

For personal use only



**INTERIM FINANCIAL REPORT**

**6 MONTHS ENDED**

**31 DECEMBER 2017**

# SPECTRUM RARE EARTHS LIMITED

## DIRECTORS' REPORT

The directors present their report together with the condensed consolidated financial report for the six months ended 31 December 2017 and the review report thereon.

## DIRECTORS

The directors of the Company at any time during or since the end of the half year are:

<b>Mr Alexander Hewlett</b> Executive Director	Director since 7 March 2017
<b>Mr Leonid Charuckyj</b> Non-Executive Director	Resigned 9 March 2018
<b>Mr Alexander Moyle</b> Non-Executive Director	Resigned 15 December 2017
<b>Mr Nader El Sayed</b> Non-Executive Director	Director since 25 October 2017
<b>Mr Davide Bosio</b> Non-Executive Director	Director since 22 December 2017

## REVIEW OF OPERATIONS

### General

The Group incurred an after-tax loss attributable to equity holders of the parent entity for the half year ended 31 December 2017 of \$159,031 (31 December 2016: loss \$122,295).

The Group operated during the period as a mineral explorer in Western Australia.

The Company raised \$888,889 (before costs) during the period by private placement of 111,111,110 shares.

No options were granted during the period.

### Activities

The six-month period saw Spectrum's Whaleshark project tenement (E08/2924) granted and the commencement of exploration activities. Additional ground was also applied for surrounding the Whaleshark project under exploration application E08/2927 in order to secure a large package of prospective basement lithologies.

The company undertook rapid data collection, processing, exploration program design and executed three high powered moving loop time domain electromagnetic ("MLTEM") surveys over the Whaleshark project. These geophysical surveys form the first stage of mineral exploration and have already provided further insight into the geological dynamics of the interpreted mineral system and revealed drill ready target areas.

Continuing this exploration stage, Induced Polarisation ("IP") electrical surveys are scoped to test additional prospective geological domains in conjunction with active and passive seismic surveys to further define, rank and expedite economic drill targets.

## SPECTRUM RARE EARTHS LIMITED

Work completed during the December quarter is of the appropriate scale and effectiveness to undertake permitting for drilling activities. It is estimated that work completed in the first quarter of 2018 will cover large lateral and vertical extents of the granted project area revealing numerous drill targets with approval for drilling. In preparation for the grant of E08/2972 datasets are being merged and ground geophysical surveys planned to provide a smooth transition from target areas to maximise drilling efficiency, target areas tested and minimise cost.

As part of the already executed and planned exploration, further insights into regional mineralisation potential will be gained positioning the company for new prospective exploration opportunities.

### EVENTS AFTER BALANCE DATE

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set on page 3 and forms part of the directors' report for the half year ended 31 December 2017.

Signed in accordance with a resolution of the directors:



A Hewlett  
Non-Executive Chairman  
Perth  
Dated 14<sup>th</sup> March 2018



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

To the Directors of Spectrum Rare Earths Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Spectrum Rare Earths Limited for the half-year ended 31 December 2017 there have been:

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

KPMG.

KPMG

R Gambitta  
*Partner*  
Perth  
14 March 2018

For personal use only

# SPECTRUM RARE EARTHS LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017	30 June 2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,287,807	611,329
Trade and other receivables		23,352	14,225
Other assets		2,079	6,236
<b>Total Current Assets</b>		1,313,328	631,790
<b>Non-Current Assets</b>			
Exploration and Evaluation Expenditure	7	70,488	-
Plant and equipment		-	26,130
<b>Total Non-Current Assets</b>		70,488	26,130
<b>TOTAL ASSETS</b>		1,383,726	657,920
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		45,019	35,738
<b>Total Current Liabilities</b>		45,019	35,738
<b>TOTAL LIABILITIES</b>		45,019	35,738
<b>NET ASSETS</b>		1,338,707	622,182
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	8	20,292,724	19,417,168
Accumulated losses		(18,954,017)	(18,794,986)
<b>TOTAL EQUITY</b>		1,338,707	622,182

This condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

# SPECTRUM RARE EARTHS LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	31 December 2017 \$	31 December 2016 \$
<b>Income</b>		
Interest received	1,467	698
<b>Total Income</b>	1,467	698
<b>Expenses</b>		
Directors' remuneration	(67,251)	(73,913)
Profit / (loss) on disposal of fixed assets	29,324	(1)
Professional services expense	(103,975)	(54,820)
Other expenses	(18,596)	(23,390)
<b>Total Expenses</b>	(160,498)	(152,124)
<b>Loss before income tax</b>	(159,031)	(151,426)
Income tax benefit/(expense)	-	29,131
<b>Loss for the Year Attributable to the Owners of the Company</b>	(159,031)	(122,295)
Other Comprehensive Income	-	-
<b>Total Comprehensive Loss for the Year Attributable to the Owners of the Company</b>	<b>(159,031)</b>	<b>(122,295)</b>
<b>Loss per share</b>		
Loss per share	<b>Cents</b>	<b>Cents</b>
- Basic for loss for the year	(0.03)	(0.04)
- Diluted for loss for the year	(0.03)	(0.04)

This condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

For personal use only

# SPECTRUM RARE EARTHS LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2016</b>	<b>18,756,456</b>	<b>(18,563,855)</b>	<b>192,601</b>
Loss for the year	-	(122,295)	(122,295)
Other Comprehensive loss	-	-	-
Total Comprehensive loss	-	(122,295)	(122,295)
<b>At 31 December 2016</b>	<b>18,756,456</b>	<b>(18,686,150)</b>	<b>70,306</b>
<b>At 1 July 2017</b>	<b>19,417,168</b>	<b>(18,794,986)</b>	<b>622,182</b>
Loss for the year	-	(159,031)	(159,031)
Other Comprehensive loss	-	-	-
Total Comprehensive loss	-	(159,031)	(159,031)
Issue of share capital for cash	888,889	-	888,889
Share Issue Costs	(53,333)	-	(53,333)
Issue of share capital in lieu of costs	40,000	-	40,000
<b>At 31 December 2017</b>	<b>20,292,724</b>	<b>(18,954,017)</b>	<b>1,338,707</b>

This condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

For personal use only

# SPECTRUM RARE EARTHS LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	<b>Note</b>	<b>31 December 2017 \$</b>	<b>31 December 2016 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(185,512)	(83,252)
<b>Net cash flows used in operating activities</b>		<b>(185,512)</b>	<b>(83,252)</b>
<b>Cash flows from investing activities</b>			
Interest received		1,467	698
Proceeds from sale of plant and equipment		55,455	18,180
Exploration & Evaluation Expenditure		(70,488)	-
<b>Net cash flows (used in) / from investing activities</b>		<b>(13,566)</b>	<b>18,878</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares/exercise of options		888,889	-
Cost of shares issued		(13,333)	-
<b>Net cash flows used in financing activities</b>		<b>875,556</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		676,478	(64,374)
Cash and cash equivalents at beginning of year		611,329	218,801
<b>Cash and cash equivalents at end of the year</b>		<b>1,287,807</b>	<b>154,427</b>

This condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

For personal use only



# SPECTRUM RARE EARTHS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

#### 1. Reporting entity

Spectrum Rare Earths Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in mineral exploration in Western Australia.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 is available upon request from the Company's registered office at Suite 1, 827 Beaufort Street Mt Lawley, WA, 6050 or at [www.spectrumrareearths.com.au](http://www.spectrumrareearths.com.au).

#### 2. Statement of compliance

The interim financial statements are general purpose financial statements prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2017. This report does not include all of the information required for full annual financial report and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2017.

This consolidated interim financial report was approved by the Board of Directors on 14 March 2018.

#### 3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2017.

#### 4. Going concern

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

For the period ended 31 December 2017, the Group has incurred a consolidated loss of \$159,031 and experienced net operating cash outflows of \$185,512. As at 31 December 2017 the Group had \$1,287,807 in cash and cash equivalents and net current assets of \$1,268,309

Whilst not immediately required, the Group may need to raise additional funds to meet its ongoing obligations and subject to the results of its ongoing exploration activities, expand or accelerate its work programs.

The Group's capacity to raise additional funds will be impacted by the success of the ongoing exploration activities and market conditions. Additional sources of funding available to the Group include a capital raising via preferential issues to existing shareholders, placements to new and existing investors or through farm in or similar arrangements.

# SPECTRUM RARE EARTHS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

#### 4. Going concern (continued)

If necessary the Group can delay exploration expenditure and the directors can also institute cost saving measures to further reduce corporate and administrative costs.

The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least the next 12 months and when required will be able to raise further funding via the methods set out above.

#### 5. Use of judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2017.

#### 6. Operating Segments

The Company has only one operation being exploration for minerals in Western Australia, consequently the Group does not report segmented operations.

#### 7. Exploration and evaluation expenditure

	31 December 2017 \$	30 June 2017 \$
Balance at the beginning of the period	-	-
Exploration and evaluation expenditure incurred	70,488	-
Exploration and evaluation expenditure written off	-	-
Balance at the end of the period	<u>70,488</u>	<u>-</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest at an amount greater or equal to the carrying value.

# SPECTRUM RARE EARTHS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

#### 8. Capital and reserves

The following table summarises the shares issued during the six months ended 31 December 2017.

	31 December 2017 \$	30 June 2017 \$
<b>Issued capital</b>		
596,515,516 (30 June 2017: 480,404,406) ordinary fully paid shares	<u>20,292,724</u>	<u>19,417,168</u>
	<b>Number of shares</b>	<b>\$</b>
Movements for Ordinary shares:		
Balance at 30 June 2017	480,404,406	19,417,168
Issued for cash at \$0.008 per share	111,111,110	888,889
Issued for services rendered	5,000,000	40,000
Cost of shares issued	-	(53,333)
Balance at 31 December 2017	<u>596,515,516</u>	<u>20,292,724</u>

#### Dividends

No dividends were declared or paid during the six months ended 31 December 2017 (2016: NIL).

#### 9. Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements the Company is required to perform exploration work to meet the minimum expenditure requirements specified by various State Governments within Australia. These obligations may be reset when application for a mining lease is made and at other times.

The Group has a minimum expenditure commitment on tenure under its control.

The Company can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Company's exploration activities the Company is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 1 year ahead.

The commitment for minimum exploration expenditure payable as at 31 December 2017, payable within one year, is \$20,000.

# SPECTRUM RARE EARTHS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

#### 10. Related parties

During the period, two new directors were appointed, Nader El Sayed and Davide Bosio.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There were no significant changes in the nature of related party transactions since 30 June 2017.

#### 11. Subsequent events

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

# SPECTRUM RARE EARTHS LIMITED

## DIRECTORS' DECLARATION

In the opinion of the directors of Spectrum Rare Earths Limited ("the Company"):

- a) the condensed consolidated financial statements and notes set out on pages 8 to 11, are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six-month period ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



A Hewlett  
Non-Executive Chairman

Perth

Dated 14<sup>th</sup> March 2018



# Independent Auditor's Review Report

To the shareholders of Spectrum Rare Earths Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of Spectrum Rare Earths Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Spectrum Rare Earths Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date
- Summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Spectrum Rare Earths Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

For personal use only

## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at [date] and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Spectrum Rare Earths Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG.

KPMG



R Gambitta  
Partner  
Perth  
14 March 2018

For personal use only