IONIC RARE EARTHS LIMITED

ABN 84 083 646 477

HALF YEAR FINANCIAL REPORT

31 December 2023

Ionic Rare Earths Limited
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Corporate Directory

ABN: 84 083 646 477

Directors

B L Lynch	Executive Chairman
T J Harrison	Managing Director
M McGarvie	Non-Executive Director
S Ahmad	Non-Executive Director
N Tyagi	Non-Executive Director

Company Secretary
M Licciardo

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Telephone: 1300 787 272

Auditors
BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Bank
National Australia Bank
Level 1, Gateway Building
177-179 Davy Street
Booragoon WA 6154

Directors' Report

The Directors present their report together with the consolidated financial report for the six months ended 31 December 2023 and the independent review report thereon.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

B L Lynch – Chairman (appointed 25 January 2024)
T J Harrison – Managing Director
M McGarvie
S Ahmad
N Tyagi

REVIEW OF OPERATIONS

Makuutu Rare Earths Project

Makuutu currently ranks amongst the world's largest and most advanced ionic adsorption clay (IAC) deposits, and as such, a globally strategic resource for near term, low capital development, and long-term security of magnet and heavy rare earth oxide (REO) supply.

Makuutu comprises six licences (see Figure 1) covering approximately 300 square kilometres, located 120 kilometres east of Kampala in Uganda. The deposit, stretching 37 km end to end, is situated near existing infrastructure and has the potential to provide western customers with a strategic alternative supply of heavy rare earths to support the development of resilient supply chains, and the growth of advanced manufacturing and industries critical to achieve net-zero carbon initiatives for 50 years and beyond.

Makuutu is being developed by Rwenzori Rare Metals Limited ("RRM"), a Ugandan private company which owns 100% of the Makuutu Project. IonicRE is a 60% owner of RRM, and during the quarter, announced it had signed a conditional share purchase agreement to acquire an additional 34% interest in the strategic Makuutu Rare Earths Project, taking the Company's ownership to 94% on completion.

The increase in ownership represents a watershed moment for the Company with ownership at a 94% interest, opening a multitude of potential funding and offtake scenarios in financing the development of the Project. The Company continues discussions with partners on a transaction to acquire the remaining 6%.

Figure 1: Makuutu Rare Earths Project Location with major existing nearby infrastructure.

Makuutu Demonstration Plant

During the half, the Company progressed the establishment of a Demonstration Plant located on site at Makuutu in Uganda.

The Makuutu Demonstration Plant technical facility will aim to further optimise metallurgical test work and provide further technical validation basis for grade control, mine design, material handling, metallurgical reconciliation, and construction activity whilst also supporting Project financing and strategic partner activity.

First production of mixed rare earth carbonate product is expected in quarter 1 2024.

Figure 2: Removal of the topsoil layer across the Demonstration Plant facility area.

Figure 3: Makuutu Technical Facility frame structure erected.

Figure 4: Makuutu Stage 1 Demonstration Plant.

Figure 5: Crib shells which were being assembled for commissioning.

Figure 6: Auger drill mobilised to test site to collect bulk sample test material for the initial Phase 1 test program at Makuutu.

Award of Large-Scale Mining Licence 00334

Subsequent to the end of the half, on 18 January 2024, RRM was granted large-scale Mining Licence (LML00334) over the central Makuutu tenement (previously Retention Licence 1693). LML00334 was officially signed on 17 January 2024, at a ceremony in Kampala, by the Ugandan Minister of Energy and Mineral Development (MEMD), the Honourable Dr Ruth Nankabirwa Ssentamu.

The award represents the first large scale mining licence to be issued in Uganda under the Mining Act of 2022. This further supports the flagship project status awarded to Makuutu in 2022 and reflects the strong support received from Uganda in the development of the Project towards operations.

During the half RL 00007 was renewed for a further two year period.

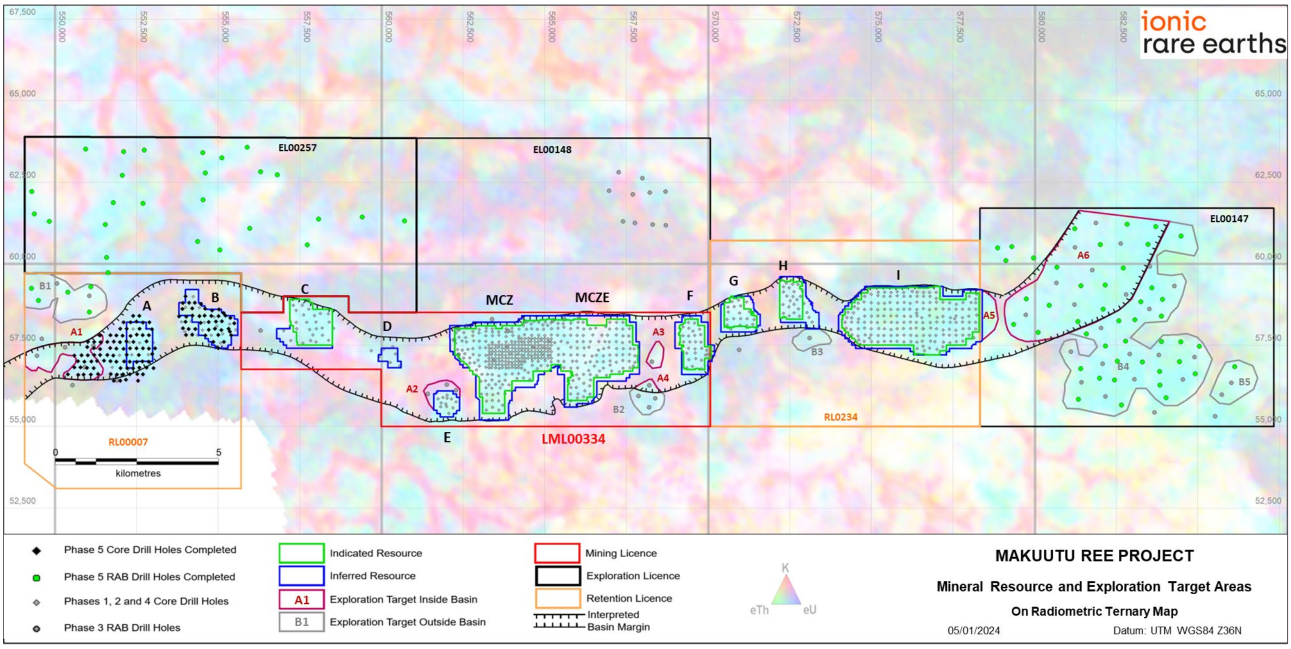

Figure 7: Makuutu Project Stage 1 Mining Licence LML00334 (red border), which has been formally awarded, as part of the larger Makuutu Rare Earth Project.

Environmental, Social and Governance (ESG) Progress

IonicRE has been accepted as a participant of the United Nations Global Compact – the World's largest corporate sustainability initiative. As part of this commitment, IonicRE will align corporate strategy and operations with the Ten Principles of the United Nations Global Compact. The Ten Principles consist of the Sustainable Development Goals (SDGs) and fall under the four pillars of human rights, labour standards, environmental protection, and anti-corruption.

In addition, during the period, Digbee ESG™ (Digbee) awarded IonicRE an overall "BBB" ESG score for Corporate and Operation activity relating to the Makuutu Rare Earth Project.

The Digbee report and associated scoring system provides IonicRE with a baseline ESG risks and opportunities assessment within the rating credentials for both IonicRE Corporate (B rating) and the Makuutu Rare Earths Project (BBB rating). The report has provided IonicRE visibility on improvement mechanisms in relation to ESG embedded within our entire operation, from the Makuutu Rare Earths Project in Uganda to Ionic Technologies in Belfast, and within IonicRE.

Ionic Technologies Belfast Facility Update

Ionic Technologies International Limited ("Ionic Technologies") is a 100% owned subsidiary of IonicRE based in Belfast, UK. Ionic Technologies is a global first mover in the recycling of Neodymium-Iron-Boron (NdFeB) permanent magnets to high purity separated magnet rare earth oxides (REOs), enabling the creation of sustainable, traceable, and sovereign rare earth supply chains.

During the half, Ionic Technologies successfully secured funding for two CLIMATES grants from the UK Government's Innovate UK totalling £2 million ($3.9 million). These successful grant funding submissions centred on two projects. The first project with Less Common

Metals (LCM) and Ford involves developing a traceable, circular supply chain of rare earths for application in EV motors within the UK; and the second project with the British Geological Survey involves a feasibility study for a commercial magnet recycling plant in Belfast, UK.

An opening event for the Technical Facility established in Belfast was hosted in September 2023. Stakeholders from the UK Government and Northern Ireland attended the event, along with collaboration partners where the CLIMATES grants were officially announced.

Figure 8: Representatives from the UK Government, Innovate UK, collaboration partners British Geological Survey (BGS), Ford, and Less Common Metals (LCM), Rare Earth Industry Association (REIA) joined IonicRE staff for the Ionic Technologies opening event.

Magnet Recycling Demonstration Plant

During 2023, Ionic Technologies constructed a magnet recycling Demonstration Plant and produced initial quantities of high purity (> 99.5%) neodymium (Nd) and dysprosium (Dy) rare earth oxides (REOs). After initial process commissioning and production runs through Q3 2023, Ionic Technologies installed additional processing equipment and is in the final stages of upgrading the installed control system which is now undergoing final commissioning. Ionic Technologies is on track to go to 24/7 operations in quarter 1 2024, with commercial production runs to support the LCM and Ford collaboration commencing immediately thereafter and several other campaigns for potential customers.

Figure 9: Left, crushed magnets prepared, and right, mixed rare earth filter cake prepared for downstream process commissioning activity.

Magnet Recycling Feasibility Study

During the half, Ionic Technologies appointed WSP as the engineer and project manager for delivery of the feasibility study for the commercial magnet recycling facility in Belfast. The feasibility study forms the most significant single output of the CLIMATES project that Ionic Technologies will complete in partnership with the British Geological Survey (BGS), which will provide a comprehensive assessment of the feasibility and supply side dynamics of a magnet recycling facility, within the UK. The feasibility study commenced in December and is expected to be completed in mid-2024.

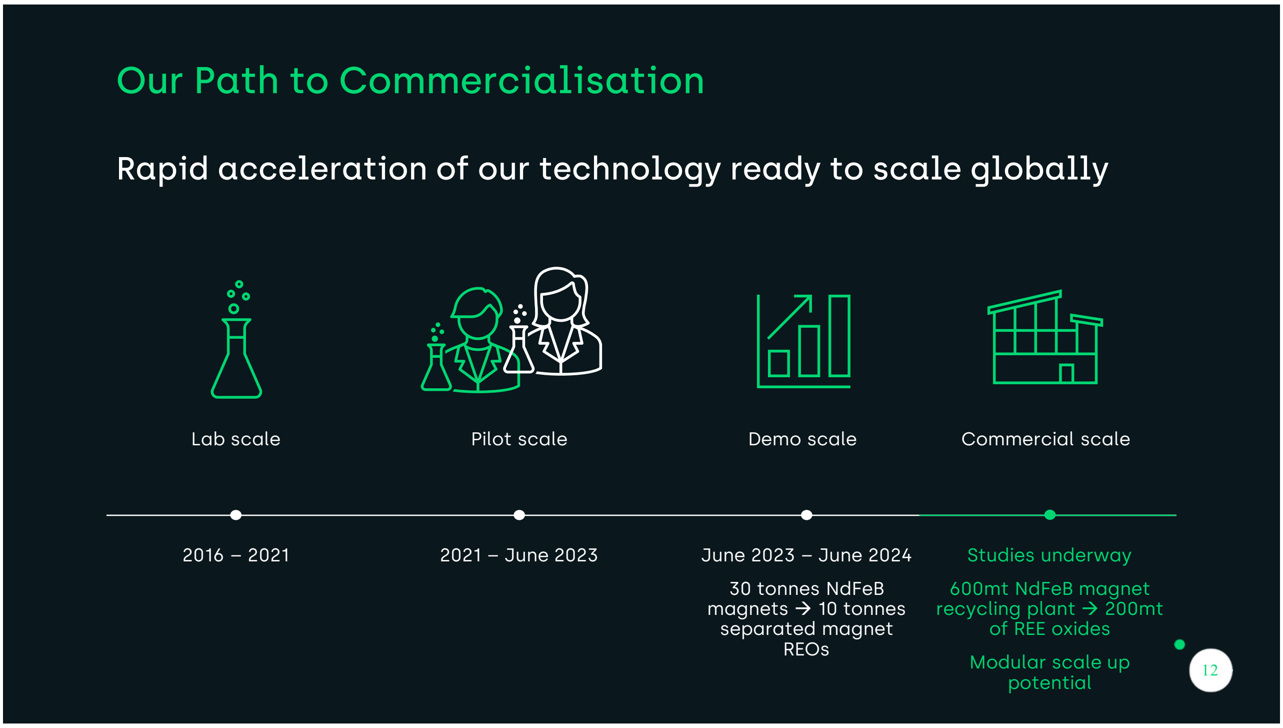

Figure 10: Ionic Technologies path to production.

CORPORATE

During the period the company completed a share placement and a share purchase plan issuing 261,904,762 and 62,499,906 shares respectively at 2.1 cents each raising $6,812,500, before expenses of the issues.

In addition, 10,000,000 options exercisable at 2.15 cents each were exercised raising $215,000.

EVENTS AFTER THE REPORTING PERIOD END DATE

The following matters have arisen since the end of the financial period which 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 years.

Large Scale Mining Licence (LML) 00334 over the central Makuutu tenement (previously Retention Licence 1693) was officially signed on Wednesday 17th of January 2024, at a ceremony in Kampala, by the Ugandan Minister of Energy and Mineral Development (MEMD), the Honourable Dr Ruth Nankabirwa Ssentamu.

As announced on 29 January 2024, the Group raised approximately $2 million by way of a share placement at $0.018. This included a commitment from the now Executive Chairman, Mr Brett Lynch to subscribe for approximately $1.5 million worth of fully paid ordinary shares, subject to the receipt of shareholder approval.

As announced on 16 February 2024, per the earn-in agreement signed for Makuutu (ASX: 5 July 2019), the milestone fee payment to Rare Earth Elements Africa Pty Ltd ("REEA") of US$375,000 became due on award of a mining licence. The milestone fee was settled via issue to REEA of 26,017,409 shares in IXR based on a 30-day volume weighted average price of $0.0221 (9 February 2024) and an exchange rate of 0.6524 USD to AUD.

In the letter to shareholders dated 13 February 2024 the Group announced a General Meeting of Shareholders which was held on Wednesday 13 March 2024. The Group advises that each resolution was decided by way of a poll and each resolution was carried.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors, BDO Audit (WA) Pty Ltd to provide the Directors with a written independence declaration in relation to their review of the financial report for the half year ended 31 December 2023. The written auditor's independence declaration is attached at page 27 and forms part of this Directors' report.

Signed in accordance with a resolution of directors.

B Lynch
Chairman
Melbourne 14 March 2024

Table 1: Ionic Rare Earths Mineral Tenement Interests

Concession ID	Licence Type	Location	Area (km^2)	Interest
RL00007	Retention	Uganda	43.38	60%
LML00334	Mining	Uganda	43.78	60%
RL00234	Retention	Uganda	47.03	60%
EL00257	Exploration	Uganda	55.51	60%
EL00147	Exploration	Uganda	60.30	60%
EL00148	Exploration	Uganda	48.15	60%

Table 2: Makuutu Rare Earth Project Resource Tabulation of REO Reporting Groups at 200ppm TREO-CeO2 Cut-off Grade (ASX: 3 May 2022).

Resource Classification	Tonnes (millions)	TREO (ppm)	TREO- CeO_2 (ppm)	LREO (ppm)	HREO (ppm)	CREO (ppm)	Sc_2O_3 (ppm)
Indicated	404	670	450	500	170	230	30
Inferred	127	540	360	400	140	180	30
Total	532	640	430	480	160	220	30

Notes; Tonnes are dry tonnes rounded to the nearest 1.0Mt.

All ppm rounded from original estimate to the nearest 10 ppm which may lead to differences in averages. TREO = Total Rare Earth Oxide

Table 3: Mineral Resources by Area (ASX: 3 May 2022). RL00007 resource areas shaded blue to comprise basis for infill Phase 5 drill program and potential upgrade to MRE expected Q1 2024.

Classification	Indicated Resource			Inferred Resource			Total Resource		
Area	Tonnes (millions)	TREO (ppm)	TREO-CeO_2 (ppm)	Tonnes (millions)	TREO (ppm)	TREO-CeO_2 (ppm)	Tonnes (millions)	TREO (ppm)	TREO-CeO_2 (ppm)
A				13	580	390	13	580	390
B				26	410	290	26	410	290
C	31	580	400	3	490	350	35	570	400
D				6	560	400	6	560	400
E				18	430	280	18	430	280
Central Zone	151	780	540	12	670	460	163	770	530
Central Zone East	59	750	490	12	650	430	72	730	480
F	18	630	420	7	590	400	25	620	410
G	9	750	500	5	710	450	14	730	480
H	6	800	550	7	680	480	13	740	510
I	129	540	350	19	530	350	148	540	350
Total Resource	404	670	450	127	540	360	532	640	430

Rounding has been applied to 1Mt and 10ppm which may influence averaging calculations.

Competent Persons Statement

Information in this report that relates to previously reported Exploration Targets and Exploration Results has been cross-referenced in this report to the date that it was originally reported to ASX. Ionic Rare Earths Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcements.

The information in this report that relates to Mineral Resources for the Makuutu Rare Earths deposit was first released to the ASX on 3 May 2022 and is available to view on www.asx.com.au. Ionic Rare Earths Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

The information in this report that relates to Ore Reserves for the Makuutu Rare Earths deposit was first released to the ASX on 20 March 2023 and is available to view on www.asx.com.au. Ionic Rare Earths Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

The information in this report that relates to Production Targets or forecast financial information derived from production the production target for the Makuutu Rare Earths deposit was first released to the ASX on 20 March 2023 and is available to view on www.asx.com.au. Ionic Rare Earths Limited confirms that all material assumptions and technical parameters underpinning the Production Targets or forecast financial estimates in the announcement continue to apply and have not materially changed.

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023 $	31 December 2022 $
Continuing operations			
Other Income		615,284	109,859
Interest income		63,169	136,398
Depreciation and amortisation		(1,452,845)	(98,835)
Salaries and wages		(2,564,467)	(890,022)
Directors' fees		(278,458)	(314,182)
Travel and accommodation		(448,003)	(433,634)
Promotion		(603,433)	(281,297)
Consultants		(453,870)	(392,793)
Insurance		(95,087)	(47,817)
Legal fees		(276,405)	(216,050)
Administration expenses		(881,555)	(681,622)
Share based payments – performance rights		(6,721)	(34,363)
Interest expenses		(187)	(1,178)
Exploration expense	3	(6,896,348)	-
Research and Development		(897,127)	(421,777)
Loss from continuing operations before Income tax		**(14,176,053)**	**(3,567,313)**
Income tax credit/(expense)		-	-
Loss from continuing operations after income tax		**(14,176,053)**	**(3,567,313)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences in translating foreign controlled entities		(983,236)	825
Other comprehensive income net of tax		(983,236)	825
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(15,159,289)**	**(3,566,488)**
Earnings per share for loss attributable to the ordinary equity holder of the parent:			
Basic earnings per share (cents per share)		(0.36)	(0.09)
Diluted earnings per share (cents per share)		(0.36)	(0.09)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	Note	31 December 2023 $	30 June 2023 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	4,537,857	11,116,649
Receivables		453,402	1,102,795
Investments		600,000	-
Inventory		776,650	793,810
Other		282,571	224,471
Total Current Assets		**6,650,480**	**13,237,725**
Non-current Assets			
Investments	5	21,304,694	21,926,992
Right to use assets		515,631	8,970
Capitalised exploration & evaluation expenditure	6	1,578,379	1,624,481
Intangibles – Patents		5,195,716	5,429,587
Plant and equipment		1,913,982	2,295,746
Total Non-current Assets		**30,508,402**	**31,285,776**
TOTAL ASSETS		**37,158,882**	**44,523,501**
LIABILITIES			
Current Liabilities			
Payables		1,341,218	817,541
Provisions		31,447	0
Lease liability	7	109,193	7,319
Total Current Liabilities		**1,481,858**	**824,860**
Non-current liabilities			
Lease liability	7	433,452	-
Deferred Tax Liability		95,406	-
Total Non-current Liabilities		**528,858**	**-**
TOTAL LIABILITIES		**2,010,716**	**824,860**
NET ASSETS		**35,148,166**	**43,698,641**
EQUITY			
Issued Capital	8	84,723,892	78,332,559
Reserves		10,716,325	11,482,080
Accumulated losses		(60,292,051)	(46,115,998)
TOTAL EQUITY		**35,148,166**	**43,698,641**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	$	$	$	$	$	$
At 1 July 2023	**78,332,559**	**136,403**	**9,313,061**	**2,032,616**	**(46,115,998)**	**43,698,641**
Loss for the period	-	-	-	-	(14,176,053)	(14,176,053)
Other comprehensive loss	-	-	-	(983,236)	-	(983,236)
Total comprehensive loss for the period	-	-	-	(983,236)	(14,176,053)	(15,159,289)
Transactions with owners in their capacity as owners						
Shares issued for capital raising	6,812,500	-	-	-	-	6,812,500
Exercise of Options	215,000	-	-	-	-	215,000
Vesting of Performance Rights	-	-	6,721	-	-	6,721
Transaction Costs	(636,167)	-	-	-	-	(636,167)
Share based payments	-	-	210,760	-	-	210,760
At 31 December 2023	**84,723,892**	**136,403**	**9,530,542**	**1,049,380**	**(60,292,051)**	**35,148,166**

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	$	$	$	$	$	$
At 1 July 2022	**76,957,059**	**136,403**	**8,972,388**	**(198,286)**	**(37,577,536)**	**48,290,028**
Loss for the period	-	-	-	-	(3,567,313)	(3,567,313)
Other comprehensive loss	-	-	-	825	-	825
Total comprehensive loss for the period	-	-	-	825	(3,567,313)	(3,566,488)
Transactions with owners in their capacity as owners						
Exercise of Options	1,260,000	-	-	-	-	1,260,000
Vesting of Performance Rights	-	-	34,363	-	-	34,363
Foreign Currency translation	-	-	-	42,624	-	42,624
At 31 December 2022	**78,217,059**	**136,403**	**9,006,751**	**(154,837)**	**(41,144,849)**	**46,060,527**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023 $	31 December 2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(5,512,160)	(3,580,555)
Interest received		63,169	136,398
Interest expense		(187)	-
Exploration Expense		(6,673,416)	-
Net cash flows used in operating activities		**(12,122,594)**	**(3,444,157)**
Cash flows from investing activities			
Purchase of plant and equipment		(814,894)	(847,741)
Receipt of government R&D rebate		246,836	164,434
Receipt of grants		368,448	109,859
Capitalised exploration expenditure		-	(4,282,655)
Payments for Patents		(71,550)	(151,893)
Payments for Investments		(600,000)	-
Net cash flows used in investing activities		**(871,160)**	**(5,007,996)**
Cash flows from financing activities			
Proceeds from application for shares/exercise of options, net of transaction costs		6,602,093	1,260,000
Net cash flows from financing activities		**6,602,093**	**1,260,000**
Net increase/(decrease) in cash and cash equivalents		(6,391,661)	(7,192,153)
Cash and cash equivalents at beginning of period		11,116,649	26,759,731
Effect of exchange rate changes on cash and cash equivalents		(187,131)	(6,833)
Cash and cash equivalents at end of period	4	**4,537,857**	**19,560,745**

The above Consolidated Statement of Cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1 BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 31 December 2023 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134 *Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Ionic Rare Earths Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023 together with any public announcements made during the half year.

(a) Going Concern

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

The Company incurred a loss after tax of $14,176,053 (2022: $3,567,313) for the period ended 31 December 2023 and experienced net cash outflows from operating activities of $12,122,594 (2022: $3,444,157).

The ability of the group to continue as a going concern is dependent on the Group being able to raise additional funds as required to meet ongoing and budgeted exploration commitments and for working capital. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors believe that they will be able to raise additional capital as required and are in the process of evaluating the Group's cash requirements. The Directors believe that the Group will continue as a going concern.

As a result, the financial report has been prepared on a going concern basis. However, should the Group be unsuccessful in undertaking additional raisings, the Group may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Group not continue as a going concern.

Should the going concern basis not be appropriate, the entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(b) Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2023.

(c) Adoption of new and amended Accounting Standards

The Group has adopted all of the new, revised or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. There has been no material impact on the financial statements by their adoption.

A number of other standards, amendments to standards and interpretations issued by the AASB which are materially applicable to the Group have not been applied in preparing these financial statements.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

BASIS OF PREPARATION (Continued)

(d) Significant Accounting Estimates and Judgements

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Treatment of expenditure on the Makuutu project
Management have applied judgement in the treatment of expenditure incurred on the Makuutu Project in Uganda. (see further details on the investment in Note 5).

Expenditure incurred in order to acquire the project has been capitalised as an initial cost of an investment in associate (being Rwenzori Rare Metals Limited ('RRM")) which represents the Group's 60% interest in RRM which the Group has significant influence over. In addition, exploration expenditure incurred during 30 June 2023 increased the Group's interest to 60% which has been capitalised as a further investment in RRM and to exploration and evaluation expenditure. Management have determined that they have significant influence as they do not have control over the management direction and control over the activities and operations of the Makuutu project.

The Group assesses whether there is objective evidence that the investment in associate is impaired by reference to the underlying project held by RRM which is in exploration stage. Management have in accordance with AASB 6: Exploration and Evaluation of Mineral Assets, performed a review of impairment indicators on the investment in associate which included the review of the rights to tenure and future planned expenditure.

During the earn in period contributed expenditure incurred is deemed to be capitalised exploration and evaluation expenditure, as opposed to contributions towards the associate. Once an earn in milestone has been met, expenditure is transferred from capitalised exploration and evaluation expenditure to Investment in Associate.

Exploration and evaluation costs
Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs (including costs such as the earn-in payments relating to the Makuutu project) which are carried forward where right of tenure of the area of interest is current and are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

BASIS OF PREPARATION (Continued)

Patents
Patents acquired separately are measured on initial recognition at cost. Patents generated internally are capitalised at cost. The cost of patents acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, Patents are carried at cost less any accumulated amortisation and accumulated impairment losses.

The Company's Patents are generally granted for a period of 20 years by the relevant government agencies. The useful life of the patents is assessed to be finite and are amortised on a straight-line basis over the life of the patent, being 20 years.

2 OPERATING SEGMENT

The Group has based its operating segment on the internal reports that are reviewed and used by the Board of Directors ("Board") (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group does not have production and is only currently involved in exploration activities. As a consequence, activities in the operating segment are identified by the Board based on the manner in which resources are allocated and the nature of the resources provided.

Based on this criterion, the Board has determined that the Group has one operating segment, being exploration, and the segment operations and results are the same as the Group's results.

The Company conducted its activities across three geographic locations, being Australia, United Kingdom and Uganda.

31 Dec 2023	Australia	United Kingdom	Uganda	Total
	$	$	$	$
Interest income	63,169	-	-	63,169
Other income	-	615,284	-	615,284
Profit/(Loss)	(3,371,637)	(3,908,068)	(6,896,348)	(14,176,053)
Non-current assets	703,061	6,922,268	22,883,073	30,508,402
Total assets	5,858,663	8,417,146	22,883,073	37,158,882
Total liabilities	(1,391,331)	(619,385)	-	(2,010,716)

31 Dec 2022	Australia	United Kingdom	Uganda	Total
	$	$	$	$
Interest income	136,398	-	-	136,398
Other income	-	109,859	-	109,859
Profit/(Loss)	(2,280,943)	(1,286,370)	-	(3,567,313)
30 June 2023				
Non-current assets	214,963	7,519,339	23,551,474	31,285,776
Total assets	11,360,089	9,611,938	23,551,474	44,523,501
Total liabilities	(225,175)	(599,685)	-	(824,860)

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

3 EXPENDITURE

	31 December 2023 $	31 December 2022 $
Uganda - Makuutu	6,896,348	-
	6,896,348	-

4 CASH AND CASH EQUIVALENTS

For the purpose of the half-year condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2023 $	30 June 2023 $
Cash at bank and in hand	4,350,936	10,935,290
Short-term deposits	186,921	181,359
	4,537,857	**11,116,649**

5 INVESTMENTS IN ASSOCIATE

	31 December 2023 $	30 June 2023 $
Investment in Associate	21,304,694	21,926,992
	21,304,694	21,926,992

An amount of $21,304,694 has been presented in the financial statements as an Investment in Associate. This represents amounts incurred to acquire an interest in Rwenzori Rare Metals Limited which holds 100% of the Makuutu Rare Earths Project. This includes the amounts set out below.

	31 December 2023 $	30 June 2023 $
Subscription for initial 20% interest in Rwenzori Rare Metals Limited	148	148
US$100,000 paid to Rare Earth Elements Africa Pty Ltd	148,035	148,035
29,179,517 fully paid shares issued to Rare Earth Elements Africa Pty Ltd	233,436	233,436
100,000,000 fully paid shares issued to Southern Cross Mining Pty Ltd	800,000	800,000
50,000,000 options with an exercise price of $0.005 issued to Southern Cross Mining Limited	325,000	325,000
Expenditure for an additional 11% interest	954,689	954,689
Expenditure for an additional 15% interest	1,166,337	1,166,337
Expenditure for an additional 5% interest	498,210	498,210
Expenditure for an additional 9% interest	16,384,749	16,384,749
Movement in foreign exchange	794,090	1,416,388
	21,304,694	21,926,992

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Summarised financial information for associate – Rwenzori Rare Metals Limited (RRM)

The table below summarises the financial information for the associate that is relevant to Ionic Rare Earths Limited. The information disclosed reflects the amounts presented in the financial statements of RRM and not Ionic Rare Earths Limited share of those amounts. They have been amended to reflect adjustments, if any, made by Ionic Rare Earths Limited when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	31 December 2023 $	30 June 2023 $
Current assets		
Cash	222,113	501,342
Prepayments	713,715	-
Non-current assets		
Plant and equipment	740,823	281,077
Other	-	691,209
Current Liabilities		
Payables	(136,487)	**(170,220)**
Net assets	**1,540,164**	**1,303,408**
Group's share in %	60%	60%
Group's share in $	924,098	782,045
Fair value uplift	3,704,962	3,704,962
Contributions/foreign exchange movement	17,599,732	17,439,985
Carrying amount	21,304,694	21,926,992

The fair value uplift is attributable to IonicRE's contribution towards exploration in excess of their share of the net assets of RRM.

6. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2023	30 June 2023
At Cost	1,578,379	1,624,481
Impairment of exploration & evaluation expenditure	-	-
Carrying amount at the end of the financial period	1,578,379	1,624,481
Carrying amount at the beginning of the financial period	1,624,481	12,314,681
Additions	-	5,651,228
Effects of movement in foreign exchange	(46,102)	43,321
Transferred to Investment in Associate	-	(16,384,749)
Carrying amount at the end of the financial period	1,578,379	1,624,481

Recovery of the capitalised amount is dependent upon:

(i) the continuance of the Group's right to tenure of the area of interest;
(ii) the results of future exploration; and
(iii) the successful development and commercial exploitation, or alternatively sale.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

7. LEASE LIABILITY

The Company entered into a lease agreement for new office premises in Victoria, Australia, whereby the Company was granted the right of use to office premises for a period of five years commencing 1 February 2023. A lease agreement for prior office premises in Victoria, Australia, expired on 30 September 2023 and was not renewed.

The Company has recognised a lease liability as at 1 October 2021.

	31 December 2023	30 June 2023
Current		
Lease liability	**109,193**	7,319
Non-Current		
Lease liability	**433,452**	-

8. SHARE CAPITAL

	Shares	$
Balance at 1 July 2022	3,872,604,920	76,957,059
Exercise of options at $0.018	70,000,000	1,260,000
Balance as at 31 December 2022	**3,942,604,920**	**78,217,059**
Balance at 1 July 2023	3,946,104,920	78,332,559
Exercise of options @ $0.0215	10,000,000	215,000
Share Placement @ $0.021	261,904,762	5,500,000
Share Purchase Plan @ $0.021	62,499,906	1,312,500
Share issue expense	-	(636,167)
Balance as at 31 December 2023	**4,280,509,588**	**84,723,892**

9. RESERVES

Share Option Reserve

	Options	$
Balance at 1 July 2022	199,000,000	8,748,579
Options exercised at 0.18 cents	(70,000,000)	-
Options lapsed at 0.18 cents	(10,000,000)	-
Balance as at 31 December 2022	**119,000,000**	**8,748,579**
Balance at 1 July 2023	150,000,000	9,108,669
Exercise exercisable at 2.15 cents, expire 30 Nov '23	(10,000,000)	-
Lapse of exercisable at 2.15 cents, expire 30 Nov '23	(30,000,000)	-
Issue of options exercisable at 3.15 cents, expire 30 Nov '26	20,000,000	210,760
Balance as at 31 December 2023	**130,000,000**	**9,319,429**

As announced and issued on 30 November 2023, the Group issued 20,000,000 options at $0.0315, which expire 3 years after the issue date on 30 November 2026. These options were issued to Joint Lead Managers as part of their remuneration for their involvement in the $5.9m equity raise via placement.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

10. EVENTS AFTER THE REPORTING PERIOD END DATE

The following matters have arisen since the end of the financial period which 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 years.

Large Scale Mining Licence (LML) 00334 over the central Makuutu tenement (previously Retention Licence 1693) was officially signed on Wednesday 17th of January 2024, at a ceremony in Kampala, by the Ugandan Minister of Energy and Mineral Development (MEMD), the Honourable Dr Ruth Nankabirwa Ssentamu.

As announced on 29 January 2024, the Group raised approximately $2 million by way of a share placement at $0.018. This included a commitment from the now Executive Chairman, Mr Brett Lynch to subscribe for approximately $1.5 million worth of fully paid ordinary shares, subject to the receipt of shareholder approval.

As announced on 16 February 2024, per the earn-in agreement signed for Makuutu (ASX: 5 July 2019), the milestone fee payment to Rare Earth Elements Africa Pty Ltd ("REEA") of US$375,000 became due on award of a mining licence. The milestone fee was settled via issue to REEA of 26,017,409 shares in IXR based on a 30-day volume weighted average price of $0.0221 (9 February 2024) and an exchange rate of 0.6524 USD to AUD.

In the letter to shareholders dated 13 February 2024 the Group announced a General Meeting of Shareholders which was held on Wednesday 13 March 2024. The Group advises that each resolution was decided by way of a poll and each resolution was carried.

11. COMMITMENTS AND CONTINGENT LIABILITIES

On 21 April 2022 the Company completed the acquisition of Seren Technologies Limited, now called Ionic Technologies International Limited, (**IonicTech**) from Seren AG, Professor Peter Nockemann and Professor Martin Atkins (**Sellers**). Obligations outstanding pursuant to this acquisition are:

a) pay the Sellers 25% of any licence fee received by the Company from a third party to use the technology for magnet recycling or rare earth separation technology (**Milestone 1 Payment**), to a maximum of US$1,500,000.

b) Upon reaching commercial production for a magnet recycling plant or rare earth separation and refining plant developed using the technology and designed for a scale exceeding 100 tonne per annum Rare Earth Oxide equivalent production capacity or greater (**Milestone 2**) pay the Sellers US$1,500,000 less the total Milestone 1 Payments paid to the Sellers (**Milestone 2 Payment**).

12. RELATED PARTY TRANSACTIONS

For details of related party transactions refer to 30 June 2023 financial statements.

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2023.

Directors' Declaration

The directors of the company declare that:

a) the financial statements and notes of the consolidated entity as set out in the accompanying pages are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*

b) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This decision is made in accordance with a resolution of the board of directors.

B L Lynch
Chairman
Melbourne, 14 March 2024

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF IONIC RARE EARTHS LIMITED

As lead auditor for the review of Ionic Rare Earths Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ionic Rare Earths Limited and the entity it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

14 March 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ionic Rare Earths Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Ionic Rare Earths Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year 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 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 14 March 2024