



Heavy Rare Earths Limited

ABN 35 648 991 039

Annual Report - 30 June 2025

Heavy Rare Earths Limited
Corporate directory
30 June 2025

Directors	Mr John Bryne (Non-executive Chairman) Mr Richard Brescianini (Non-executive Director) Mr Gabriel Chiappini (Non-executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 21, 459 Collins Street Melbourne, Victoria 3000 Ph: +61 3 8630 3321
Principal place of business	Level 21, 459 Collins Street Melbourne, Victoria, 3000
Share register	Boardroom Pty Ltd Level 8, 210 George Street Sydney, NSW, 2000 Ph: 1300 737 760 (within Australia) Ph: +61 2 9290 9600
Auditor	William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne, Victoria 3000
Stock exchange listing	Heavy Rare Earths Limited shares are listed on the Australian Securities Exchange (ASX code: HRE)
Website	www.hreltd.com.au
Corporate Governance Statement	The Company's Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at the following link: https://hreltd.com.au/about-us/corporate-governance/

Heavy Rare Earths Limited

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The Company's exploration focus during the 2025 financial year was as follows:

Acquisition of Uranium Exploration Assets in South Australia

During the March 2025 quarter, the Company completed a transaction with Havilah Resources Limited (ASX: HAV; "Havilah") to acquire a significant portfolio of uranium (U) exploration assets in eastern South Australia. The transaction involves HRE earning an 80% initial interest in the U rights on three projects by spending \$3 million over three years, including a minimum of \$1 million in the first year, on exploration and development activities.

Under the transaction, HRE issued to Havilah:

- (i) 38,000,000 fully paid ordinary shares in HRE; and
- (ii) 17,500,000 unlisted options, each with an exercise price of \$0.06 and a term of 3 years from their date of issue.

The portfolio comprises highly prospective U targets on the Radium Hill, Lake Namba-Billeroo and Prospect Hill projects that together comprise a total area of 2,949 km². They are located in South Australia's Curnamona Province which hosts two operating in-situ recovery (ISR) U mines at Four Mile (Heathgate Resources Pty Ltd) and Honeymoon (Boss Energy Limited), with another on care and maintenance at Beverley, an historic hard-rock U operation at Radium Hill, and U resources and deposits at several other sites (Figure 1).

Initial targets for HRE include extensions of the Radium Hill U deposit, prospective geology north and east of Prospect Hill, the northern and southern extensions of the Billeroo Palaeochannel, and the southern Namba Palaeochannel.

Radium Hill Uranium-Critical Minerals Project, South Australia

At HRE's Radium Hill Project, there is considerable potential to discover extensions of U mineralisation along the Radium Hill *Line of Lode*, north-east of the historic Radium Hill Mine where 2.6 Mlbs @ 0.12% U₃O₈ was mined between 1954 and 1961. In addition to earning an initial 80% interest in the U rights at Radium Hill, HRE's transaction with Havilah includes said initial interest in the scandium (Sc) and rare earth (REE) rights.

There has been no exploration undertaken at Radium Hill since mining operations ceased.

During the December 2024 and June 2025 quarters the Company reported assay results from reconnaissance sampling of mineralisation from historic dumps and drill core, and from outcrop, both within the Radium Hill Mine site lease which is excluded from HRE's project area and from known prospects which are in the project area. All mineralised samples collected showed high concentrations of U and the critical minerals Sc and REE (Figure 2) with Sc grades comparing favourably with leading Australian Sc resources.

During the June 2025 quarter the Company reported results from a detailed low-altitude fixed-wing magnetic-radiometric survey over a large part of the Radium Hill project area centred on the line of lode NE-SW structural corridor. The data shows significantly higher resolution than was previously available over the project area (Figure 3). Geological and structural interpretation of this data set, incorporating field mapping and sampling, and the digital capture and analysis of historic mining/drilling/trenching data from mid-1940s to the early-1960s, is nearing completion, and is expected to provide the foundation for HRE's drill targeting at Radium Hill during the 2026 financial year.

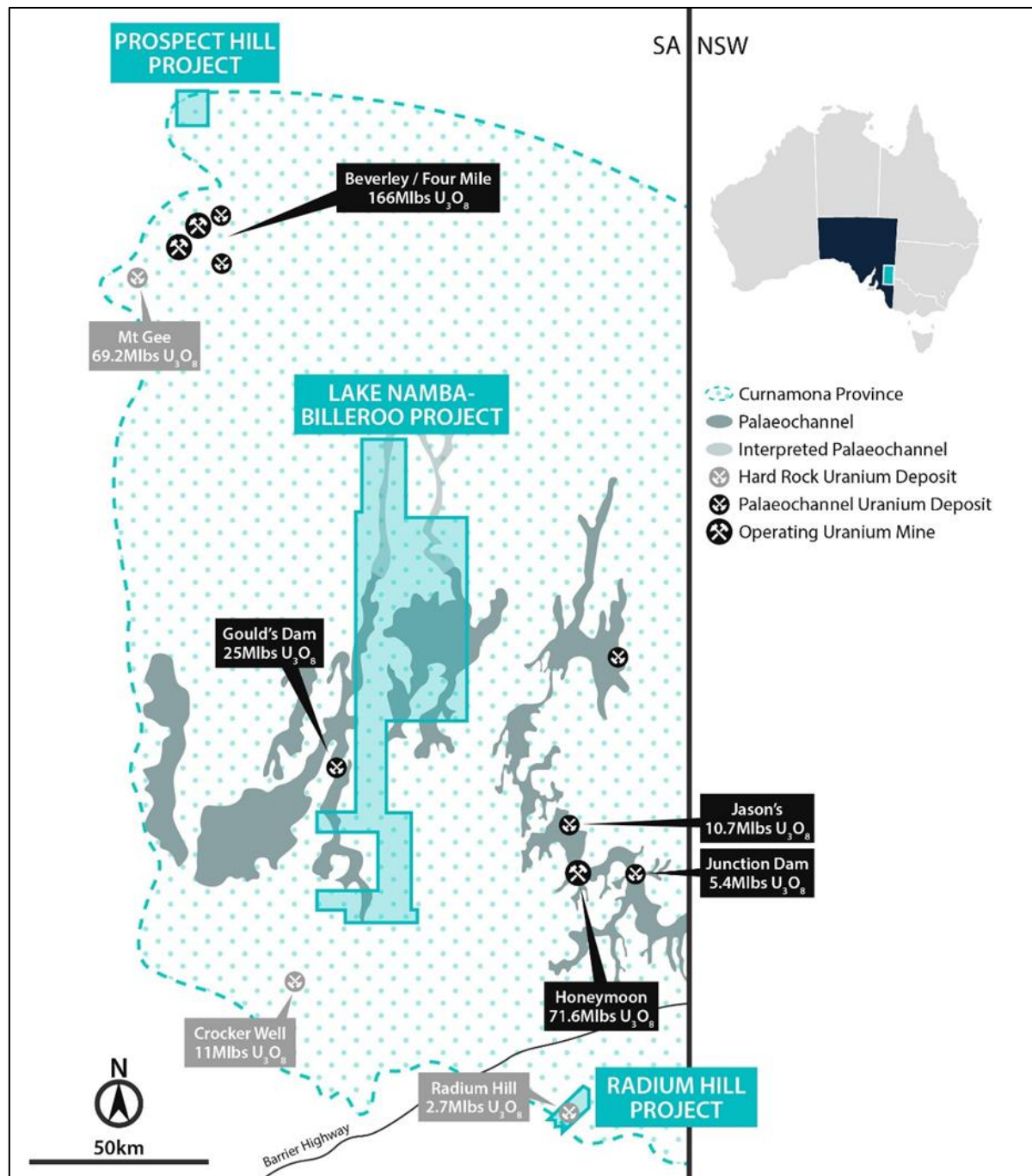


Figure 1. Location of HRE's project areas and uranium deposits in the Curnamona Province, South Australia¹

¹ Data sources:

- Boss Energy Limited (ASX: BOE) Annual Report 2024.
- Marmota Limited (ASX: MEU) ASX announcement 26/10/2023: "Marmota to grow Junction Dam uranium resource".
- SARIG SA Geodata MINDEP Database https://drillhole.pir.sa.gov.au/MineralDepositDetails.aspx?DEPOSIT_NO=962.
- Wilson T 2015. Uranium and uranium mineral systems in South Australia – Third edition, Report Book 2015/00011. Department of State Development, South Australia, Adelaide.
- World Nuclear Association: <https://world-nuclear.org/information-library/appendices/australia-s-uranium-mines>.

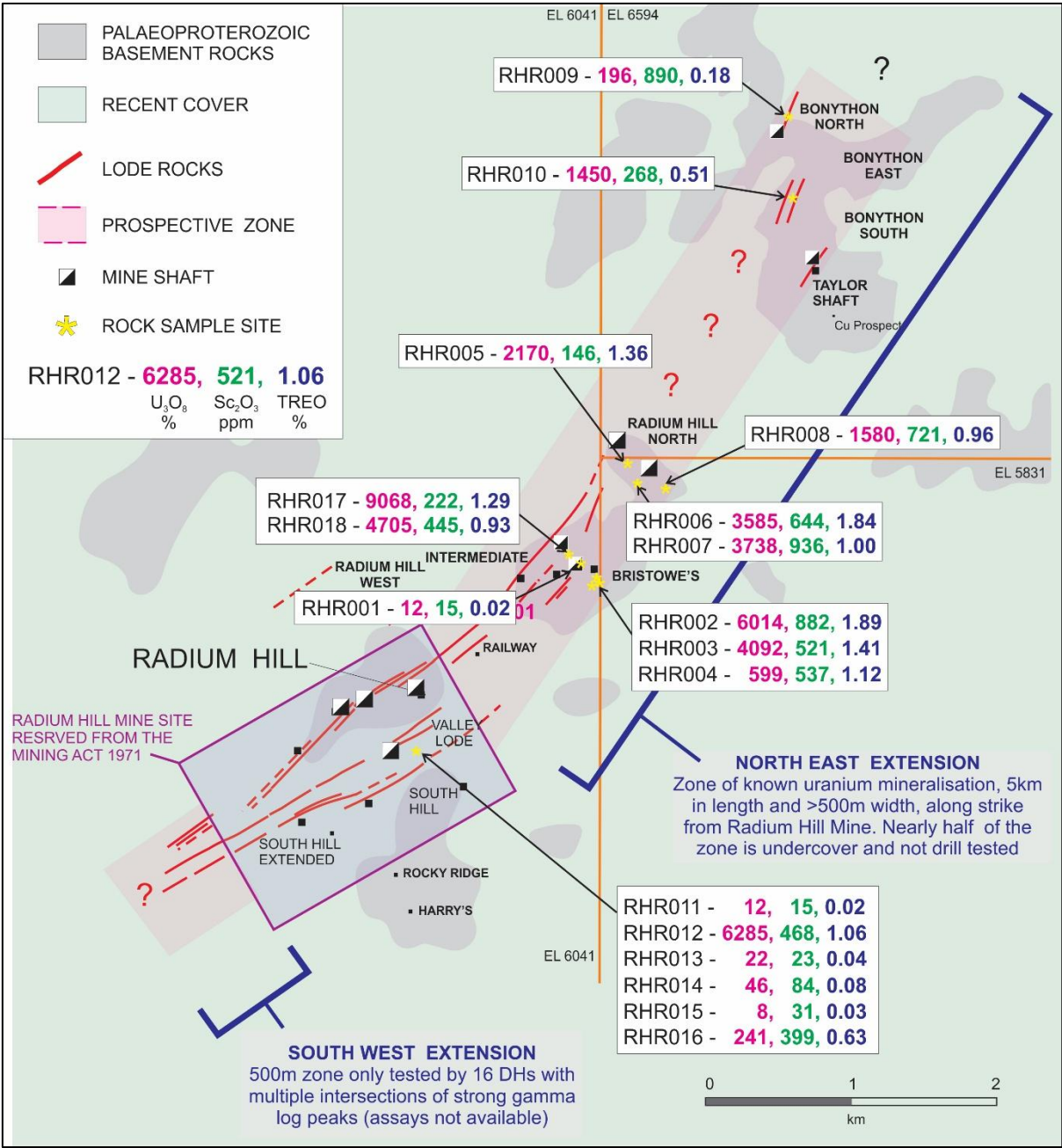


Figure 2. Location of reconnaissance rock samples at Radium Hill showing assays for oxides of U, Sc and REE.

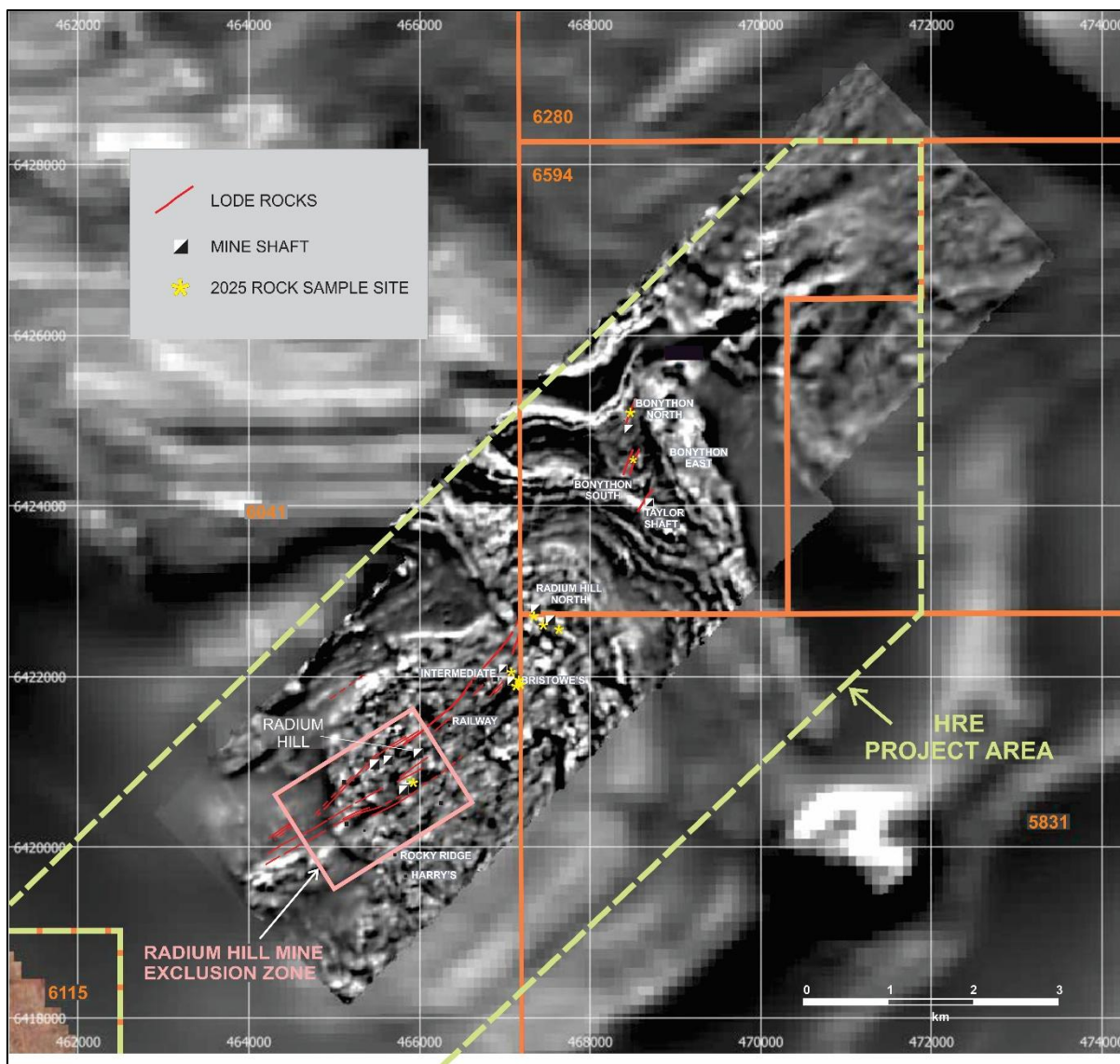


Figure 3. Radium Hill airborne survey showing major improvement in magnetic detail.

Prospect Hill Uranium-Critical Minerals Project, South Australia

The primary target horizon for sedimentary U deposits at the Prospect Hill Project in the northern Flinders Ranges is a Cretaceous-age glacial sandstone/tillite sitting directly on Mesoproterozoic basement. This geological setting is analogous to the Four Mile West deposit (44.9 Mlbs U_3O_8) located approximately 35 km to the south.

During the March 2025 quarter a passive seismic/gravity survey was completed over the Wattleowie Valley in the eastern portion of the project area. A multidisciplinary approach to interpreting this new survey with regional geophysical and geological data has highlighted pathways for potential U-bearing groundwaters shedding off U- and REE-anomalous basement granites to the south (Figure 4). This will form the basis of HRE's maiden drilling program in the Wattleowie Valley during the 2026 financial year.

²<https://www.energymining.sa.gov.au/industry/minerals-and-mining/mining/major-projects-and-mining-activities/major-operating-and-approved-mines/four-mile-uranium-mine>

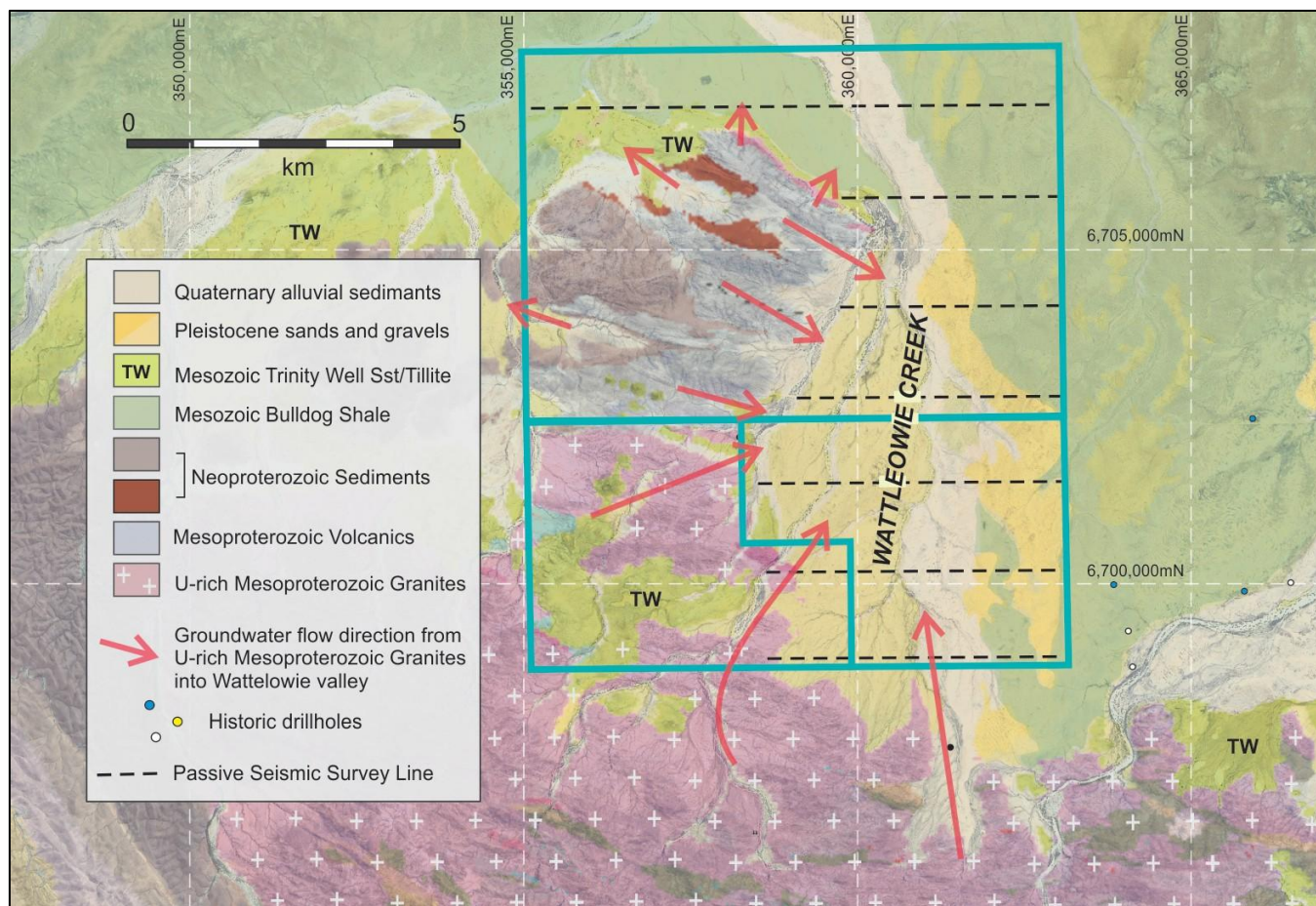


Figure 4. Geology of Prospect Hill project area showing potential U-bearing groundwater pathways.

Subsequent to the end of the 2025 financial year, the Company announced a transaction with Havilah to expand its 80% initial interest to all mineral rights from the current U-only rights on the Prospect Hill Project. The project hosts significant polymetallic mineralisation dominated by the critical mineral tin (Sn) where historic drilling of 56 holes has confirmed Sn mineralisation over 500 m of strike and to a depth of 120 m at the South Ridge deposit.

Completion of the transaction is subject to shareholder approval at a General Meeting.

Lake Namba-Billeroo Uranium Project, South Australia

HRE has access to approximately 35 km of the U-bearing Billeroo Palaeochannel in the western part of the Lake Namba-Billeroo Project which has only been tested by a single drillhole in 1970. This palaeochannel hosts significant U mineralisation at Boss Energy's Gould's Dam resource (25 Mlbs $U_3O_8^3$) (Figure 1).

During the March 2025 quarter passive seismic/gravity surveys were completed along the Billeroo Palaeochannel at four separate grids both up-channel (closer to source granites to the south) and down-channel from Gould's Dam (Figure 5). A multidisciplinary approach to interpreting these new surveys with regional geophysical and geological data highlights strong similarities with fault/channel interaction observed at Gould's Dam. HRE's maiden drilling program along the Billeroo Palaeochannel during the 2026 financial year is aimed at investigating these similarities.

³ Boss Energy Limited (ASX: BOE) Annual Report 2025 <https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02986235-6A1280946&v=c2533a54e2514fb77a8f93f84db686e1125273e9>

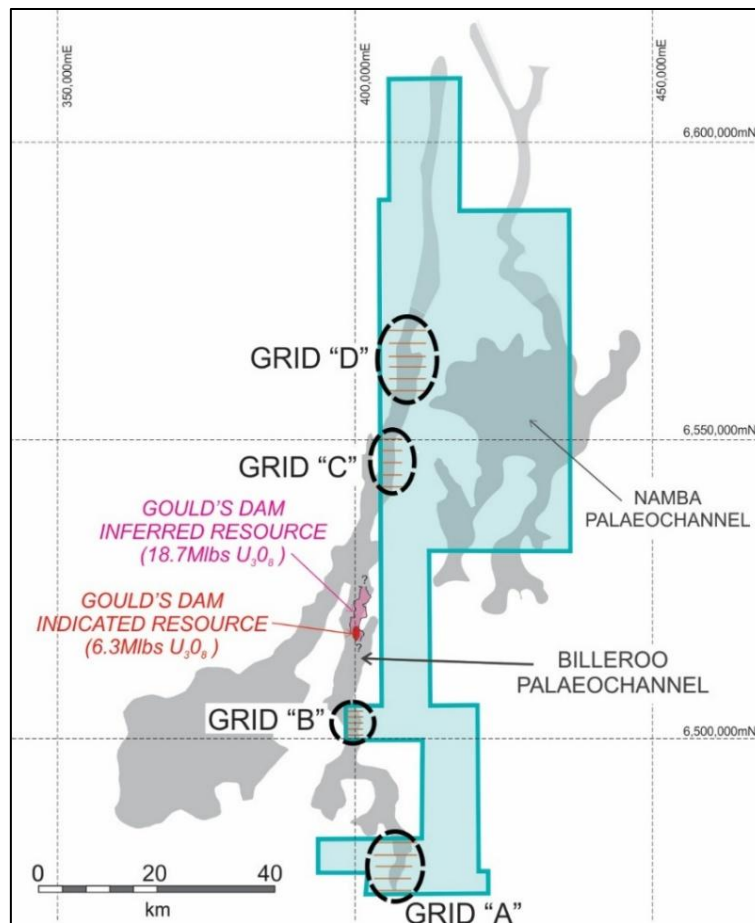


Figure 5. Billeroo Palaeochannel showing location of Passive Seismic/Gravity grids A-D.

Perenjori Uranium Project, Western Australia

The Company's 100 per cent-owned Perenjori project is located in the Mid West region of Western Australia. The exploration model being investigated by HRE at Perenjori is a calcrete (palaeochannel-hosted) uranium deposit. Palaeochannel-hosted REE deposits within the same drainage system are also possible. Virtually no exploration for these deposit types is evident from historic reports

During the June 2025 quarter, the Company undertook a program of soil sampling along 12 lines across the inferred thalweg (interpreted from earlier passive seismic surveys) of the targeted palaeochannels. At the Gingaba Well prospect, strongly elevated U soil assays show an excellent spatial correlation with an 8 km-long airborne radiometric anomaly (Figure 6). The spatial footprint of this anomaly is similar to those observed over significant Western Australian calcrete U deposits⁴ at Yeelirrie (128.1 Mlbs U₃O₈), Lake Maitland (29.6 Mlbs U₃O₈) and Centipede/Millipede (30 Mlbs U₃O₈).

The Gingaba Well U prospect represents a drill-ready project for HRE.

⁴ Yeelirrie U resource (Cameco Corporation): <https://www.cameco.com/sites/default/files/documents/2024-mineral-reserves-and-resources.pdf>. Lake Maitland and Centipede/Millipede U resources (Toro Energy Limited; ASX: TOE): https://www.toroenergy.com.au/wp-content/uploads/2024/10/Homsany_Richard_Toro-Energy-Ltd.pdf.

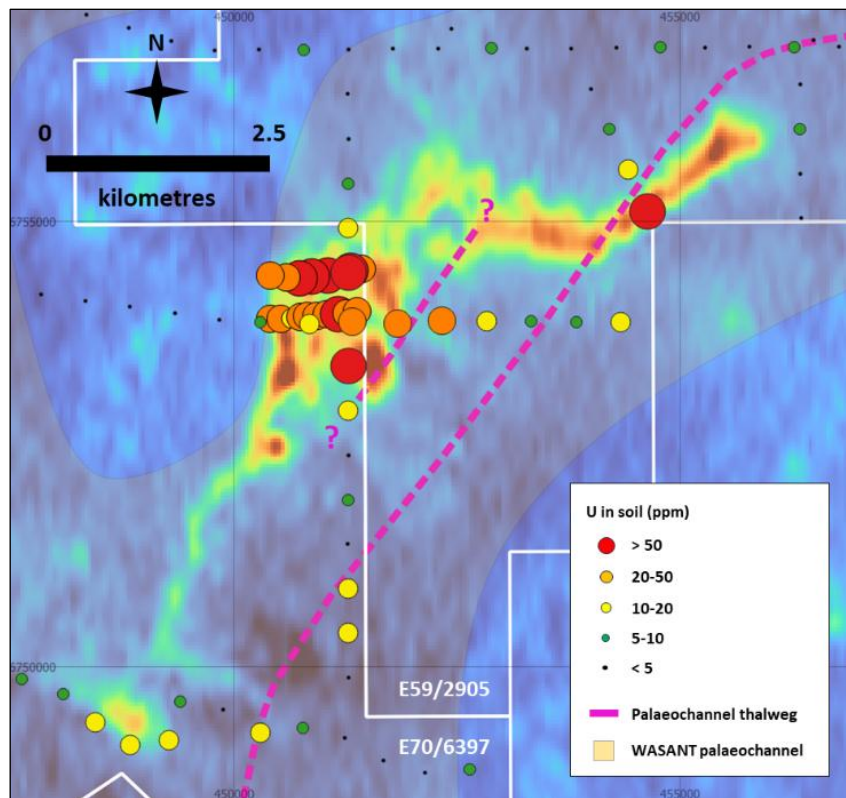


Figure 6: Uranium in soil assays, Gingaba Well target.

Interests in Mining Tenements

Below is a summary of the mining tenements held by the Company as at the date of this report.

Mining Tenement	Location	Beneficial Percentage held
EL 6041 – Radium Hill	SA, Australia	80%*
EL 6594 – Radium Hill	SA, Australia	80%*
EL 5831 – Radium Hill	SA, Australia	80%*
EL 5891 – Prospect Hill	SA, Australia	80%**
EL 6271 – Prospect Hill	SA, Australia	80%**
EL 6933 – Prospect Hill	SA, Australia	80%**
EL 5848 – Lake Namba-Billeroo	SA, Australia	80%**
EL 5785 – Lake Namba-Billeroo	SA, Australia	80%**
EL 5824 – Lake Namba-Billeroo	SA, Australia	80%**
EL 5915 – Lake Namba-Billeroo	SA, Australia	80%**
EL 5940 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6056 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6356 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6358 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6408 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6409 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6410 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6411 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6434 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6546 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6661 – Lake Namba-Billeroo	SA, Australia	80%**
EL 6662 – Lake Namba-Billeroo	SA, Australia	80%**
E70/6397 – Perenjori	WA, Australia	100%

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E70/6398 – Perenjori	WA, Australia	100%
E59/2905 – Perenjori	WA, Australia	100%
E63/1972 – Cowalinya	WA, Australia	100%
E63/2144 – Cowalinya	WA, Australia	100%
EL33101 – Duke	NT, Australia	100%
EL33194 – Duke	NT, Australia	100%

* U, Sc and REE rights only. Subject to meeting earn-in expenditure obligations.

** U rights only. Subject to meeting earn-in expenditure obligations.

Mineral Resources Statement

The following information is provided in accordance with Listing Rule 5.21.

Summary Estimate of Mineral Resources for Cowalinya Project as at 30 September 2023.

JORC RESOURCE CLASS	TONNES (Mt)	TREO (ppm)	MAGNET REOs (ppm)	MAGNET REOs/TREO	Sc ₂ O ₃ (ppm)
Inferred	159	870	242	28%	32

TREO = La₂O₃+CeO₂+Pr₆O₁₁+Nd₂O₃+Sm₂O₃+Eu₂O₃+Gd₂O₃+Tb₄O₇+Dy₂O₃+Ho₂O₃+Er₂O₃+Tm₂O₃+Yb₂O₃+Lu₂O₃+Y₂O₃

Magnet REOs = Pr₆O₁₁+Nd₂O₃+Tb₄O₇+Dy₂O₃

Reported above a cut-off grade of 400 ppm TREO-CeO₂

Competent Person Statement

The Mineral Resources contained in this report were compiled by Mr Robin Rankin. Mr Rankin is a Member (#110551) of the Australasian Institute of Mining and Metallurgy (MAusIMM) and accredited since 2000 as a Chartered Professional by the AusIMM in the Geology discipline. He is Principal Consulting Geologist and operator of independent geological consultancy GeoRes. Mr Rankin has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Rankin consents to the inclusion in this announcement of the matters based on the Mineral Resources in the form and context in which it appears.

The Mineral Resources contained in this report have been extracted from ASX release dated 3 October 2023. The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources contained in the 3 October 2023 ASX release. All material assumptions and technical parameters supporting the Mineral Resources in the ASX release dated 3 October 2023 continue to apply and have not materially changed.

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Directors' report
30 June 2025

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2025.

Directors

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

Mr John Byrne (Non-Executive Chairman)

Mr Richard Brescianini (Non-executive Director) (Transitioned from Executive Technical Director on 21 May 2025)

Mr Gabriel Chiappini (Non-executive Director) appointed 31 January 2025

Mr Ryan Skeen (Non-Executive Director) resigned 31 January 2025

Principal activities

The principal activities of the Company during the period consisted of exploration activities for uranium at the Company's areas of interest located in South Australia and Western Australia.

Main Business activities include:

- Completing the acquisition of its 80% interest in the uranium rights on three projects held by Havilah Resources Limited in eastern South Australia and commencing exploration activities on these projects.
- Continuing exploration activities on projects that focus on uranium at Perenjori in Western Australia, and rare earth elements (REEs) at Cowalinya in Western Australia and Duke in the Northern Territory.
- Conducting a review on potential business development opportunities capable of enhancing the portfolio and driving shareholder returns.

Dividends

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

Review of operations

The loss for the company after providing for income tax amounted to \$3,215,987 (30 June 2024: \$1,308,284).

Significant changes in the state of affairs

On 21 October 2024 the Company announced it has entered into a binding Term Sheet with Havilah Resources Limited (ASX: HAV; "Havilah") to acquire a significant portfolio of uranium exploration assets in the uranium rich Curnamona Province of eastern South Australia ('Acquisition'). The transaction involves HRE earning an 80% initial interest in the uranium rights on three projects by spending \$3 million over three years, including a minimum of \$1 million in the first year following completion of the Acquisition, on exploration and development activities.

Under the Term Sheet and subject to satisfying the conditions precedent, HRE is required to issue to Havilah:

- (i) 38,000,000 fully paid ordinary shares in HRE ("Consideration Shares"); and
- (ii) 17,500,000 unlisted options, each with an exercise price of \$0.06 and a term of 3 years from their date of issue ("Consideration Options").

Havilah will be free-carried until the completion of a bankable feasibility study ("BFS") on any uranium deposit discovered. Following completion of a BFS, Havilah will have the right to contribute its pro-rata share of all future expenditure, or otherwise dilute to a 1.5% net smelter royalty ("NSR") on production from that uranium deposit.

Completion of the Acquisition took place on 7 January 2025.

The Company also announced that it had received firm commitments for a two-tranche placement to raise \$1,200,000 (before costs) at an issue price of \$0.03 per share ("Placement"), being a 15.1% discount to the Company's 15-day volume weighted average price ("VWAP") and a 11.4% discount to the 30-day VWAP to the close of trading on Friday 18 October 2024.

In addition to the Placement, the Company announced that it was proposing, subject to shareholder approval, to undertake a non-renounceable entitlement offer to existing shareholders of one (1) share for every two (2) shares held in the Company ("Entitlement Offer") at an issue price of \$0.03 per share, to raise up to \$1,264,000 (before costs).

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The Entitlement Offer was fully underwritten by Cygnet and Taylor Collison Limited ("Taylor Collison"), with each of Cygnet and Taylor Collison underwriting 50% of the Entitlement Offer respectively.

On 11 November 2024 the Company issued 16,000,000 fully paid ordinary shares (Shares) pursuant to the Placement with an issue price of \$0.03 (3 cents) per share, raising \$480,000.

On 28 November 2024, the Company sought shareholder approval for the Acquisition at its Annual General Meeting of shareholders. This was approved by the shareholders.

On 29 November 2024, the Company announced a fully underwritten non-renounceable pro rata offer to Eligible Shareholders of 42,137,575 New Shares at an issue price of \$0.03 per New Share on the basis of 1 (one) New Share for every 2 (two) Existing Shares held to raise approximately \$1.26 million before issue costs (Entitlement Offer).

On 23 December 2024 the Company issued 42,137,633 Shares pursuant to the Entitlement Offer raising \$1,264,129 (before costs) and 24,000,000 Shares to settle the second tranche of the Placement, raising \$840,000 before costs.

The Company also issued 9,621,099 Shares to settle outstanding Directors fees and consultant liabilities with an issue price of \$0.03 (3 cents) per share.

On 7 January 2025 the Company announced that it had completed the acquisition of its interest in the Uranium rights for the Acquisition and issued the 38,000,000 Consideration Shares and 17,500,000 Consideration Options. The Company also issued 10,000,000 Shares pursuant to Introductory fee for the Acquisition.

On 31 January 2025, Mr Gabriel Chiappini was appointed Non-executive Director and Mr Ryan Skeen resigned.

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

Matters subsequent to the end of the financial year

On 4 August 2025, the Company announced it has executed a binding Term sheet with Havilah Resources Limited to expand its rights to all minerals from the current uranium-only rights on the Prospect Hill project, which lies in the northern Flinders Ranges of South Australia. The completion of the transaction is subject to shareholder approval; and the Company and Havilah otherwise obtaining all required legal, third party and other required approvals and/or consents for the proposed transaction to proceed.

On 11 August 2025, the Company issued 2,500,000 unlisted options under employee incentive scheme, each with an exercise price of \$0.06 and term of 3 years from the date of issue.

On 24 August 2025 a total of 11,350,000 unlisted options exercisable at \$0.30 and 4,350,000 unlisted options exercisable at \$0.40 expired unexercised. The options were issued as part of the Company's initial public offering.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

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

The Company continues to review potential new opportunities. If the Directors are successful in acquiring new projects or entering into a joint venture, it is expected that part of the funding held by the Company may be directed to the purchase of that project and to the exploration and development plan for that project. It may be that additional cash will be required to fund any of these events should they eventuate. In that case the Directors will be required to review the funding options available to the Company.

Business risk management

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

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

Exploration risk

The Company has no operating revenue and is unlikely to generate any operating revenue in the foreseeable future. Exploration and development costs and pursuit of its business plan will use funds from the Company's current cash reserves and future equity or debt raisings.

The development of one or more of its projects may require the Company to raise further capital in the future.

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

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

Regulatory risk

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

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

Future funding risk

Exploration and development involve significant financial risk and capital development. The Company may require further capital to achieve its objective of transitioning from explorer to producer. In addition, if the Company acquires any new project it may need to raise further capital to fund the acquisition or exploration at the project once acquired.

For the foreseeable future, it is expected that this funding will be obtained from equity financing. Any equity financing undertaken will dilute existing Shareholders.

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

Environmental regulation

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

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Information on directors

Name:	Mr John Byrne
Title:	Non-Executive Chairman
Experience and expertise:	Mr Byrne has 40 years' experience in the natural resource industry as a financial analyst, investor and mine developer. John formed and mentored Cambrian Mining Plc in 2002, which started with net assets of GBP£1.4 million and before being acquired in 2008 had net assets of GBP£149 million. John has been Chairman and CEO of numerous successful resource companies, including Western Coal Corp which was capitalised at less than C\$1 million when he joined, and was sold for C\$3.3billion in 2010.
	Currently Mr Byrne is the Chairman of Lions Bay Capital Limited (LBI:TSXV) and Fidelity Minerals Limited (FMN:TSXV), both listed on the Toronto Ventures Exchange. Mr Bryne was previously Chairman of ASX listed Kalina Power Limited (ASX:KPO) and Jervois Global Limited (then Jervois Mining Limited) (ASX:JRV).
Other current directorships:	Lions Bay Capital Limited (LBI: TSXV); Fidelity Minerals Limited (FMM: TSXV)
Former directorships (last 3 years):	None
Interests in shares:	2,087,500 fully paid ordinary shares as of the date of this report
Name:	Mr Richard Brescianini
Title:	Non-executive Director (transitioned from Executive Technical Director on 21 May 2025)
Qualifications:	B. Sc (Hons)
Experience and expertise:	Mr Brescianini is a qualified geoscientist with an Honours degree from the University of Tasmania and is a member of the Australian Institute of Geoscientists and Australian Society of Exploration Geophysicists. Richard commenced his career in mineral exploration with BHP Minerals in 1987 working in teams focused on the discovery of base and precious metal deposits across Australia and North America. His experience includes working as the Director of the Northern Territory Government's Geological Survey and working for rare earths developer Arafura Rare Earths Limited (ASX:ARU) for 14 years in its executive management team.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	4,058,887 fully paid ordinary shares as of the date of this report

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Name: **Mr Gabriel Chiappini**
Title: Non-Executive Director (appointed 31 January 2025)
Qualifications: CA, GAICD
Experience and expertise: Gabriel is a Chartered Accountant with over 20 years' experience as a director, capital markets participant and a governance professional. He is a current member of the Australian Institute of Company Directors and Institute of Chartered Accountants (Australia). Gabriel's professional foundation was laid with Ernst & Young (EY) Perth. Following EY, he moved onto various corporate roles in London and Perth as detailed below.

For the last 20 years Mr Chiappini has been managing his own Consulting Firm offering Corporate Advisory, Governance Services, and Non-executive Director services to a variety of ASX and start-up companies. He has provided advice and services on equity raisings exceeding AUD\$850m, debt financing in excess of AUD\$350m and assisted his clients with both divestment and acquisition strategies.

Recently he managed and assisted with the vending in of seven ASX IPO's and RTO's.

Other current directorships: Gabriel has had a diverse and successful career as an ASX/public company director inclusive of Chairman, Non-executive Director and Finance/Chief Financial Officer roles, and Chair of Governance. He has a wide range of offshore corporate structuring experience in the USA, Europe and in the Middle East and is a current director of Black Dragon Gold Corporation (ASX:BDG) and Invictus Energy Limited (ASX:IVZ), as well as Head of Governance (Australia) for Adriatic Metals plc (ASX:ADT).
Former directorships (last 3 years): Blackrock Mining Ltd (ASX: BKT)
Interest in shares 500,000 fully paid ordinary shares

Name: **Mr Ryan Skeen**
Title: Non-Executive Director (resigned 31 January 2025)
Qualifications: Master Applied Fin. (Dis), B. Buss (Financial Risk Management)
Experience and expertise: Mr Skeen has a deep understanding of financial and economic markets while providing investment and strategic advice in complex situations. He is well versed in various capital raisings including IPO's, placements and rights issues and is focused on business development and growth. He holds a Master of Applied Finance (Distinction) and a Bachelor of Business (Financial Risk Management).
Other current directorships: None
Former directorships (last 3 years): First Au Limited (ASX: FAU) (resigned 16 May 2024)
Interests in shares: N/A

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

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

Company secretary
Mr Justin Mouchacca, CA FGIA

Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 17 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.

Heavy Rare Earths Limited
Directors' report
30 June 2025

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2025, and the number of meetings attended by each director were:

	Full Board Attended	Held
Mr John Byrne	6	6
Mr Richard Brescianini	6	6
Mr Gabriel Chiappini*	2	2
Mr Ryan Skeen**	4	4

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

* Mr Gabriel Chiappini was appointed as Non-Executive Director on 31 January 2025.

** Mr Ryan Skeen resigned as Non-Executive Director on 31 January 2025.

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having financial performance as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

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

Heavy Rare Earths Limited
Directors' report
30 June 2025

Non-executive directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

The long-term incentives ('LTI') include share-based payments. During the financial year to 30 June 2025, there were no options issued to directors which formed part of their remuneration.

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

Company performance and link to remuneration

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

Details of remuneration

Amounts of remuneration

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

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

- Mr John Byrne (Non-Executive Chairman)
- Mr Richard Brescianini (Executive Technical Director)
- Mr Gabriel Chiappini (Non-Executive Director) (appointed 31 January 2025)
- Mr Ryan Skeen (Non-Executive Director) (resigned 31 January 2025)

Heavy Rare Earths Limited
Directors' report
30 June 2025

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Leave entitlement	Super-annuation	Long service leave	Equity-settled ⁵	Total
30 June 2025	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr John Byrne	32,125	-	-	6,900	-	27,875	66,900
Mr Gabriel Chiappini ¹	20,000	-	-	-	-	-	20,000
Mr Ryan Skeen ²	8,000	-	-	3,220	-	20,000	31,220
<i>Executive Directors:</i>							
Mr Richard Brescianini ³	109,834	-	(9,858) ⁴	22,214	-	83,333	205,523
	169,959	-	(9,858)	32,334	-	131,208	323,643

¹ Appointed 31 January 2025.

² Resigned 31 January 2025.

³ Transitioned from Executive Technical Director on 21 May 2025.

⁴ Excess leave was taken during the year resulting in a negative amount

⁵ These amounts were cash salary and fees settled in the form of equity

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Leave entitlement	Super-annuation	Long service leave	Equity-settled	Total
2024	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr John Byrne	60,000	-	-	6,600	-	-	66,600
Mr Ryan Skeen	40,000	-	-	4,400	-	-	44,400
	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Mr Richard Brescianini	176,525	-	4,440	18,333	-	-	199,298
	276,525	-	4,440	29,333	-	-	310,298

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2025	2024	30 June 2025	2024	30 June 2025	2024
<i>Non-Executive Directors:</i>						
Mr John Byrne	100%	100%	-	-	-	-
Mr Gabriel Chiappini	100%	-	-	-	-	-
Mr Ryan Skeen	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Mr Richard Brescianini	100%	100%	-	-	-	-

Heavy Rare Earths Limited
Directors' report
30 June 2025

Service agreements
Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Consolidated Entity in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2025 are set out below:

Name	Date	Shares	Issue price	\$
Mr John Byrne	23 December 2024	1,112,500	\$0.03	33,375
Mr Richard Brescianini	23 December 2024	3,888,887	\$0.03	116,666
Mr Ryan Skeen	23 December 2024	933,333	\$0.03	28,000

The amounts noted above include fees for the previous financial year.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2025.

Additional information

The earnings of the company for the three prior financial periods to 30 June are summarised below:

	30 June 2025	30 June 2024	30 June 2023
	\$	\$	\$
(Loss) before income tax	(3,215,987)	(1,308,284)	(1,794,211)
Share price at beginning of year (cents)*	3.5	9.0	20.0
Share price at year end (cents)	3.8	3.5	9.0

* The Company was admitted to ASX on 22 August 2022.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr John Byrne	650,000	1,112,500	325,000	-	2,087,500
Mr Richard Brescianini	170,000	3,888,887	-	-	4,058,887
Mr Gabriel Chiappini	-	-	-	-	-
Mr Ryan Skeen*	90,000	933,333	-	(1,023,333)	-
	910,000	5,934,720	325,000	(1,023,333)	6,146,387

* Resigned as a Director on 31 January 2025. The balance disclosed in "Disposal/Other" column represents Mr Skeen's shareholding as at that date.

Heavy Rare Earths Limited
Directors' report
30 June 2025

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr John Byrne	2,000,000	-	-	-	2,000,000
Mr Richard Brescianini	2,000,000	-	-	-	2,000,000
Mr Ryan Skeen	-	-	-	-	-
Mr Gabriel Chiappini	-	-	-	-	-
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>

Loans to key management personnel and their related parties

There were no loans to key management personnel at any time during the financial year.

Other transactions with key management personnel and their related parties

There were no transactions with key management personnel and their related parties.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
07/01/2025	07/01/2028	\$0.06	17,500,000
26/02/2025	26/02/2028	\$0.06	12,500,000
11/08/2025	11/08/2028	\$0.06	<u>2,500,000</u>
			<u><u>32,500,000</u></u>

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

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2025 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Heavy Rare Earths Limited
Directors' report
30 June 2025

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of William Buck Audit (Vic) Pty Ltd

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors



Mr John Byrne
Non-executive Chairman

30 September 2025

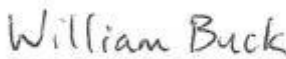
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

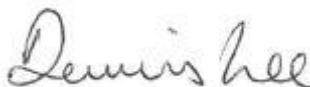
To the directors of Heavy Rare Earths Limited

As lead auditor for the audit of Heavy Rare Earths Limited for the year ended 30 June 2025, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Heavy Rare Earths Limited.


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


W. H. D. Lee
Director
Melbourne, 30 September 2025

Heavy Rare Earths Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2025

	Note	30 June 2025	30 June 2024
		\$	\$
Revenue			
R&D Tax Incentive Income		89,735	312,168
Interest income		43,307	35,110
		<u>133,042</u>	<u>347,278</u>
Expenses			
Exploration and evaluation expenditure	4	(2,054,119)	(789,414)
Corporate and administrative expenses		(948,474)	(584,322)
Employment expenses		(245,061)	(270,871)
Share based payments expense		<u>(101,375)</u>	<u>(10,955)</u>
Loss before income tax expense		(3,215,987)	(1,308,284)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Heavy Rare Earths Limited		(3,215,987)	(1,308,284)
Other comprehensive income/(loss) for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year attributable to the owners of Heavy Rare Earths Limited		<u>(3,215,987)</u>	<u>(1,308,284)</u>
		Cents	Cents
Basic earnings per share	19	(2.28)	(1.92)
Diluted earnings per share	19	(2.28)	(1.92)

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

Heavy Rare Earths Limited
Statement of financial position
As at 30 June 2025

	Note	30 June 2025	30 June 2024
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,935,357	957,586
Trade and other receivables		30,314	58,046
Other current assets		16,193	5,009
Total current assets		<u>1,981,864</u>	<u>1,020,641</u>
Non-current assets			
Plant and equipment		6,962	-
Total non-current assets		<u>6,962</u>	<u>-</u>
Total assets		<u>1,988,826</u>	<u>1,020,641</u>
Liabilities			
Current liabilities			
Trade and other payables	7	148,328	274,303
Employee benefits		-	15,808
Total current liabilities		<u>148,328</u>	<u>290,111</u>
Total liabilities		<u>148,328</u>	<u>290,111</u>
Net assets		<u>1,840,498</u>	<u>730,530</u>
Equity			
Issued capital	8	10,705,174	6,684,119
Reserves	9	1,260,223	955,323
Accumulated losses		<u>(10,124,899)</u>	<u>(6,908,912)</u>
Total equity		<u>1,840,498</u>	<u>730,530</u>

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

Heavy Rare Earths Limited
Statement of changes in equity
For the year ended 30 June 2025

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	6,683,971	944,368	(5,600,628)	2,027,711
Loss after income tax expense for the year	-	-	(1,308,284)	(1,308,284)
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(1,308,284)	(1,308,284)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	148	-	-	148
Vesting of share based payments (note 20)	-	10,955	-	10,955
Balance at 30 June 2024	<u>6,684,119</u>	<u>955,323</u>	<u>(6,908,912)</u>	<u>730,530</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2024	6,684,119	955,323	(6,908,912)	730,530
Loss after income tax expense for the year	-	-	(3,215,987)	(3,215,987)
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(3,215,987)	(3,215,987)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	2,292,422	-	-	2,292,422
Vesting of share based payments (note 20)	-	101,375	-	101,375
Issue of shares to settle outstanding Directors and consultant Fees	288,633	-	-	288,633
Issue of consideration shares on completion of the acquisition of interest in the Uranium rights	1,140,000	-	-	1,140,000
Issue of shares pursuant to Introductory fee for the acquisition of interest in the Uranium rights	300,000	-	-	300,000
Vesting of consideration options for tenement acquisitions	-	203,525	-	203,525
Balance at 30 June 2025	<u>10,705,174</u>	<u>1,260,223</u>	<u>(10,124,899)</u>	<u>1,840,498</u>

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

Heavy Rare Earths Limited
Statement of cash flows
For the year ended 30 June 2025

	Note	30 June 2025	30 June 2024
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(286,408)	(737,586)
Interest received		43,307	35,110
R&D Tax Incentive		89,735	312,168
Payments for exploration and evaluation costs		<u>(1,273,248)</u>	<u>(776,308)</u>
Net cash used in operating activities	18	<u>(1,426,614)</u>	<u>(1,166,616)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(6,962)</u>	<u>-</u>
Net cash used in investing activities		<u>(6,962)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares	8	2,464,797	-
Payments for capital raising costs		(53,450)	-
Proceeds from issue of options		<u>-</u>	<u>150</u>
Net cash from financing activities		<u>2,411,347</u>	<u>150</u>
Net increase/(decrease) in cash and cash equivalents		977,771	(1,166,466)
Cash and cash equivalents at the beginning of the financial year		<u>957,586</u>	<u>2,124,052</u>
Cash and cash equivalents at the end of the financial year		<u><u>1,935,357</u></u>	<u><u>957,586</u></u>

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

Note 1. General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2025. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2025, the Company incurred a net loss of \$3,215,987 (2024: net loss of \$1,308,284), net cash outflows from operating activities of \$1,426,614 (2024: \$1,166,616) and had a cash balance as at 30 June 2025 of \$1,935,357 (2024: 957,586). The Directors have assessed that these conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As with all exploration and evaluation entities, the Company's proposed expenditure on exploration areas of interest is subject to sufficient funding being available to the Company. The Company secures funding requirements by way of either equity or debt transactions.

Notwithstanding the above, the Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of the going concern assumption is based on the Company's cash flow projections and application of a number of judgements and estimates, resulting in the conclusion of a range of reasonably possible scenarios. Included in the Directors going concern cash flow assessment is that sufficient funds can be secured if required by a combination of capital raisings and the deferment of forecast payments for exploration and evaluation expenses and any non-discretionary corporate and administrative expenditure.

Accordingly, the financial report has been prepared on the basis that the Group can continue normal business activities and meet its commitments as and when they fall due, and the realisation of assets and liabilities in the ordinary course of business.

Note 2. Material accounting policy information (continued)

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost assumption, except for share-based payment arrangements which have been measured at fair value.

Critical accounting estimates

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

Operating segments

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

Revenue recognition

The company recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

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

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

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

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

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

Note 2. Material accounting policy information (continued)

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other payables

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

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees and consultants.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 2. Material accounting policy information (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2025. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recognition of research and development tax incentive benefits

The Company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

Share-based payment transactions

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

Recovery of deferred tax assets

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

Note 4. Exploration and evaluation expenditure

	2025 \$	2024 \$
Shares issued as consideration for tenement acquisition	1,140,000	-
Vesting of options issued as consideration for tenement acquisition	203,525	-
Other exploration activities	710,594	789,414
	<u>2,054,119</u>	<u>789,414</u>

The consideration for the tenement acquisition of Uranium rights from Havilah Resources Limited completed on 7 January 2025 included the issue of 38,000,000 shares and 17,500,000 options with an exercise price of \$0.06 and a expiry of 3 years from issue date.

The costs of the acquisition were expensed in line with the Company's accounting policy.

Note 5. Operating segments

Identification of reportable operating segments

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

Note 6. Current assets - Other current assets

	2025 \$	2024 \$
Prepayments	<u>16,193</u>	<u>5,009</u>

Note 7. Current liabilities - trade and other payables

	30 June 2025	30 June 2024
	\$	\$
Trade and other payables	116,764	176,182
Accrued expenses	26,765	84,814
Other payables	4,799	13,307
	<u>148,328</u>	<u>274,303</u>

Refer to note 11 for further information on financial instruments.

Note 8. Equity - issued capital

	30 June 2025	30 June 2024	30 June 2025	30 June 2024
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>208,033,882</u>	<u>68,275,150</u>	<u>10,705,174</u>	<u>6,684,119</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	68,275,150		6,683,971
Issue of Options	22 December 2023	-	-	148
Balance	30 June 2024	68,275,150		6,684,119
Issue of Tranche 1 Placement shares	1 November 2024	16,000,000	\$0.03	480,000
Issue of Rights Issue - Entitlement shares	23 December 2024	42,137,633	\$0.03	1,264,129
Issue of Tranche 2 Placement shares	23 December 2024	24,000,000	\$0.03	720,000
Issue of shares to settle outstanding Directors and consultant Fees	23 December 2024	9,621,099	\$0.03	288,633
Issue of consideration shares on completion of the acquisition of interest in the Uranium rights	7 January 2025	38,000,000	\$0.03	1,140,000
Issue of shares pursuant to Introductory fee for the acquisition of interest in the Uranium rights	7 January 2025	10,000,000	\$0.03	300,000
Capital raising costs		-	-	(171,707)
Balance	30 June 2025	<u>208,033,882</u>		<u>10,705,174</u>

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

Note 8. Equity - issued capital (continued)

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

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

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

Note 9. Equity - reserves

	2025	2024
	\$	\$
Share-based payments reserve	<u>1,260,223</u>	<u>955,323</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees, directors and other consultants as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share based payments reserve \$
Balance at 1 July 2023	944,368
Vesting of share based payments	<u>10,955</u>
Balance at 30 June 2024	955,323
Share based payments for acquisition of tenements	203,525
Share based payments for capital raising costs	<u>101,375</u>
Balance at 30 June 2025	<u><u>1,260,223</u></u>

Note 10. Equity - dividends

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

Note 11. Financial instruments

Financial risk management objectives

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

Note 11. Financial instruments (continued)

Liquidity risk

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

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

As at report date, all financial liabilities of the company had maturities of less than 60 days.

Fair value of financial instruments

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

Note 12. Key management personnel disclosures

Directors

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

Mr John Byrne (Non-Executive Chairman)
 Mr Richard Brescianini (Executive Technical Director)
 Mr Gabriel Chiappini (Non-Executive Director) appointed 31
 January 2025
 Mr Ryan Skeen (Non-Executive Director) resigned 31
 January 2025

Compensation

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

	30 June 2025	30 June 2024
	\$	\$
Short-term employee benefits	160,101	280,965
Post-employment benefits	32,334	29,333
Share-based payments	131,208	-
	<u>323,643</u>	<u>310,298</u>

Note 13. Remuneration of auditors

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

	30 June 2025	2024
	\$	\$
<i>Audit services - William Buck Audit (Vic) Pty Ltd</i>		
Audit or review of the financial statements	<u>42,300</u>	<u>32,000</u>

Note 14. Contingent liabilities

There are no contingent liabilities as at the end of the financial year (2024: nil).

Note 15. Commitments

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

	30 June 2025	30 June 2024
	\$	\$
<i>Planned Exploration Expenditure</i>		
Within one year	280,500	384,500
One to five years	1,400,000	1,569,000
More than five years	-	2,098,000
Total commitment	<u>1,680,500</u>	<u>4,051,500</u>

Note 16. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 12 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 17. Matters subsequent to the end of the financial year

On 4 August 2025, the Company announced it has executed a binding Term sheet with Havilah Resources Limited to expand its rights to all minerals from the current uranium-only rights on the Prospect Hill project, which lies in the northern Flinders Ranges of South Australia. The completion of the transaction is subject to shareholder approval; and the Company and Havilah otherwise obtaining all required legal, third party and other required approvals and/or consents for the proposed transaction to proceed.

On 11 August 2025, the Company issued 2,500,000 unlisted options under employee incentive scheme, each with an exercise price of \$0.06 and term of 3 years from the date of issue.

On 24 August 2025 a total of 11,350,000 unlisted options exercisable at \$0.30 and 4,350,000 unlisted options exercisable at \$0.40 expired unexercised. The options were issued as part of the Company's initial public offering.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 18. Reconciliation of loss after income tax to net cash used in operating activities

	30 June 2025	30 June 2024
	\$	\$
Loss after income tax expense for the year	(3,215,987)	(1,308,284)
Adjustments for:		
Share-based payments	101,375	10,955
Shares issued for acquisition of mining tenements	1,740,000	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,149	12,852
Decrease/(increase) in prepayments	(11,184)	5,309
Decrease in security deposits	17,332	(4,042)
Increase/(decrease) in trade and other payables	(51,791)	75,897
Increase/(decrease) in employee benefits	(8,508)	40,697
Net cash used in operating activities	<u>(1,426,614)</u>	<u>(1,166,616)</u>

Note 19. Earnings per share

	30 June 2025	30 June 2024
	\$	\$
Loss after income tax attributable to the owners of Heavy Rare Earths Limited	<u>(3,215,987)</u>	<u>(1,308,284)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>140,950,219</u>	<u>68,275,150</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>140,950,219</u>	<u>68,275,150</u>
	Cents	Cents
Basic earnings per share	(2.28)	(1.92)
Diluted earnings per share	(2.28)	(1.92)

No options have been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the Company is loss generating.

Note 20. Share-based payments

Set out below are summaries of options on issue during the year:

30 June 2025

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/08/2022	24/08/2025	\$0.30	9,850,000	-	-	-	9,850,000
24/08/2022	24/08/2025	\$0.40	4,350,000	-	-	-	4,350,000
28/09/2023	24/08/2025	\$0.30	500,000	-	-	-	500,000
28/12/2023	24/08/2025	\$0.30	1,000,000	-	-	-	1,000,000
07/01/2025	07/01/2028	\$0.06	-	17,500,000	-	-	17,500,000
26/02/2025	26/02/2028	\$0.06	-	12,500,000	-	-	12,500,000
			<u>15,700,000</u>	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>45,700,000</u>

Weighted average exercise price	\$0.33	\$0.06	\$0.00	\$0.00	\$0.15
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* Options issued as partial consideration for acquisition of interest in tenements.

** Options issued for corporate advisory services.

30 June 2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/08/2022	24/08/2025	\$0.30	9,850,000	-	-	-	9,850,000
24/08/2022	24/08/2025	\$0.40	4,350,000	-	-	-	4,350,000
28/09/2023	24/08/2025	\$0.30	-	500,000	-	-	500,000
28/12/2023	24/08/2025	\$0.30	-	1,000,000	-	-	1,000,000
			<u>14,200,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>15,700,000</u>

Weighted average exercise price	\$0.33	\$0.30	\$0.00	\$0.00	\$0.33
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Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	30 June 2025 Number	30 June 2024 Number
24/08/2022	24/08/2025	9,850,000	9,850,000
24/08/2022	24/08/2025	4,350,000	4,350,000
28/09/2023	24/08/2025	500,000	500,000
28/12/2023	24/08/2025	1,000,000	1,000,000
07/01/2025	07/01/2028	17,500,000	-
26/02/2025	26/02/2028	12,500,000	-
		<u>45,700,000</u>	<u>15,700,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.746 years (2024: 1.151 years).

Note 20. Share-based payments (continued)

For the options currently on issue, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/08/2022	24/08/2025	\$0.20	\$0.30	70.00%	-	11.00%	\$0.071
24/08/2022	24/08/2025	\$0.20	\$0.40	70.00%	-	11.00%	\$0.056
28/09/2023	24/08/2025	\$0.09	\$0.30	81.00%	-	3.49%	\$0.013
28/12/2023	24/08/2025	\$0.06	\$0.30	81.00%	-	3.49%	\$0.004
07/01/2025	07/01/2028	\$0.031	\$0.06	79.38%	-	3.94%	\$0.012
26/02/2025	26/02/2028	\$0.025	\$0.06	79.38%	-	3.94%	\$0.008

Heavy Rare Earths Limited
Consolidated entity disclosure statement
As at 30 June 2025

Heavy Rare Earths Limited does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, section 295(3A)(a) of the Corporations Act 2001 does not apply to the entity.

Heavy Rare Earths Limited
Directors' declaration
30 June 2025

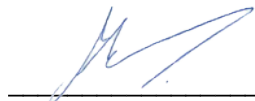
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors



Mr John Byrne
Non-executive Chairman

30 September 2025

Independent auditor's report to the members of Heavy Rare Earths Limited

Report on the audit of the financial report



Our opinion on the financial report

In our opinion, the accompanying financial report of Heavy Rare Earths Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2025 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Company, which comprises:

- the statement of financial position as at 30 June 2025,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that for the year ended 30 June 2025 the Company incurred a net loss of \$3,215,987 and net operating cash outflows of \$1,426,614. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 matter described below to be the key audit matter to be communicated in our report.

Share-based payments	Area of focus (refer also to notes 2, 3 & 20)	How our audit addressed the key audit matter
	During the financial year the Company issued share-based payments as consideration for services provided to the entity and consideration for the acquisition of mining tenements. The issued options were assessed by management to meet the definition of share-based payments under AASB 2 <i>Share Based Payments</i>. This area is a Key Audit Matter due to the complexity of arrangements and judgements applied in valuing the share-based payment instruments issued.	Our audit procedures included: — Understanding the terms of the options being issued including the number of options issued, grant date, expiry date, exercise price and the presence of any market or non-market conditions; — Assessing the Black Scholes models used by management to determine the valuation of the options and examining the key inputs used in the models; — Recalculating the share-based payments amortisation charge over the vesting periods and recording of expense in the profit or loss statement and increment to share-based payments reserve with respect to the options issued in the current period; and — Verifying the accuracy of the disclosures of share-based payment arrangements in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2025, 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 (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report



Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Heavy Rare Earths Limited, for the year ended 30 June 2025, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2025.

Responsibilities

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

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136

W. H. D. Lee

Director

Melbourne, 30 September 2025

Heavy Rare Earths Limited
Shareholder information
30 June 2025

The shareholder information set out below was applicable as at 26 September 2025.

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	26	-
1,001 to 5,000	61	0.10
5,001 to 10,000	96	0.40
10,001 to 100,000	296	5.44
100,001 and over	135	94.06
	614	100.00
Holding less than a marketable parcel	186	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Havilah Resources Limited	38,000,000	18.27
Kea Holdings Pty Ltd (IOS Holding A/C)	13,013,781	6.26
Deck Chair Holdings Pty Ltd	12,988,219	6.24
Kembla No 20 Pty Ltd (CAA A/C)	8,000,000	3.85
HSBC Custody Nominees (Australia) Limited	7,002,000	3.37
Mathieson Downs Pty Ltd	6,500,000	3.12
Citicorp Nominees Pty Limited	6,339,703	3.05
ITA Nominees Pty Ltd	6,200,000	2.98
Bond Street Custodians Limited (Trylan - D83486 A/C)	5,500,000	2.64
J P Morgan Nominees Australia Pty Limited	5,125,002	2.46
Dreaver Investments Australia Pty Ltd	5,000,000	2.40
Mr Richard Brescianini & Mrs Maria L Brescianini (Brescianini Invest A/C)	4,058,887	1.95
Kolley Pty Ltd (Lucas Family A/C)	3,524,032	1.69
Don Martin Superannuation Pty Ltd (Don Martin Super Fund A/C)	3,000,000	1.44
Mr Benjamin M Vallerine & Ms Samantha L Blount (Avalanche A/C)	2,666,668	1.28
Shorthalfhead Pty Ltd (Brae Sokolsko Family No2 A/C)	2,463,259	1.18
Mr Murray G Dummer & Mrs Jane C Dummer (Complete Equip Hire S/F A/C)	2,360,001	1.13
Macsnr Pty Ltd (DSM A/C)	1,666,667	0.80
Mr David McGlashan	1,666,666	0.80
Statsmin Nominees Pty Ltd	1,600,000	0.77
	136,674,885	65.68

Heavy Rare Earths Limited
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Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares exercisable at \$0.06 on or before 7 January 2028	17,500,000	1
Options over ordinary shares exercisable at \$0.06 on or before 26 February 2028	12,500,000	2
Options over ordinary shares exercisable at \$0.06 on or before 11 August 2028	2,500,000	1

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
Number held	
Havilah Resources Limited	38,000,000 18.27
Kea Holdings Pty Ltd (IOS Holding A/C)	13,013,781 6.26
Deck Chair Holdings Pty Ltd	12,988,219 6.24

Voting rights

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

Ordinary shares

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

Restricted securities

The following securities have been placed into a voluntary escrow:

Class	Expiry date	Number of shares
Fully paid ordinary shares	6 October 2025	19,000,000
Fully paid ordinary shares	7 January 2026	19,000,000
		<u>38,000,000</u>