



AMERICAN RARE EARTHS LIMITED

(Incorporated in New Zealand)

NZ Company Number: 322887

NZ Overseas Issuer Number: 2541657

ARBN 003 453 503 (Australia)

ABN: 83 003 453 503 (Australia)

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

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COMPANY DIRECTORY

DIRECTORS F Creagh O'Connor (Chairman) Chris Gibbs Denis Geldard Geoffrey G Hill Clarence McAllister Mel Sanderson Sten Gustafson Richard Hudson	AUDITOR Hall Chadwick (NZ) Level 26 188 Quay Street Auckland
COMPANY SECRETARY Wayne Kernaghan	BANKERS National Australia Bank, Sydney Commonwealth Bank, Sydney Wells Fargo Bank, N.A.
REGISTERED OFFICE Suite 11234 178 Farnham Street Parnell Auckland 1052 New Zealand	SECURITIES LISTED Australian Securities Exchange (ASX): Code: ARR (shares)
AUSTRALIAN OFFICE Suite 706, Level 7 89 York Street Sydney 2000 NSW GPO Box 1546 SYDNEY NSW 2001 Phone: (+61 2) 8054 9779 Email: info@americanrareearths.com.au	SHARE REGISTRAR AUSTRALIA Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5001 Phone: 1300 556 161 (within Australia) (+61 3) 9415 4000 (outside Australia) www.computershare.com.au
WEBSITE https://americanrareearths.com.au	

INTERESTS IN TENEMENTS

Claim Name	Location	Group Ownership
LA PAZ-1 - LA PAZ-7	Arizona, United States	100%
LA PAZ-8 - LA PAZ-14	Arizona, United States	100%
LA PAZ-33 - LA PAZ-45	Arizona, United States	100%
LA PAZ-46 - LA PAZ-66	Arizona, United States	100%
LA PAZ-67 - LA PAZ-69	Arizona, United States	100%
LA PAZ-71	Arizona, United States	100%
LA PAZ-73	Arizona, United States	100%
LA PAZ-75	Arizona, United States	100%
LA PAZ-92 - LA PAZ-101	Arizona, United States	100%
LA PAZ-108 - LA PAZ-128	Arizona, United States	100%
LA PAZ-129 - LA PAZ-149	Arizona, United States	100%
LA PAZ-150 - LA PAZ-170	Arizona, United States	100%
LA PAZ-171 - LA PAZ-191	Arizona, United States	100%
LA PAZ-192 - LA PAZ-212	Arizona, United States	100%
LA PAZ-213 - LA PAZ-219	Arizona, United States	100%
LA PAZ-220 - LA PAZ-232	Arizona, United States	100%
LA PAZ-233 - LA PAZ-253	Arizona, United States	100%
LA PAZ-254 - LA PAZ-261	Arizona, United States	100%
LA PAZ-262 - LA PAZ-281	Arizona, United States	100%
REX-1 - REX-5	Wyoming, United States	100%
REX 10 - REX 23	Wyoming, United States	100%
REX 25 - REX 43	Wyoming, United States	100%
REX 44 - REX 72	Wyoming, United States	100%
REX 44 - REX 72	Wyoming, United States	100%
T-01 - T-80	Nevada, United States	100%

DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The Directors present the following report including financial statements of American Rare Earths Limited (**Company**) for the six months ended 31 December 2021.

1. Directors

The names of the Directors of the Company during the half-year and up to the date of this report are:

F Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Chris Gibbs	Managing Director	Appointed 1 November 2021
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
Geoffrey G Hill	Non-Executive Director	Appointed 27 August 2015
Clarence McAllister	Non-Executive Director	Appointed 21 September 2021
Mel Sanderson	Non-Executive Director	Appointed 12 November 2021
Sten Gustafson	Non-Executive Director	Appointed 7 January 2022
Richard Hudson	Non-Executive Director	Appointed 8 February 2022
Keith Middleton	Non-Executive Director	Appointed 19 March 2020 Resigned 7 February 2022

2. Review of Operations

Overview

American Rare Earths Limited is an ASX listed exploration entity focused on the discovery and development of rare earths and critical minerals in North America and Australia. The Company owns 100% of the world-class La Paz rare earth project located approximately 200km northwest of Phoenix, Arizona and the Halleck Creek rare earth project in Wyoming, USA.

On 1 November 2021, Mr Chris Gibbs was appointed Managing Director. He Replaces Mr Keith Middleton who takes up a non-executive director role. Mr Middleton resigned from the Board in February 2022.

La Paz Project: The company's flagship project continues to move forward as planned with the goal to significantly increase the 170 million tonne JORC Resource. Drill permits were approved for the new southwest area of the project with a target estimate of 742 to 928 million tonnes with 350 to 400 TREO. The exploration target is additive to the existing JORC resource. Plans were finalised and drilling commenced in February 2022.

Halleck Creek Project: The exploration team finalised and announced the maiden drill program. The project has the potential to contain more resources than La Paz. Approximately 308 to 385 million tonnes of rare earths mineralised rocks were identified as an exploration target with an average TREO Grade of 2330 ppm to 2912 ppm. Permits were approved and drilling is scheduled to commence in Q1, 2022.

Environmental, Social & Governance (ESG)

During the reporting period there were zero safety, health and/or environment incidents.

ESG is a key focus at American Rare Earths and is central to what we do. We are committed to building an ESG centric culture, collaborating with our people and the wider stakeholder community to build a positive and more sustainable future. There is a growing demand from the people we work with and expectations from all stakeholders to be more sustainable and socially responsible. We are shaping the future for American Rare Earths, but also the next generation.

In November 2021 we were delighted to welcome Melissa Sanderson to the ARR Board. Mel brings a wealth of experience to the Company and will play a key role helping us shape our ESG strategy and governance. Mel's 30-year international career has spanned diplomacy and mining. She is adept at cross-cultural communication and brings leadership experience in inclusivity and diversity issues. At global mining leader Freeport-McMoRan, Mel sited, staffed, and ran a corporate office focused on government, public relations, and social responsibility programs. She also served the United States of America as a senior diplomat in the US Department of State.

La Paz Rare Earths Project

The La Paz Rare Earths project is 100% owned by the Company's wholly owned US based subsidiary, La Paz Rare Earth LLC ("LPRE") and is located approximately 200km northwest of Phoenix, Arizona.

Favourable results from two core holes drilled in March 2021 drilled in the La Paz Southwest provided an opportunity to develop an additional exploration drilling program in the area. ARR developed a modest eight (8) hole exploration program to determine the extent of REE mineralisation across the large La Paz Southwest area. The widely spaced core holes will be drilled in various rock types, previously showing favourable TREO mineralisation in surface samples. Seven holes will be drilled to approximately 100 metres with one to a depth of 200 metres to locate the regional water-table depth and determine if REE mineralisation continues at depth.

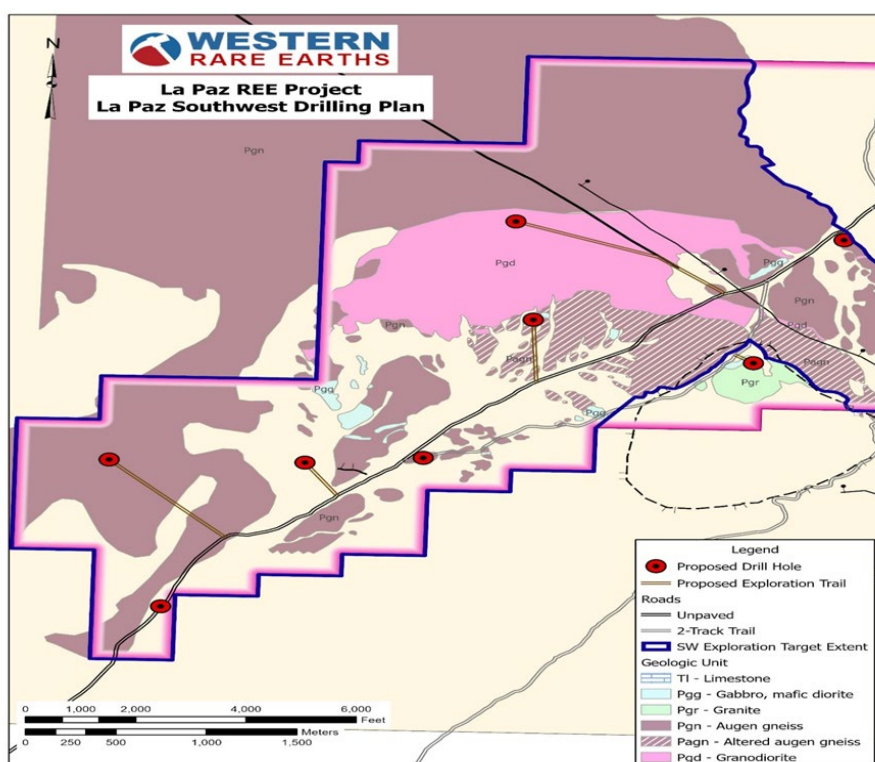
ARR exploration permits were applied for in September 2021 and approved in December 2021. Drilling in the La Paz Southwest is set to commence in early February 2022. Additional exploration plans are currently in development.

Using existing geological data in the La Paz Southwest area, ARR compiled an exploration target summary with a range of approximately 742.5 – 928.1 million tonnes (see table 1 below). Estimated in-place TREO grade ranges from approximately 350 – 400 ppm and an in-place estimated range of Scandium Oxide of approximately 20 – 24.5 ppm.

Table 1 - La Paz Southwest Exploration Target Estimate

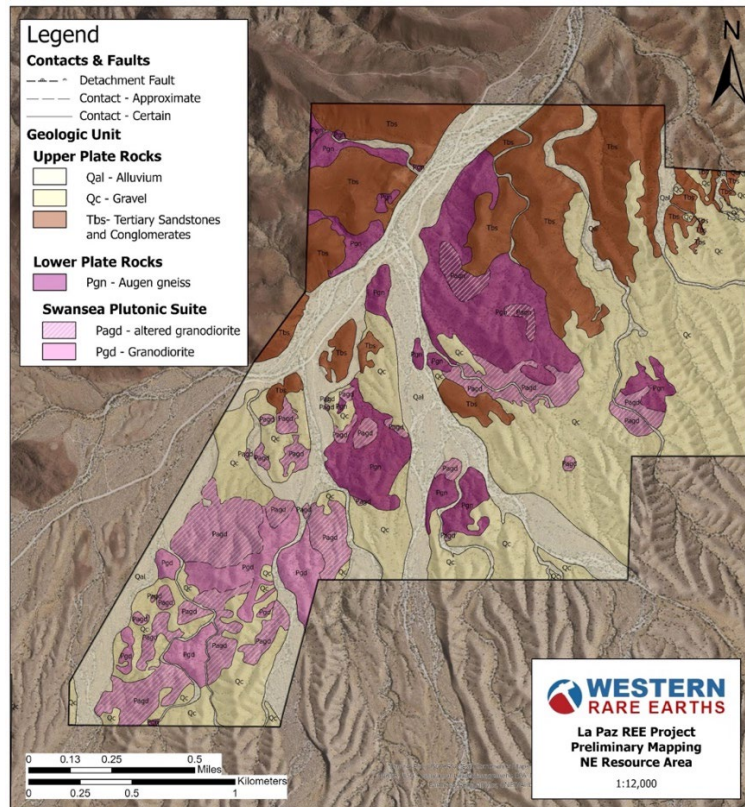
Rock Type	Volume (million cu m)	Density (g/cc)	In-Place Tonnage (million tonnes)	Average TREO Grade (ppm)	Mass TREO (million kg)	Average Scandium Oxide Grade (ppm)	Mass Scandium Oxide (million kg)
Augen Gneiss	42.8 - 53.5	2.68	114.6 - 143.3	350 - 400	40.1 - 57.3	20 - 24.5	2.3 - 3.5
Mylonitic Gneiss	234.3 - 292.8	2.68	627.9 - 784.8	350 - 400	219.7 - 313.9	20 - 24.5	12.6 - 19.2
Grand Total	277.0 - 346.3	2.68	742.5 - 928.1	350 - 400	259.9 - 371.2	20 - 24.5	14.8 - 22.7

Proposed Exploration Holes for La Paz Southwest area

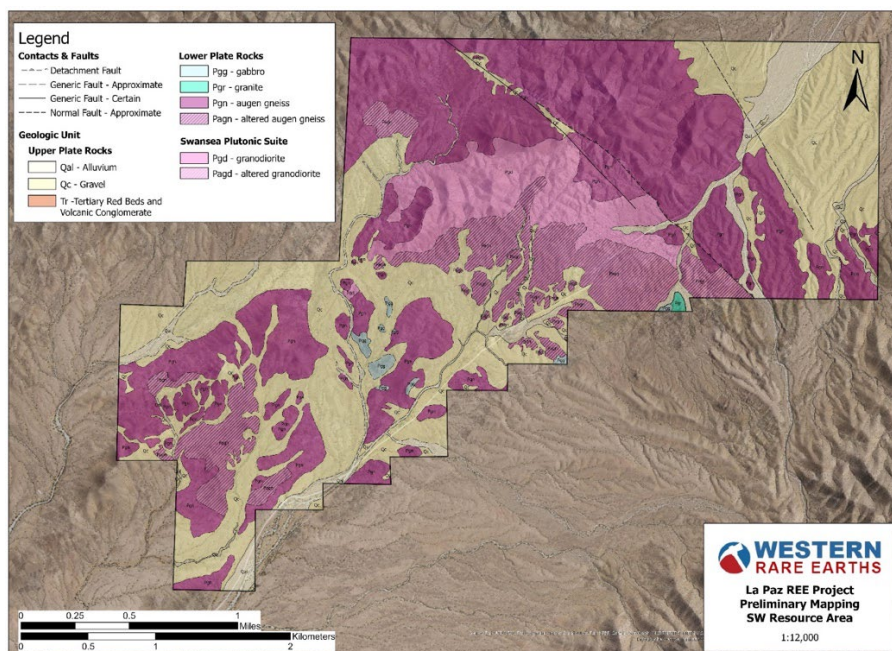


In December 2021, ARR geologists collected 352 surface geochemical samples from the La Paz project area. 181 samples were collected from the north-eastern resource area, and 171 samples were collected from the south-western resource area. Detailed surface mapping of exposed rock units was performed at the same time. ARR geologists updated geological maps for each area (see maps below). The samples were submitted to ALS labs for detailed REE analysis. Additionally, 10 samples were analysed for whole rock analysis. ARR will present the results of the REE analyses when they become available from the laboratory.

Updated Geologic Map of the La Paz Northeast Area



Updated Geologic Map of the La Paz Southwest Area



Halleck Creek Rare Earths Project

In June and July of 2021, a surface sampling program totalling 197 samples were collected from the Halleck Creek project area with favourable and significant results showing an average Total Rare Earth Oxide (TREO) value of 3,187 ppm and a noteworthy, combined Nd and Pr average of 702 ppm. The results also showed that the Red Mountain Pluton is Light Rare Earth Oxide (LREO) dominant, with an average of 2,836 ppm.

Based on the results of surface samples, ARR developed a modest nine-hole exploration program. Five holes on Overton Mountain and four holes on Red Mountain, with a total length of approximately 825 metres, determine the regional extent of mineralised depth. The proposed core hole will range between 75 and 100 metres in depth.

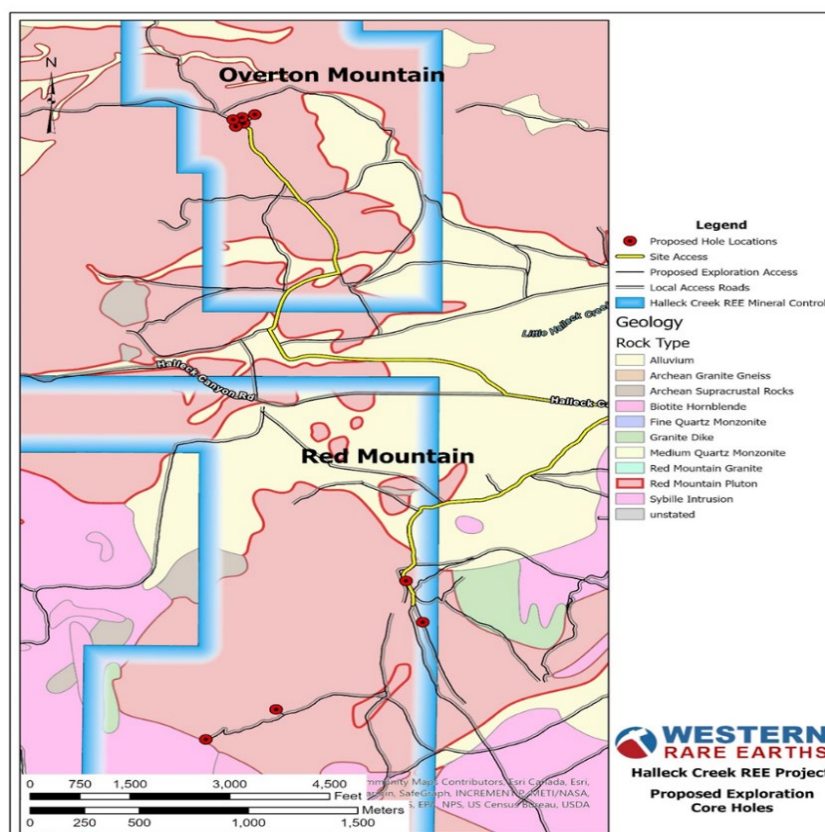
ARR built conceptual volumetric models covering the Overton Mountain and Red Mountain claim areas. The volumetric models were developed to estimate the volume of material within the claim areas and evaluate surface sample grades exceeding TREO of 2,500 ppm.

An Exploration Target with a range of approximately 307.8 – 384.7 million tonnes as estimated using the parameters listed above. The average estimated TREO grade ranges from 2,330 – 2,912ppm (see Table 2 below).

Table 2 – Halleck Creek Exploration Target Estimates

Study Area	Area (ha)	Volume (million cu m)	In-Place Tonnage (million tonnes)	Average TREO Grade (ppm)	Mass TREO (million kg)
Overton Mountain	115	28.3 - 35.4	75.9 - 94.9	2,551 - 3,189	194 - 303
Red Mountain	149	86.5 - 108.2	231.9 - 289.9	2,258 - 2,822	524 - 818
Total	264	114.8 - 143.6	307.8 - 384.7	2,330 - 2,912	717 - 1,120

Proposed Drill Hole Locations for the Halleck Creek Project



In October 2021, ARR geologists collected 121 surface geochemical samples from the Halleck Creek project area. 92 samples were collected from the Overton Mountain resource area, and 21 samples were collected from the Red Mountain resource area. Additional mapping and sampling are planned for Red Mountain when the project area becomes more accessible after winter. ARR geologists updated geological maps for each area. The samples were submitted to ALS labs for detailed REE analysis. Additionally, 8 samples were analysed for whole rock analysis. ARR will present the results of the REE analyses when they become available from the laboratory.

Metallurgical and Mineral Processing Program

The success of the preliminary metallurgical and magnetic separation test work conducted resulted in recommendations by the Company's technical team and Wood experts for a more advanced metallurgy and mineral processing program to be undertaken. The advanced program continued during the period at the Nagrom Laboratories in Perth, Western Australia using 500kg of selected 2021 diamond drill core from the La Paz resource area. The aim of the program is to:

- Significantly improve on the preliminary program results
- Develop an advanced mineral processing and metallurgy flow sheet; and
- Produce a pre-leaching concentrate of 5,000ppm TREE or greater along with an associated upgrade of Scandium

Work is progressing well, and the results are expected to provide necessary information to undertake a preliminary economic evaluation (PEA) to further advance the La Paz project.

Corporate & Finance Review

Mr Chris Gibbs joined the company on November 1st, to accept the position of Managing Director and CEO of the Company. Chris joins ARR from Argonaut Gold and has over 28 years' experience in the resource sector within Australia, Canada, USA, South America, Africa, and Europe. He is an innovative leader with a proven history for implementing organisational change and delivering business results. He succeeds Mr Keith Middleton in the role.

Mr Noel Whitcher joined the company on November 1st, to accept the position of CFO. Noel joins ARR from Leigh Creek Energy and has over 18 years' experience as a finance professional in the government, resources and energy sectors in Australia and the UK.

The Company successfully applied for its common shares to be trading on the OTC Markets, "QB" level, a US trading platform operated by the OTC Markets Group in New York. The Company intends to also apply to the Depository Trust Company ("DTC") for DTC eligibility which would greatly simplify the process for North American investors trading the Company's common shares.

A significant capital raise was undertaken with Fidelity International Limited in December 2021. Under the raise a total of 39,150,000 shares were issued at a purchase price of A\$0.148 per share, which raised additional capital of A\$5,794,200. Fidelity is renowned for its long-term focus and ESG (environmental, social and governance) credentials. The strategic placement gives Fidelity an initial 9.9% stake in the company. This is a major show of confidence by an esteemed institutional investor in the company's growth plans while on a more practical level it enables the company to accelerate the development projects.

A total of 5,407,778 shares were issued due to the exercise of options. 5,157,778 options were exercised at A\$0.15 each, which raised additional capital of A\$773,667 and 250,000 options were exercised at A\$0.06 each, which raised additional capital of A\$15,000.

As result of the capital raising which was completed in December 2021, Cash and Cash Equivalents at 31 December 2021 increased to \$8,165,622 (30 June 2021: \$3,700,689).

Total assets increased to \$16,805,286 (30 June 2021: \$9,949,039) and total liabilities increased to \$932,853 (30 June 2021: \$395,071).

Loss after income tax for the six-month period to 31 December 2021 was \$820,735 (2020: loss \$516,251).

Extraordinary items during the period

In November 2021 at the Company AGM shareholders resolved to issue a total of 11 million options to directors of the company. In line with AASB 2, these options have been measured using a Black-Scholes options pricing model on a fair value basis with a deemed value of A\$771,875 which has been recognised in the accounts. Further, in November 2021 shareholders voted to issue 1.5 million shares to a director. Fair value measurement of these shares was deemed to be A\$270,000 and has been recognised in the accounts. Note 12 to the financial statements provides a breakdown of these transactions.

In November 2021, ARR elected to exercise its rights to withdraw from the agreement with Zenith Minerals Limited (Zenith) to acquire the Scandium Mineral Rights over the Split Rocks Project, as part of a strategic plan to focus the Company's resources on the development of its critical mineral's projects in North America and Australia. This resulted in \$122,229 in Exploration assets being expensed under operating activities during the period. The Company's withdrawal from the agreement was effective 26 November 2021.

3. Auditor's Independence Declaration

We confirm that we have obtained the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) which is set out on page 12.

4. Subsequent Events

In January 2022, ARR sold 2,000,448 shares in Cobalt Blue Holdings Limited ("COB") generating proceeds of \$1,036,133. The company currently holds 4,000,000 shares in COB.

In January and February 2022, a total of 2,787,721 options have been exercised generating proceeds of \$395,658.

On 7 January 2022, Mr Sten Gustafson joined the Board of ARR as a Non-Executive Director.

On February 2022, the lease for 89 York Street Sydney was renewed until March 2025.

On 7 February 2022, Mr Keith Middleton retired from his position of Non-Executive Director on the Board of ARR.

On 8 February 2022, Mr Richard Hudson joined the Board of ARR as a Non-Executive Director.

Signed for and on behalf of the Board



Creagh O'Connor
Chairman



Chris Gibbs
Managing Director

09 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
AMERICAN RARE EARTHS LIMITED

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of American Rare Earths Limited (the company) and its controlled entities (the group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of American Rare Earths Limited does not give a true and fair view of the group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and in accordance with Accounting Standard NZ IAS 34: Interim Financial Reporting.

Basis for Conclusion

We conducted our review in accordance with ISRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our review of the half year 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.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ISRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report does not give a true and fair view of the company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard NZ IAS 34: Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The engagement director on the review resulting in this independent review report is Tadius Munapeyi.

For and on behalf of:

Hall Chadwick NZ

Hall Chadwick New Zealand
CPA Public Accountants
9 March 2022

AMERICAN RARE EARTHS LIMITED
ABN 83 003 453 503

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
AMERICAN RARE EARTHS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of American Rare Earths Limited. As the lead audit partner for the audit of the financial report of Merlo Group Australia Pty Ltd for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick NZ

Hall Chadwick New Zealand

Tadius Munapeyi

Tadius Munapeyi
Director
9 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	6 months ended 31/12/2021 A\$	6 months ended 31/12/2020 A\$
Continuing Operations		
Interest received	11	30,400
Other income	22,535	73,318
Revaluation of financial assets	1,479,264	912,157
Fair value adjustments on equity instruments	-	(450,000)
Consulting fees	(360,326)	(59,659)
Employee expenses	(216,987)	(6,508)
Directors' fees	(112,982)	(99,425)
Investor relations	(112,068)	-
Accounting, secretarial, legal	(80,792)	(61,072)
Administration expenses	(72,595)	(87,984)
ASX, OTC & Registry	(71,716)	(55,932)
Relocation expenses	(44,642)	-
Depreciation expenses	(32,818)	(32,083)
Auditor's remuneration – auditing the accounts	(31,445)	(55,881)
Marketing & promotion	(13,297)	(7,687)
Interest expenses	(8,773)	(4,279)
Tenements annual rent	-	(31,087)
Profit for the period before extraordinary items	343,369	64,278
Extraordinary items		
Fair value recognition of share-based payments	(1,041,875)	(575,000)
Exploration expenditure written off	(122,229)	(5,529)
Loss for the period after extraordinary items	(820,735)	(516,251)
Income tax benefit	-	-
Loss for the period after income tax	(820,735)	(516,251)
Other comprehensive income	(75,689)	(128,733)
Total comprehensive income attributable to the Parent entity	(896,424)	(644,984)
Net Loss per share		
Basic loss per share from continuing operations	(0.24) cents	(0.17) cents
Diluted loss per share from continuing operations	(0.24) cents	(0.17) cents

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Share capital A\$	Options reserve A\$	Accumulated losses A\$	Foreign currency translation A\$	Total A\$
2021					
Equity at 1 July 2021	13,168,308	832,467	(4,319,858)	(126,949)	9,553,968
Issue of share capital net of costs	6,121,730	-	-	-	6,121,730
Net loss and other comprehensive income	-	-	(820,735)	-	(820,735)
Share based payments	270,000	823,158	-	-	1,093,158
Options issued under share-based payments	322,867	(322,867)	-	-	-
Exchange difference arising on foreign operations	-	-	-	(75,689)	(75,689)
Movement in equity for the period	6,714,597	500,291	(820,735)	(75,689)	6,318,464
Equity at 31 December 2021	19,882,905	1,332,758	(5,140,593)	(202,638)	15,872,432
2020					
Equity at 1 July 2020	10,374,714	25,800	(4,060,938)	(31,777)	6,307,799
Issue of share capital net of costs	1,898,107	806,667	-	-	2,704,774
Net loss and other comprehensive income	-	-	(516,251)	-	(516,251)
Share based payments	575,000	472,500	-	-	1,047,500
Shares issued to acquired controlled entities	225,000	-	-	-	225,000
Options issued under share-based payments	(472,500)	-	-	-	(472,500)
Exchange difference arising on foreign operations	-	-	-	(128,733)	(128,733)
Movement in equity for the period	2,225,607	1,279,167	(516,251)	(128,733)	2,859,790
Equity at 31 December 2020	12,600,321	1,304,967	(4,577,189)	(160,510)	9,167,589

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	31/12/2021 A\$	30/06/2021 A\$
ASSETS			
Current assets			
Cash and cash equivalents		8,165,622	3,700,689
Receivables		60,511	66,081
Other assets		94,243	37,938
Total current assets		8,320,376	3,804,708
Non-current assets			
Property, plant & equipment	6	12,307	11,380
Right-of-use assets	7	15,692	47,076
Exploration and evaluation	8	2,813,794	1,922,022
Financial assets	9	5,643,117	4,163,853
Total non-current assets		8,484,910	6,144,331
Total assets		16,805,286	9,949,039
LIABILITIES			
Current liabilities			
Trade and other payables		917,030	346,560
Lease liabilities		15,824	48,511
Total current liabilities		932,854	395,071
Total liabilities		932,854	395,071
Net Assets		15,872,432	9,553,968
EQUITY			
Share capital	2	19,882,905	13,168,308
Reserves	2	1,332,758	832,467
Foreign currency reserve		(202,638)	(126,949)
Accumulated losses		(5,140,593)	(4,319,858)
Total equity		15,872,432	9,553,968

Signed for and on behalf of the Board



Creagh O'Connor

Chairman



Chris Gibbs

Managing Director

Date: 09 March 2022

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	6 months ended 31/12/2021	6 months ended 31/12/2020
Cash flows from operating activities			
Interest received		11	154
Cash received in the course of operations		2,188	91,985
Interest expenses		(8,773)	(4,279)
Payments to suppliers and employees		(1,194,748)	(553,390)
Net cash used in operating activities	3	(1,201,322)	(465,530)
Cash flows from investing activities			
Payment for property, plant & equipment		(2,361)	(7,122)
Acquisition of controlled entities less cash acquired		-	(38,844)
Exploration and evaluation expenditure		(354,505)	(439,373)
Net cash used in investing activities		(356,866)	(485,339)
Cash flows from financing activities			
Share capital issued		6,582,867	2,490,000
Share issue costs		(409,854)	(235,226)
Repayment of lease liabilities		(32,688)	(30,091)
Net cash provided by financing activities		6,140,325	2,224,683
Net increase in cash and cash equivalents held		4,582,137	1,273,814
Exchange difference		(117,204)	(47,406)
Cash and cash equivalents at the beginning of the period		3,700,689	1,433,784
Cash and cash equivalents at the end of the period		8,165,622	2,660,192
Cash comprises:			
Cash at bank		8,165,622	2,660,192

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**1. Summary of Significant Accounting Policies**Reporting entity

American Rare Earths Limited (**ARR** or **Company**) is a profit-oriented company incorporated in New Zealand registered under the New Zealand *Companies Act 1993* and listed on the Australian Securities Exchange (ASX).

ARR is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The financial statements of American Rare Earths Limited have been prepared in accordance with the New Zealand Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The principal activity of the Company and its subsidiaries (the "Group") is minerals exploration.

The Group consists of American Rare Earths Limited and its wholly owned subsidiaries, Broken Hill Uranium Pty Ltd, Broken Hill Chemical Pty Limited, Broken Hill Minerals Pty Ltd, Murray Basin Minerals Pty Limited, Wyoming Rare Pty Ltd, Western Rare Earth LLC, La Paz Rare Earth LLC and Wyoming Rare (USA) Inc.

These consolidated financial statements have been reviewed but not audited.

Reporting currency

The functional and presentation currency is Australian dollars.

Basis of preparation: These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with NZ IAS-34, Interim Financial Reporting and should be read in conjunction with the accounting policies set out in the annual financial statements for the year ended 30 June 2021.

These accounts have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. For this purpose, the Company has designated itself as profit oriented.

These financial statements also comply with the New Zealand Financial Markets Conduct Act 2013.

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis have been followed by the Group.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the New Zealand Accounting Standards Board ('NZASB') that are mandatory for the current reporting period.

Seasonality of operations

The results are unaffected to any significant extent by seasonal factors.

Changes in accounting policies

There have been no changes in accounting policies during the period. The accounting policies and method of computation applied during the previous year were applied on a consistent basis during the current period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (continued)

2. Share capital

	31/12/2021	30/06/2021
	A\$	A\$
Ordinary shares – 390,366,104 (30/06/2021: 344,308,326)	19,882,905	13,168,308
Movement in share capital		
Balance at beginning	13,168,308	10,374,714
Shares issued under Placement	6,905,734	2,705,833
Shares issued to acquire controlled entities	-	225,000
Share based payments	270,000	575,000
Share issue costs	(409,854)	(239,739)
Option issue costs	(51,283)	(472,500)
Balance at end	19,882,905	13,168,308
Movement in share issued	No. of shares	No. of shares
Share capital at 30 June 2021	344,308,326	290,919,592
Shares issued under placement	44,557,778	45,888,734
Shares issued to acquired controlled entities	-	2,500,000
Share based payments	1,500,000	5,000,000
Share capital at 31 December 2021	390,366,104	344,308,326
	A\$	A\$
Unlisted options – 20,425,555 (30/06/2021 – 13,833,333)	1,332,758	832,467
Movement in options reserve		
Balance at beginning	832,467	25,800
Options issued under placement	51,283	806,667
Options issued under share-based payment	771,875	472,500
Options exercised	(322,867)	(472,500)
Balance at end	1,332,758	832,467
Movement in Options issued	No. of options	No. of options
Options on issued at beginning	13,833,333	500,000
Options issued under Placement	1,000,000	13,333,333
Share based payments	11,000,000	5,000,000
Options exercised	(5,407,778)	-
Options on issued at end	20,425,555	18,833,333

All shares have equal voting rights and will share equally in dividends and surplus on winding up.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (continued)

3. Reconciliation of operating cash flow & net income

	6 months ended 31/12/2021 A\$	6 months ended 31/12/2020 A\$
Net loss attributable to members of parent entity	(820,735)	(516,251)
Add non-cash items:		
Depreciation expenses	32,818	32,083
Fair value adjustments on equity instruments	-	450,000
Fair value recognition of share based payments	1,041,875	575,000
Revaluation of financial assets	(1,479,264)	(912,157)
Exploration expenditure written off	122,229	5,529
Changes in assets and liabilities:		
(Increase)/decrease in receivables and other assets	(50,735)	(25,872)
(Decrease)/increase in trade and other payables	(47,510)	(73,862)
Net cash used in operating activities	(1,201,322)	(465,530)

4. Commitments

Tenements: in order to maintain current rights of tenure to exploration and mining tenements, the Company is required to meet minimum expenditure requirements.

Expenditure requirements for tenements	31/12/2021 A\$	31/12/2020 A\$
Not later than 1 year	-	54,370
Later than 1 year	-	-
Total	-	54,370

5. Controlled entities

Interests in subsidiaries

Name of Entity	Equity Held 2021	2020	Country of Incorporation
Broken Hill Uranium Pty Ltd	100%	100%	Australia
Broken Hill Chemical Pty Ltd	100%	100%	Australia
Broken Hill Minerals Pty Ltd	100%	100%	Australia
Murray Basin Minerals Pty Ltd	100%	100%	Australia
Wyoming Rare Pty Ltd	100%	100%	Australia
Western Rare Earth LLC	100%	100%	United States
La Paz Rare Earth LLC	100%	100%	United States
Wyoming Rare (USA) Inc	100%	100%	United States

All Australian subsidiaries of the Company have June balance dates and the United States subsidiaries have December balance dates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (continued)

6. Property, plant and equipment

	31/12/2021 A\$	30/06/2021 A\$
Office equipment:		
Balance at beginning of period	11,380	5,027
Additions	2,361	8,667
Depreciation	(1,434)	(2,314)
Balance at end of period	12,307	11,380

7. Right-of-use assets

Right-of-use asset: office lease		
Balance at beginning of period	47,076	109,845
Depreciation	(31,384)	(62,769)
Balance at end of period	15,692	47,076

8. Exploration and evaluation assets

Balance at beginning of period	1,922,022	576,699
Exploration & evaluation expenses	1,072,776	1,214,576
Addition through acquisition of controlled entities	-	283,315
Exchange difference	(58,775)	(49,530)
Exploration cost impaired	(122,229)	(103,038)
Balance at end of period	2,813,794	1,922,022

* Exploration & evaluation impairment relate to the decision in November 2021 to withdraw from the agreement with Zenith to acquire the Scandium Mineral Rights over the Split Rocks Project.

9. Financial assets

Shares in listed entity at fair value	2,970,222	1,590,119
5-year promissory note at fair value	2,672,895	2,573,734
	5,643,117	4,163,853

10. Contingent liabilities

There were no contingent liabilities at 31 December 2021 (31 December 2020: \$nil).

11. Seasonality of operations

The results are unaffected to any significant extent by seasonal factors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (continued)

12. Related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Amount paid to directors' related entities for directors' and consulting fees were,

for the Company and the Group:

	6 months ended 31/12/2021 A\$	6 months ended 31/12/2020 A\$
Directors' fees	112,982	99,445
Shares issued to:		
D Geldard – 4 million shares @\$0.09	-	360,000
K Middleton – 2 million shares @\$0.09	-	180,000
Share based payment:		
C Gibbs – 1.5 million shares @\$0.18	270,000	-
K Middleton – 5 million shares @\$0.115	-	575,000
Options issued to:		
C O'Connor – 3 million options @\$0.10	306,231	-
G Hill – 2 million options @\$0.20	116,411	-
D Geldard – 2 million options @\$0.20	116,411	-
K Middleton – 2 million options @\$0.20	116,411	-
C McAllister – 2 million options @\$0.20	116,411	-
* Director options issued following vote of shareholders at 9 November 2021 Annual General Meeting. Black-Scholes option pricing model used to determine fair value as per AASB 2.		
Consulting fees:		
Middleton Nominees Pty Ltd – an entity related to K Middleton	242,374	25,000
Asia Pacific Capital Group – an entity related to M Hill (Resigned 24 September 2020)	-	50,000
	1,397,231	1,289,445

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (continued)

13. Segment Information

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The Company does not yet have any products or services from which it derives an income.

During the half year to 31 December 2021, CODM has identified the Company as having two reportable segments, being the geographic location of assets in the United States and Australia.

The CODM review EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	USA A\$	Australia A\$	Total A\$
Consolidated 6 Months Ended December 2021			
Other revenue			
Interest income	11	-	11
Other income	-	22,535	22,535
Revaluation of financial assets	-	1,479,264	1,479,264
	11	1,501,799	1,501,810
Expenses			
General operating expenses	(273,469)	(2,040,303)	(2,313,772)
Interest expenses	-	(8,773)	(8,773)
Loss before income tax	(273,458)	(547,277)	(820,735)
Consolidated 6 Months Ended December 2020			
Other revenue			
Interest income	-	30,400	30,400
Other income	-	73,318	73,318
Revaluation of financial assets	-	912,157	912,157
	-	1,015,875	1,015,875
Expenses			
General operating expenses	(24,383)	(1,497,935)	(1,522,318)
Interest expenses	-	(4,279)	(4,279)
Exploration expenditure written off	-	(5,529)	(5,529)
Loss before income tax	(24,383)	(491,868)	(516,251)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (continued)

13. Segment information – continued

Below is an analysis of the Company's assets and liabilities from reportable segments:

	USA A\$	Australia A\$	Total A\$
Consolidated December 2021			
Current assets	677,126	7,643,250	8,320,376
Non-current assets	2,512,708	5,972,202	8,484,910
Total assets	3,189,834	13,615,452	16,805,286
Current liabilities	558,492	374,362	932,854
Total liabilities	558,492	374,362	932,854
Net segment assets	2,631,342	13,241,090	15,872,432
Consolidated June 2021			
Current assets	261,119	3,543,589	3,804,708
Non-current assets	1,869,491	4,274,840	6,144,331
Total assets	2,130,610	7,818,429	9,949,039
Current liabilities	79,811	315,260	395,071
Total liabilities	79,811	315,260	395,071
Net segment assets	2,050,799	7,503,169	9,553,968

14. Going concern

The financial report has been prepared on a going concern basis.

The Group had a net loss of \$820,735 and had net operating cash outflows of \$1,201,322 for the 6 months ending 31 December 2021. As of 31 December 2021, the Group has cash and cash equivalents of \$8,165,622, net assets of \$15,872,432 of which \$5,643,117 were financial assets. This put the group in a strong financial position to fund major exploration and evaluation expenses into the next financial year and to meet financial obligations longer than 12 months from the date of this report.

15. Subsequent Events

In January 2022, ARR sold 2,000,448 shares in Cobalt Blue Holdings Limited ("COB") generating proceeds of \$1,036,133. The company currently holds 4,000,000 shares in COB.

In January and February 2022, a total of 2,787,721 options have been exercised generating proceeds of \$395,658.

On 7 January 2022, Mr Sten Gustafson joined the Board of ARR as a Non-Executive Director.

On 3 February 2022, the lease for 89 York Street Sydney was renewed until March 2025.

On 7 February 2022, Mr Keith Middleton retired from his position of Non-Executive Director on the Board of ARR.

On 8 February 2022, Mr Richard Hudson joined the Board of ARR as a Non-Executive Director.

DIRECTORS' STATEMENT

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the half yearly report to 31 December 2021:
 - (a) comply with New Zealand International Accounting Standard 34, Interim Financial Reporting, and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2021 and its performance and cash flows for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed for and on behalf of the Board



Creagh O'Connor

Chairman



Chris Gibbs

Managing Director

Date: 09 March 2022