	-
Impairment	11	202
Gain on disposal of investments	(382,976)	(6,900)
Gain on sale of tenements	-	(1,301,466)
Equity settled share-based payments	1,671,448	1,761,028
Equity settled payments	6,949	142,249
Unrealised gain on investments	(219,500)	(1,285,809)
Acquisition of tenements expense	1,335,613	6,095,382
Foreign exchange loss/(gain)	1,022	(648)
Changes in assets and liabilities		
Movement in trade and other receivables	(25,458)	(31,445)
Movement in other assets	(22,799)	(6,158)
Movement in trade and other payables	373,660	(48,080)
Movement in provisions	52,677	20,550
Net cash flow used in operating activities	(3,421,665)	(1,348,886)

23. INTEREST IN JOINTLY CONTROLLED OPERATIONS

As at 30 June 2021, the Group had the following significant interests in joint ventures:

(i) New South Wales tenements (excluding EL8442): On 12 March 2020, RareX announced Kincora Copper Limited (Kincora) had exercised its option to acquire a 65% interest in its NSW tenements (excluding EL8442) with RareX retaining a 35% free carried interest until such time as a positive scoping study or preliminary economic assessment is delivered, following which industry standard joint venture dilution mechanisms will apply.

(ii) Hong Kong Gold Project: On 7 December 2018, RareX announced the completion of an agreement with Canadian listed Pacton Gold Inc (TSXV: PAC) (Pacton) which provided for Pacton to acquire a 70% equity interest in RareX's Hong Kong Project in the Pilbara (Exploration Licence E47/3566 covering 40.15 km^2). Under the agreement, Pacton will act as operator of the Hong Kong Project and must spend a minimum of CAD$500,000 on Hong Kong within two years of completion of the transaction. RareX will be free carried with respect to joint venture expenditure until a decision to mine is made unanimously by both parties. After 30 June 2021, Pacton returned its interest in E47/3566 to RareX and, accordingly, the joint venture has ceased and RareX now owns 100% of this tenement.

NOTES TO ACCOUNTS

24. SEGMENT INFORMATION

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

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

At 30 June 2021, the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	30/6/2021 $	30/6/2020 $	30/6/2021 $	30/6/2020 $	30/6/2021 $	30/6/2020 $
Rare Earths (Western Australia)	(3,479,869)	(7,925,260)	28,652	1,158,544	(308,004)	(1,161,303)
Gold/Nickel/Copper (Western Australia)	(70,938)	-	505,032	505,032	-	-
Cobalt/Nickel (Austria)	(2,707)	(3,133)	-	-	-	-
Cobalt (Morocco)	(28,881)	(29,266)	890	458	-	(1,092)
Copper/Gold (New South Wales)	(107,615)	(41,247)	-	-	-	-
Corporate	(2,571,165)	1,311,115	8,828,426	6,024,928	(819,450)	(176,385)
	(6,261,175)	(6,687,791)	9,363,000	7,688,962	(1,127,454)	(1,338,780)

25. COMMITMENTS

	Consolidated	
	2021 $	2020 $
Estimated commitments for which no provisions were included in the financial statements are as follows:		
(a) Exploration Expenditure Commitments:		
Payable		
- not later than one year	565,760	277,848
- later than one year and not later than five years	2,263,040	111,392
	2,828,800	389,240

Included in overall commitments calculations are estimates of the Company's expected commitments in respect of its sole funded exploration licences. The above commitments for 2021 include a total of $1,870,000 of commitments over the five year period which relate to the Byro East Nickel-Copper-PGE Project and Orange East Gold Project which are proposed to be spun out into Cosmos Exploration Ltd. Following the spin out of these projects, RareX's expenditure commitments will reduce by $1,870,000 for the five year period.

All the exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Company or its joint venture partners have the option to relinquish and lose these licences or their contractual commitments at any stage, at the cost of its cumulative expenditures up to the point of relinquishment.

Refer to Note 23 for details of Jointly Controlled Operations.

NOTES TO ACCOUNTS

25. COMMITMENTS (continued)

(b) Lease Commitments

During the year, the Company entered into lease commitments which resulted in recognition of any right-of-use asset, or associated lease liability. Please refer Note 17 and 19.

(c) Contractual Commitments

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

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

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

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

26. CONTINGENT LIABILITIES

1. During the year ended 30 June 2017, the Company acquired the Leogang Cobalt-Nickel Sulphide Project in Austria. In the event that RareX elects to mine the Leogang Project a further $300,000 “finder’s fee” will be payable, in a mix of cash and shares.
2. Subject to a positive bankable feasibility study (BFS) being achieved within 36 months from settlement of the acquisition of the Cummins Range Rare Earths Project by the Company, further deferred consideration of $1,000,000 is payable to Element 25 Ltd which is to be settled in cash or shares in RareX Ltd at the election of RareX Ltd. As this further deferred consideration is subject to a positive BFS, it is disclosed as a contingent liability and has not been brought to account as a liability in the financial statements as at 30 June 2021.

NOTES TO ACCOUNTS

27. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The ultimate Australian parent entity and the ultimate parent of the consolidated entity is RareX Limited.

(b) Subsidiaries

The subsidiaries of RareX Limited are listed in the following table:

Name	Nature of investment	Country of incorporation	% Equity interest		Investment $	
			2021	2020	2021	2020
Cosmos Exploration Ltd[1]	Ordinary shares	Australia	100	-	1	-
Cummins Range Pty Ltd	Ordinary shares	Australia	100	100	4,782,250	4,782,250
Geoinformatics Exploration Tasmania Pty Ltd	Ordinary shares	Australia	100	100	1	1
Great Northern Hydrogen Pty Ltd[1]	Ordinary shares	Australia	100	-	1	-
Leogang Austria Pty Ltd	Ordinary shares	Australia	100	100	10	10
Ste Clancy Morocco Sarl	Ordinary shares	Morocco	100	100	15	15

[1] Incorporated as a 100% owned subsidiary of RareX on 22 March 2021

(c) Transactions with related parties

The following table provides the total amount of transactions (GST exclusive where GST applies) entered into with related parties for the relevant financial year. The transactions have all been undertaken on an arms' length basis.

	Consolidated	
	2021	2020
Purchase of goods and services	$	$
Legal fees billed by the Bellanhouse Legal, a related party of Shaun Hardcastle	-	31,288
Fair value of 8,250,000 shares and 2,750,000 options in RareX issued to Jeremy Robinson as one of the vendors of Cummins Range Pty Ltd which holds the Cummins Range Rare Earths Project. These shares and options were issued as part of the acquisition of the Cummins Range Rare Earths Project and Mr Robinson was appointed as Executive Director of RareX following completion of the acquisition.	-	623,948

	Consolidated	
	2021	2020
	$	$
Amounts owed in respect of related party transactions included in the trade creditors and accruals balance at 30 June 2021 and 30 June 2020 are as follows:		
Director fees billed by John Young	5,417	3,667
Director fees billed by the Rod Dog Pty Ltd, a company controlled by a director, Shaun Hardcastle	4,583	825

NOTES TO ACCOUNTS

28. SUBSEQUENT EVENTS

Subsequent to 30 June 2021:

- On 28 September 2021, the Company released the prospectus for Cosmos Exploration Ltd in relation to the spin out of its non-core Byro East Nickel-Copper-PGE Project and Orange East Gold Project, respectively located in Western Australia and New South Wales, subject to shareholder and other requisite approvals. The prospectus is for the offer of 25,000,000 shares in Cosmos Exploration Ltd at an issue price of $0.20 each to raise $5,000,000 (before costs).

29. DIRECTORS AND KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The names of the Company's officeholders in office at any time during the financial year are as follows. Officeholders were in office for the entire period unless otherwise stated.

J Young	Chairman (Non-Executive)
J Robinson	Director (Executive)
S Hardcastle	Director (Non-Executive)
C Henry	Director (Non-Executive)
O Malone	Company Secretary)

(b) Compensation for Key Management Personnel

	Consolidated	
	2021	2020
	$	$
Short-term employee benefits	402,902	251,807
Non-monetary benefits	580	-
Post-employment benefits	24,043	25,279
Share-based payments	88,601	561,750
Total Compensation	516,126	838,836

NOTES TO ACCOUNTS

30. SHARE-BASED PAYMENT EXPENSE

(a) Recognised share-based payments expenses

The expense recognised for the expensing of employee and consultant services received is shown in the table below:

	Consolidated	
	2021	2020
	$	$
Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Expense recognised for directors' services received		
Expense arising from equity-settled share-based payment transactions – directors	88,601	561,750
	88,601	561,750
Equity payment recognised for consulting fees		
Equity-settled share-based payment transactions – options issued for consideration for facilitation of acquisition and ongoing consultancy services	1,582,847	1,199,278
	1,582,847	1,199,278
Total recognised in the Statement of Profit or Loss and Other Comprehensive Income	1,671,448	1,761,028

(b) Weighted average remaining contractual life

The weighted average remaining contractual life of the options on issue is 1.34 years (2020: 2.0 years).

(c) Range of exercise price

The range of the exercise prices of the options on issue is $0.025 - $0.175 (2020: $0.025 - $0.175).

(d) Weighted average fair value

The fair value of the options issued as share-based payments during the year was $0.0816 per option (2020: $0.0267 per option).

(e) Weighted average share price

The weighted average price per share in relation to shares issued during the year was $0.0883 (2020: $0.0445).

30. SHARE-BASED PAYMENT EXPENSE (continued)

(f) Option valuation

During the year ended 30 June 2021, the following share based payments were made. The options have been valued by the Directors using the Black-Scholes option pricing model based on the following:

	Broker Options	Corporate Advisor Options	Consultant Options
Underlying value of the security	$0.12	$0.125	$0.125
Exercise price	$0.15	$0.15	$0.15
Valuation date	23/11/2020	5/02/2021	5/02/2021
Expiry date	30/112023	21/12/2023	21/12/2023
Life of Options in years	3	2.87	2.87
Volatility	134.13%	103.88%	103.88%
Risk free rate	0.11%	0.11%	0.11%
Number of Options	10,000,000	5,000,000	2,000,000
Valuation per Option	0.0874	0.0734	0.0734
Valuation	874,000	367,000	146,800
Total consideration paid by option holders	-	-	-
Valuation less consideration paid	874,000	367,000	146,800

NOTES TO ACCOUNTS

30. SHARE-BASED PAYMENT EXPENSE (continued)

During the year ended 30 June 2020, the following share based payments were made. The options have been valued by the Directors using the Black-Scholes option pricing model based on the following:

	Cummins Range Consideration Options	Employee Options #1	Employee Options #2	Employee Options #3	Consultant Options #1	Director Options #1	Director Options #2
Underlying value of the security	$0.061	$0.061	$0.061	$0.061	$0.055	$0.044	$0.044
Exercise price	$0.025	$0.025	$0.025	$0.025	$0.085	$0.0607	$0.0607
Valuation date	27/09/2019	27/09/2019	27/09/2019	27/09/2019	11/10/2019	12/12/2019	12/12/2019
Expiry date	27/09/2021	27/09/2022	27/09/2022	27/09/2022	11/10/2022	12/12/2022	12/12/2022
Life of Options in years	2	3	3	3	3	3	3
Volatility	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Risk free rate	0.70%	0.70%	0.70%	0.70%	0.68%	0.70%	0.70%
Probability of vesting[1]	N/a	54.50%	38.70%	30.10%	N/a	31.70%	23.90%
Number of Options	25,000,000	5,000,000	5,000,000	5,000,000	18,000,000	2,000,000	2,000,000
Valuation per Option	0.0439	0.0256	0.0182	0.0141	0.0292	0.0077	0.0058
Valuation	1,097,500	128,000	91,000	70,500	525,600	15,400	11,600
Total consideration paid by option holders	250	50	50	50	180	-	-
Valuation less consideration paid	1,097,250	127,950	90,950	70,450	525,420	15,400	11,600

NOTES TO ACCOUNTS

30. SHARE BASED PAYMENTS (continued)

	Director Options #3	Employee Options #4	Employee Options #5	Employee Options #6	Consultant Options #2	Director Options #4	Director Options #5
Underlying value of the security	$0.044	$0.044	$0.044	$0.044	$0.046	$0.035	$0.035
Exercise price	$0.0607	$0.0607	$0.0607	$0.0607	$0.085	$0.0607	$0.0607
Valuation date	12/12/2019	12/12/2019	12/12/2019	12/12/2019	20/12/2019	18/2/2020	18/2/2020
Expiry date	12/12/2022	12/12/2022	12/12/2022	12/12/2022	11/10/2022	22/12/2022	22/12/2022
Life of Options in years	3	3	3	3	2.8	2.8	2.8
Volatility	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Risk free rate	0.70%	0.70%	0.70%	0.70%	0.85%	0.72%	0.72%
Probability of vesting[1]	19.10%	31.70%	23.90%	19.10%	N/a	26.6%	19.4%
Number of Options	2,000,000	1,500,000	1,500,000	1,500,000	3,000,000	2,000,000	2,000,000
Valuation per Option	0.0047	0.0077	0.0058	0.0047	0.0219	0.0044	0.0032
Valuation	9,400	11,550	8,700	7,050	65,700	8,800	6,400
Total consideration paid by option holder	-	-	-	-	30	-	-
Valuation less consideration paid	9,400	11,550	8,700	7,050	65,670	8,800	6,400

	Director Options #6	Consultant Options #3	Consultant Options #4	Director Options #7	Director Options #8	Director Options #9	Consultant Options #5
Underlying value of the security	$0.035	$0.033	$0.055	$0.055	$0.055	$0.055	$0.065
Exercise price	$0.0607	$0.085	$0.085	$0.0607	$0.0607	$0.0607	$0.085
Valuation date	18/2/2020	5/3/2020	2/6/2020	2/6/2020	2/6/2020	2/6/2020	24/6/2020
Expiry date	22/12/2022	11/10/2022	11/10/2022	22/12/2022	22/12/2022	22/12/2022	11/10/2022
Life of Options in years	2.8	2.6	2.4	2.6	2.6	2.6	2.3
Volatility	100.00%	100.00%	128.61%	128.61%	128.61%	128.61%	132.20%
Risk free rate	0.72%	0.41%	0.26%	0.26%	0.26%	0.26%	0.27%
Probability of vesting[1]	15.0%	N/a	N/a	38.5%	31.2%	26.5%	N/a
Number of Options	2,000,000	1,250,000	1,250,000	2,000,000	2,000,000	2,000,000	7,000,000
Valuation per Option	0.0025	0.0125	0.0332	0.0141	0.0115	0.0097	0.0417
Valuation	5,000	15,625	41,500	28,200	23,000	19,400	291,900
Total consideration paid by option holder	-	-	-	-	-	-	-
Valuation less consideration paid	5,000	15,625	41,500	28,200	23,000	19,400	291,900

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

NOTES TO ACCOUNTS

30. SHARE BASED PAYMENTS (continued)

Share based payments expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021 consists of the shares and options issued as follows:

	$
Shares	
Fair value adjustment for shares issued to supplier	26,405
Fair value of shares issued to supplier	84,000
Sub-Total Shares	110,405
Options	
Broker Options	874,000
Corporate Advisor Options	367,000
Consultant Options	146,800
Sub-Total Options	1,387,800
Performance Rights (pro rata expense over vesting period)	
Directors	67,441
Key Management Personnel	21,160
Employees	84,642
Sub-Total Performance Rights	173,243
Total Share Based Payments Expense	1,671,448

Share based payments expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020 consists of the shares and options issued as follows:

NOTES TO ACCOUNTS

30. SHARE BASED PAYMENTS (continued)

	$
Shares	
Fair value adjustment for shares issued to directors and management personnel to settle unpaid fees	145,200
Fair value adjustment for shares issued to service providers to settle unpaid invoices	204,988
Fair value of shares issued to supplier	26,875
Sub-Total Shares	377,063
Options	
Employee Options #1	127,950
Employee Options #2	90,950
Employee Options #3	70,450
Consultant Options #1	525,420
Director Options #1	15,400
Director Options #2	11,600
Director Options #3	9,400
Employee Options #4	11,550
Employee Options #5	8,700
Employee Options #6	7,050
Consultant Options #2	65,670
Director Options #4	8,800
Director Options #5	6,400
Director Options #6	5,000
Consultant Options #3	15,625
Consultant Options #4	41,500
Director Options #7	28,200
Director Options #8	23,000
Director Options #9	19,400
Consultant Options #5	291,900
Sub-Total Options	1,383,965
Total Share Based Payments Expense	1,761,028

NOTES TO ACCOUNTS

30. SHARE BASED PAYMENTS (continued)

(g) Performance rights valuation

During the year ended 30 June 2021, the following share-based payments were made which have been accounted for in the share-based payments reserve:

(1) The following performance rights, which were issued to Directors, key management personnel and employees, 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 the year[1] ($)
J Young	E	26/5/2021	1,500,000	0.078200	117,300	3,746
	F	26/5/2021	1,500,000	0.073800	110,700	3,535
	G	26/5/2021	1,500,000	0.070300	105,450	3,368
			4,500,000		333,450	10,649
J Robinson	E	26/5/2021	5,000,000	0.078200	391,000	12,486
	F	26/5/2021	5,000,000	0.073800	369,000	11,784
	G	26/5/2021	5,000,000	0.070300	351,500	11,224
			15,000,000		1,111,500	35,494
S Hardcastle	E	26/5/2021	1,500,000	0.078200	117,300	3,746
	F	26/5/2021	1,500,000	0.073800	110,700	3,535
	G	26/5/2021	1,500,000	0.070300	105,450	3,368
			4,500,000		333,450	10,649
C Henry	E	26/5/2021	1,500,000	0.078200	117,300	3,746
	F	26/5/2021	1,500,000	0.073800	110,700	3,535
	G	26/5/2021	1,500,000	0.070300	105,450	3,368
			4,500,000		333,450	10,649
O Malone	E	5/2/2021	500,000	0.112400	56,200	7,442
	F	5/2/2021	500,000	0.106100	53,050	7,024
	G	5/2/2021	500,000	0.101100	50,550	6,694
			1,500,000		159,800	21,160
Other Employees	E	5/2/2021	2,000,000	0.112400	224,800	29,768
	F	5/2/2021	2,000,000	0.106100	212,200	28,099
	G	5/2/2021	2,000,000	0.101100	202,200	26,775
			6,000,000		639,200	84,642
Total			36,000,000		2,910,850	173,243

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

No performance rights were issued during the year ended 30 June 2020.

NOTES TO ACCOUNTS

30. SHARE BASED PAYMENTS (continued)

The performance rights have been valued by the Directors using the Black-Scholes option pricing model based on the following. The fair value for each class of performance right and the discount applied to share price at grant date to reflect

		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	$0.087						
Exercise price	Nil						
Grant date	26/5/21						
Volatility	104%						
Risk free rate	0.08%						
Performance Right:							
Class E		26/5/24	3	9,500,000	$0.0088	$0.0782	$742,900
Class F		26/5/24	3	9,500,000	$0.0132	$0.0738	$701,100
Class G		26/5/24	3	9,500,000	$0.0167	$0.0703	$667,850
				28,500,000			$2,111,850
Key management personnel and other employees							
Underlying value of the security	$0.125						
Exercise price	Nil						
Grant date	5/2/21						
Volatility	104%						
Risk free rate	0.08%						
Performance Right:							
Class E		5/2/24	3	2,500,000	$0.0126	$0.1124	$281,000
Class F		5/2/24	3	2,500,000	$0.0189	$0.1061	$265,250
Class G		5/2/24	3	2,500,000	$0.0239	$0.1011	$252,750
				7,500,000			$799,000
Total				36,000,000			$2,910,850

market based vesting condition is shown in the table below:

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	10,000,000
F	20 Day VWAP of $0.25 and 18 months continuous service within 3 years from the date of issue	10,000,000
G	20 Day VWAP of $0.30 and 24 months continuous service within 3 years from the date of issue	10,000,000

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.

NOTES TO ACCOUNTS

31. AUDITOR'S REMUNERATION

The auditor of RareX Limited was Walker Wayland WA Audit Pty Ltd.

	Consolidated 2021 $	2020 $
Amounts received or due and receivable by Walker Wayland WA Audit Pty Ltd (formerly Hall Chadwick WA Audit Pty Ltd) for:		
- an audit or review of the financial statements of the entity and its controlled entity	22,000	22,500
- other services in relation to the entity and its controlled entity	-	-
	22,000	22,500

32. INFORMATION RELATING TO RAREX LIMITED ('the Parent Entity')

	2021 $	2020 $
ASSETS		
Current Assets	4,672,845	3,569,083
Non-current Assets	4,361,677	2,953,113
TOTAL ASSETS	9,034,522	6,522,196
LIABILITIES		
Current Liabilities	484,916	172,014
Non-current Liabilities	314,060	-
TOTAL LIABILITIES	798,976	172,014
NET ASSETS	8,235,546	6,350,182
EQUITY		
Issued capital	36,649,631	30,065,194
Reserves	6,420,795	4,859,752
Accumulated losses	(34,834,880)	(28,574,764)
TOTAL EQUITY	8,235,546	6,350,182
Loss of the parent entity	(6,267,777)	(6,889,899)
Total comprehensive loss of the parent entity	(6,267,777)	(6,889,899)

Contingent liabilities of the parent entity: Nil.

	2021 $	2020 $
Reserves included in the parent entity:		
Options reserve	6,163,712	4,775,912
Share-based payment reserve	257,083	83,840
	6,420,795	4,859,752

Commitments for the acquisition of property, plant and equipment by the parent entity: Nil.

NOTES TO ACCOUNTS

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

For all financial instruments of the Company, the carrying value approximates the fair value.

The main risk arising from the consolidated entity's financial instruments is cash flow interest rate risk. Other minor risks are summarised below or disclosed at Note 20 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

(a) Cash Flow Interest Rate Risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates. The sensitivity to the movement in interest rates for the likely range of outcomes is immaterial.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted, resulting in a decrease or increase in overall income.

(b) Liquidity risk

The consolidated entity manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. Further, the consolidated entity only invests surplus cash with major financial institutions.

Contracted maturities of payables:

	Consolidated	
	2021	2020
	$	$
Payable		
- less than 6 months	668,948	1,318,230
- 6 to 12 months	-	-
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	668,948	1,318,230

(c) Commodity price risk

The consolidated entity has no direct commodity exposures.

(d) Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Given the current level of transactions denominated in foreign currency, the Directors consider foreign current risk not material.

NOTES TO ACCOUNTS

33. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Price risk

The Group is exposed to price risk on the value of its financial assets being listed investments.

If there was a 10% increase or decrease in market price of these listed investments, the net realisable value of these listed investments would increase/(decrease) by $365,762 (2020: $238,894). Accordingly, an increase of 10% in the value of the listed investments would decrease the net loss by $365,762 (2020: $238,894) and a decrease of 10% in the value of the listed investments would increase the net loss by $365,762 (2020: $238,894).

(f) Carrying values of financial instruments not recognised at fair value

Due to their short term nature, the carrying value of financial assets and financial liabilities, not recognised at fair value, recorded in the financial statements approximates their respective fair values, determined in accordance with accounting policies disclosed in Note 2 of the financial statements.

(g) Fair value hierarchy

The following table details the Groups assets and liabilities, measured or disclosed at fair value using a three level hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Fair value through profit or loss:				
Listed investments	3,657,619	-	-	3,657,619
2020				
Financial assets:				
Fair value through profit or loss				
Listed investments	2,388,942	-	-	2,388,942

(h) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the last trade price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

DIRECTORS' DECLARATION

The Directors of RareX Limited declare that:

1. In the opinion of the Directors:

    (a) the attached financial statements and the notes thereto of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

        (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2021 and of their performance for the year ended on that date; and

        (ii) complying with Accounting Standards;

    (b) the attached financial statements and the notes thereto of the Company and of the consolidated entity are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

    (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2021.

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

On behalf of the Board

Jeremy Robinson
Managing Director
Dated this 30th September 2021

Walker Wayland WA Audit Pty Ltd

ABN 94 608 776 834
www.ww-wa.com.au

30 September 2021

Independent Auditor's Report
To the Members of RareX Limited

REPORT ON THE AUDIT OF THE CONSOLIDTED FINANCIAL REPORT

Opinion

We have audited the financial report of RareX Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

b) 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 Group 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* ("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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to the following matter. As a result of the matters disclosed in Note 2a) "Going Concern" of the financial report, there are material uncertainties that cast doubt whether the Group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The ability of the Group to continue as a going concern is dependent upon its ability to generate additional funding through further capital raising and the successful exploitation of its tenements.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets (Note 13) (AASB 6)	
Exploration and Evaluation Assets had a net carrying value of $505,032 at 30 June 2021 (2020: $1,656,046). This represents the remaining interest in a Hong Kong Gold Project which is in exploration and evaluation phase. These projects represent a significant asset of the Company, as such we consider it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount	*Audit procedures include amongst others the following:* • Obtain evidence that the company has valid rights to explore in the areas represented by the capitalised exploration and evaluation asset by obtaining independent searches of a sample of company's tenement holdings; • Ensure criteria of AASB 6 are met to be able to carry the asset at its recorded amount; • Make enquiries with management and review of budgets to ensure that the expenditure on further exploration for and evaluation of the mineral resources are planned; • Consideration of the impacts of COVID-19 on the impairment assessment; and • Reviewed managements impairment assessment for reasonableness
Share Based Payments (Note 21 and 30) (AASB 2)	
The Company has issued 36,000,000 performance rights to directors of the Company and 17,000,000 options excisable at $0.15 to a brokers, consultants and corporate advisors of the company as compensation. Share based payments has been considered as a key audit matter; due to the high level of judgement required in evaluating the value.	*Audit procedures include amongst other the following:* • obtaining and reviewing managements valuation model including the reasonableness of all inputs into the model; • reviewing the Company's share price movements to assess volatility; • review and discuss the disclosures in the financial statements with management.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 Group 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 Group or to cease operations, or have 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 13 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of RareX Limited for the year ended 30 June 2021 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.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

Richard J Gregson

Richard Gregson CA
Director
Level 3, 1 Preston Street, COMO WA 6152

Dated this 30th day of September 2021