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11 December 2023

IONICRE MOVES TO 94% OWNERSHIP OF THE MAKUUTU RARE EARTH PROJECT

- **IonicRE has signed a conditional share purchase agreement to acquire an additional 34% interest in the strategic Makuutu Rare Earths Project, taking its ownership to 94% on completion;**
- **Makuutu's basket contains 71% magnet and heavy rare earths content, and is one of the most advanced ionic adsorption clay (IAC), heavy rare earth projects globally, available as a source for new supply chains emerging across Europe, the US and Asia;**
- **This is a watershed moment for the Company with ownership at a 94% interest, opening up a multitude of potential funding and offtake scenarios in financing the development of the Project;**
- **Third party interest in partnering with the Company remains very strong with discussions already underway; and**
- **First Mixed Rare Earth Carbonate (MREC) product on track to be produced from the Demonstration Plant in Q1 2024 to send to potential customers and offtake parties for evaluation.**

Ionic Rare Earths Limited ("**IonicRE**" or "the **Company**") (ASX: IXR) is pleased to advise it has signed a share purchase agreement ("**SPA**") with Rare Earth Elements Africa (Pty) Ltd ("**REEA**") under which IonicRE will acquire a further 34% interest in local Ugandan operating entity Rwenzori Rare Metals Limited ("**RRM**") ("**Transaction**") which owns the Makuutu Rare Earths Project ("**Makuutu**"). IonicRE has an existing 60% interest in the Project prior to the Transaction.

Completion of the Transaction ("**Completion**") will see IonicRE's interest in Makuutu increase to 94%, which is a considerable milestone for the Company.

The Company expects this to be a substantial step forward in progressing the financing and offtake discussions with multiple third parties who have expressed strong interest in partnering with the Company to access the heavy rare earth product achieved through the development of the Project.

IonicRE's Managing Director, Mr Tim Harrison, noted the significance of the transaction.

> "*Makuutu isn't just any rare earth project; it's a strategic asset, and importantly one of the most advanced ionic adsorption clay projects globally. Makuutu can unlock near term supply*

of heavy rare earths into the advanced manufacturing demand that far exceeds existing supply. It has immediate strategic value to these new supply chains forming.

With a dominant 71% magnet and heavy rare earth basket content, Makuutu stands tall as one of the most advanced heavy rare earth projects globally. Positioned strategically, it's poised to fuel the emerging supply chains across Europe, the US, and Asia.

This is an exciting time for Makuutu as we near production of first mixed rare earth carbonate from the Demonstration facility in the first quarter of 2024, and the increased ownership will enable IonicRE to advance and accelerate discussions with strategic investors, offtake partners and financiers."

Consideration under the SPA

In consideration for acquiring the shares held by REEA in RRM, IonicRE will issue to REEA at Completion:

- 425,000,000 fully paid ordinary shares in IonicRE ("**IonicRE Shares**") ("**Consideration Shares**");
- 350,000,000 performance rights vesting on the satisfaction of the following milestones ("**Tranche 1 Performance Rights**"):
    - issue of the mining licence for the Stage One development of Makuutu over Retention Licence (RL) 1693 (Mining License Application TN03834); and
    - the volume weighted average price of IonicRE shares on the Australian Stock Exchange for a period of 30 consecutive trading days exceeding $0.05 ("**VWAP Condition**");
- 350,000,000 performance rights vesting on the satisfaction of the following milestones ("**Tranche 2 Performance Rights**"):
    - IonicRE obtaining binding funding commitments (debt and/or equity) to fully fund construction at Makuutu, and any conditions precedent to drawdown being satisfied or waived; and
    - the VWAP Condition being satisfied.

On vesting, each Tranche 1 Performance Right and each Tranche 2 Performance Right (collectively the **"Consideration Rights"**) will vest into one IonicRE Share.

At Completion, REEA will hold approximately 9% of the fully diluted share capital of IonicRE. The SPA contains restrictions preventing REEA from holding in excess of 19.99% of the issued capital of IonicRE at any time.

The milestones for the Tranche 1 Performance Rights must be satisfied on or before the date that is 3 years after Completion, and the milestones for the Tranche 2 Performance Rights must be satisfied on or before the date that is 5 years after Completion. If the milestones are not satisfied on or before the applicable expiry date, they will immediately lapse.

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The terms of the Consideration Rights include vesting rights in connection with a change of control in IonicRE or a divestment of a majority of the shares in RRM.

Additionally, if all Consideration Rights vest in accordance with their terms, IonicRE has also agreed to pay to REEA a bonus consideration as follows:

- 135,000,000 IonicRE Shares ("**Bonus Consideration Shares**"); or
- the cash equivalent of the Bonus Consideration Shares based on the 5-day VWAP at the time; or
- a combination of cash and shares (capped at the cash equivalent of 135,000,000 IonicRE Shares).

REEA has agreed to a voluntary escrow of the Consideration Shares and any IonicRE Shares issued on vesting of the Tranche 1 Performance Rights for 12-months, and a voluntary escrow of any IonicRE Shares issued on vesting of the Tranche 2 Performance Rights for a period of 6-months under the terms of an escrow deed. In addition to other market standard releases, IonicRE has agreed to release any escrow to permit the sale of Consideration Shares to meet any tax liability of REEA, as well as to permit in-specie distributions of IonicRE Shares by REEA to its shareholders.

Material terms of the SPA

The SPA includes appropriate warranties and indemnities for a transaction of this nature (noting IonicRE's current majority ownership in RRM), as well as termination rights in favour of IonicRE before Completion (including for material breaches by REEA, any warranties provided by REEA being materially incorrect or REEA suffering an insolvency event).

Under the SPA, IonicRE has agreed to indemnify REEA in respect of any tax liability of REEA to the Ugandan Revenue Authority in respect of the transfer of the shares in RRM ("**Tax Liability**") - but only to the extent that Tax Liability relates to the value of the Consideration Shares issued.

REEA has agreed to indemnify IonicRE in respect of all other Tax Liability.

Conditions precedent to Completion

Completion under the SPA is subject to a number of reasonably standard conditions precedent for a transaction of this nature - including:

- obtaining approvals and waivers of pre-emptive rights from other minority shareholders of RRM;
- IonicRE obtaining approval from its shareholders to issue the Consideration Shares and Consideration Rights under ASX Listing Rule 7.1;
- REEA obtaining necessary regulatory approvals in respect of the Transaction including from the Financial Surveillance Department of the South African Reserve Bank and the Minister of Energy and Mineral Development in Uganda; and
- REEA making a voluntary notification in respect of the Transaction to the Foreign Investment Review Board under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

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Subject to satisfaction of the conditions precedent under the SPA, Completion is expected to occur in Q1 2024.

ASX Approvals

As noted above, IonicRE will seek shareholder approval to issue the Consideration Shares and Consideration Rights for the purposes of ASX Listing Rule 7.1. ASX have confirmed that no approvals are required for the Transaction under ASX Listing Rule 10.1 or 11.1.

Further information on the Transaction will be provided to shareholders in the Notice of Meeting expected to be distributed during January 2024. The IonicRE directors unanimously recommend shareholders vote in favour of the Transaction. Further information on the directors' recommendation will be provided in the Notice of Meeting.

Authorised for release by the Board.

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About Ionic Rare Earths Ltd

Ionic Rare Earths Limited (ASX: IXR or IonicRE) is set to become a miner, refiner and recycler of sustainable and traceable magnet and heavy rare earths needed to develop net-zero carbon technologies.

The Makuutu Rare Earths Project in Uganda, 60% owned by IonicRE, is well-supported by existing tier-one infrastructure and is on track to become a long-life, low Capex, scalable and sustainable supplier of high-value magnet and heavy rare earths oxides (REO). In March 2023, IonicRE announced a positive stage 1 Definitive Feasibility Study (DFS) for the first of six (6) tenements to progress to a Mining Licence Application (MLA) which is pending in Uganda. The Makuutu Stage 1 DFS defined a 35-year life initial project producing a 71% rich magnet and heavy rare earth carbonate (MREC) product basket and the potential for significant potential and scale up through additional tenements.

Ionic Technologies International Limited ("Ionic Technologies"), a 100% owned UK subsidiary acquired in 2022, has developed processes for the separation and recovery of rare earth elements (REE) from mining ore concentrates and recycled permanent magnets. Ionic Technologies is focusing on the commercialisation of the technology to achieve near complete extraction from end

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of life / spent magnets and waste (swarf) to high value, separated and traceable magnet rare earth products with grades exceeding 99.9% rare earth oxide (REO). In June 2023, Ionic Technologies announced initial production of high purity magnet REOs from its newly commissioned Demonstration Plant. This technology and operating Demonstration Plant provides first mover advantage in the industrial elemental extraction of REEs from recycling, enabling near term magnet REO production capability to support demand for early-stage alternative supply chains. In September 2023, Ionic Technologies announced with the support of the UK government, collaboration partnerships to build a domestic UK supply chain, from recycled REOs to metals, alloys and magnets and supplying UK based electric vehicles (EV) manufacturing, with potential to replicate across other key markets.

As part of an integrated strategy to create downstream supply chain value, IonicRE is also evaluating the development of its own magnet and heavy rare earth refinery, or hub, to separate the unique and high value magnet and heavy rare earths dominant Makuutu basket into the full spectrum of REOs plus scandium.

This integrated strategy completes the circular economy of sustainable and traceable magnet and heavy rare earth products needed to supply applications critical to EVs, offshore wind turbines, communication, and key defence initiatives.

IonicRE is a Participant of the UN Global Compact and adheres to its principles-based approach to responsible business.

Forward Looking Statements

This announcement has been prepared by Ionic Rare Earths Limited and may include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Ionic Rare Earths Limited. Actual values, results or events may be materially different to those expressed or implied in this document. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this document speak only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, Ionic Rare Earths Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions, or circumstances on which any such forward looking statement is based.

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