IONIC RARE EARTHS LIMITED

ABN 84 083 646 477

HALF YEAR FINANCIAL REPORT

31 December 2022

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IONIC RARE EARTHS LIMITED
HALF YEAR FINANCIAL REPORT 31 DECEMBER 2022

Corporate Directory

ABN: 84 083 646 477

Directors

T B Benson	Non-Executive Chairman
T J Harrison	Managing Director
M McGarvie	Non-Executive Director

Company Secretary
B D Dickson

Registered Office and Principal Place of Business
Level 1
34 Colin Street
West Perth WA 6005
Telephone: 03 9776 3434
Email: investors@ionicre.com

Share Registry
Computershare Investor Services Pty Ltd
Level 2, 45 St, Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

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

Bank
National Australia Bank
96 High Street
Fremantle WA 6160

Directors' Report

The Directors present their report together with the consolidated financial report for the six months ended 31 December 2022 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.

T B Benson – Chairman
T J Harrison – Managing Director
J Kelley - resigned 2nd March 2023
M McGarvie

REVIEW OF OPERATIONS

Makuutu Rare Earths Project

Makuutu is one of the world's largest ionic adsorption clay (IAC) hosted Rare Earth Element (REE) deposits comprising six licenses (see Figure 1) covering approximately 300 km^2 located 120 km east of Kampala in Uganda. The deposit stretching 37km is situated near high quality tier one infrastructure, and has the potential to provide western customers with a strategic alternative supply of heavy rare earth oxides to support the growth of 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 51% owner of RRM and moving to 60% on completion of the Feasibility Study and Mining Licence Application (MLA) which is expected shortly. IonicRE also has the first right over the remaining 40% stake in RRM and Makuutu and is progressing discussions with partners on a transaction.

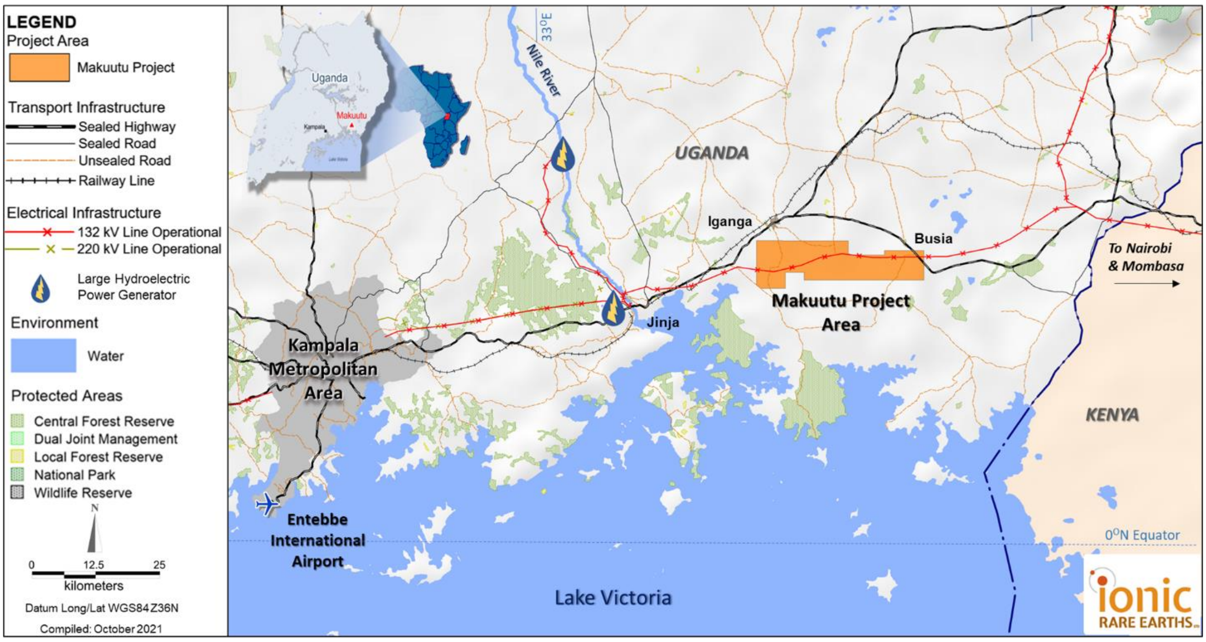

Figure 1: Makuutu Rare Earths Project Location with major existing nearby infrastructure.

During the period a major corporate milestone in the development of the Makuutu Rare Earths Project occurred with the Environmental and Social Impact Assessment (ESIA) being approved by Uganda's National Environmental Management Authority (NEMA).

The approval follows a 9-month assessment by NEMA culminating in two large public hearings with over 3,800 registered attendees demonstrating strong governmental and local stakeholder support.

Approval of the ESIA is a fundamental requirement for the Mining Lease approval process.

In September 2022, the Company initiated the commencement of the MLA at Makuutu which will cover the central licence RL 1693.

Work programs continued to de-risk Makuutu, including planning activity for a Demonstration Plant, expected to be in operation H2 2023. This plant will provide additional data and generate mixed rare earth carbonate (MREC) product samples for evaluation and testing by potential supply chain partners.

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

Progress continues with the Resettlement Action Plan (RAP), with several studies continuing in parallel to the MLA. The RAP will document the strategy by which land is acquired for Retention Licence (RL) 1693 (focus of the initial Mining Lease Application) over the life of the Project, while ensuring that Project Affected Persons (PAPs), including vulnerable people, are not financially or socially disadvantaged.

All PAPs have been identified and the majority of their parcels of land mapped. The Project team has been undertaking a due diligence process confirming the areas mapped as well as entering into Memorandums of Understanding (MOU's) with PAPs to support land access.

Environmental, Social and Governance (ESG) Progress

Pleasingly, 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 "BB" ESG score for Corporate and Operation activity relating to the Makuutu Rare Earth Project.

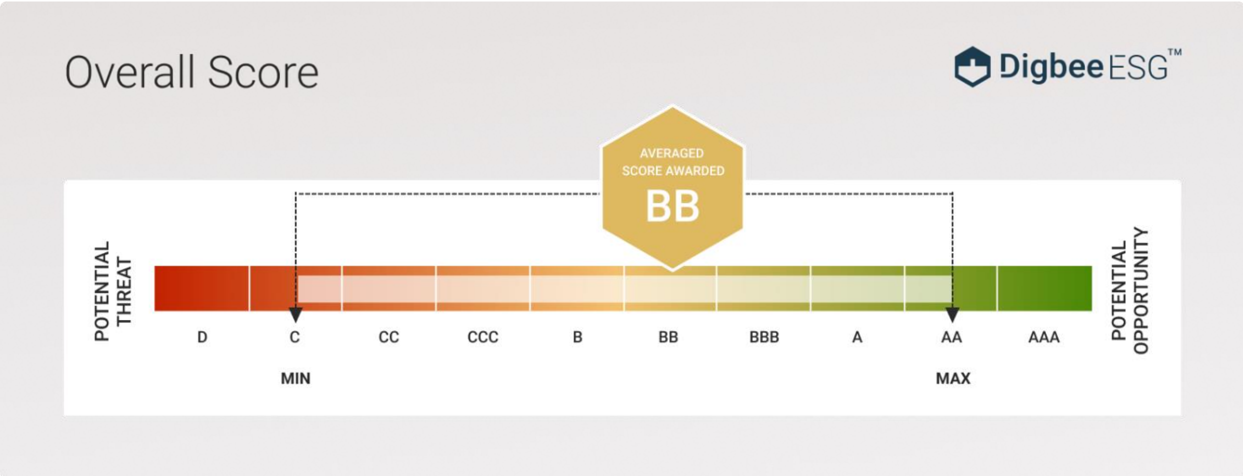

Figure 2: A graphic representation of IonicRE's overall ESG risks and opportunities assessed by Digbee ESG™.

The inaugural Digbee report and associated scoring system provides IonicRE with a baseline ESG risks and opportunities assessment within the rating credentials for both IonicRE Corporate (refer Figure 3) and the Makuutu Rare Earths Project (refer Figure 4). 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.

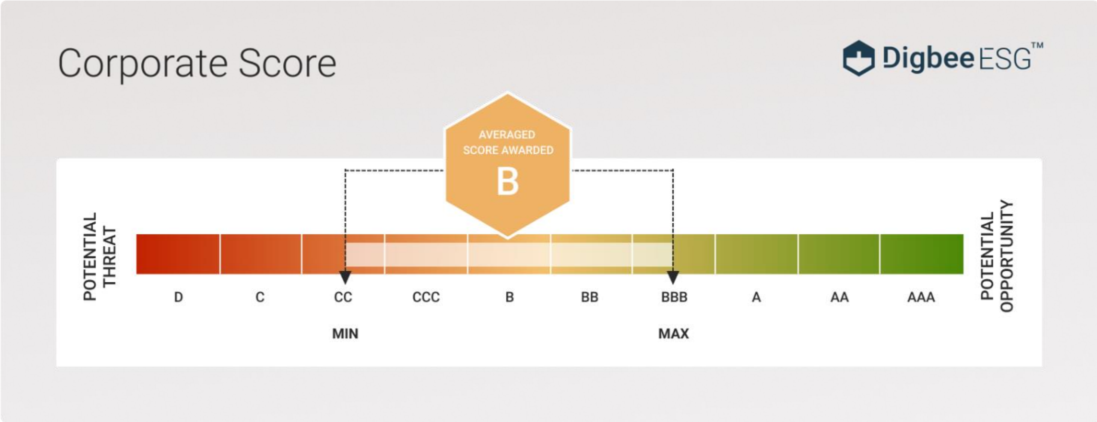

Figure 3: A graphic representation of IonicRE's corporate ESG risks and opportunities assessed by Digbee ESG™.

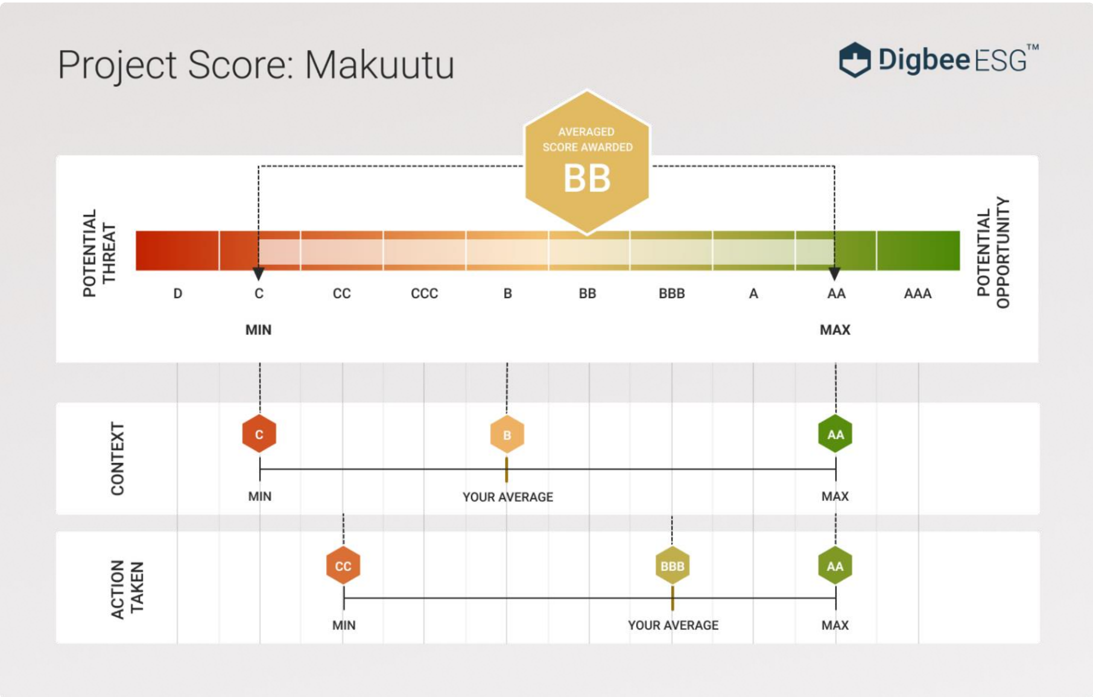

Figure 4: A graphic representation of IonicRE's Makuutu Rare Earths Project ESG risks and opportunities assessed by Digbee ESG™.

Ionic Technologies Belfast Facility Update

Ionic Technologies International Limited ("IonicTech") is a 100% owned subsidiary of IonicRE based in Belfast, UK. IonicTech has developed rare earth element separation and refining technology and applied this to the recycling and refining of individual magnet rare earths from spent permanent magnets and swarf.

The Company has established a new facility located in the Titanic Quarter in Belfast, UK, equipped with analytical and hydrometallurgical laboratories, plus piloting and demonstration plant bays to progress the scale-up verification of the technology.

Pilot plant operations conducted during the period further validated the improvements incorporated in the technology and process since the acquisition in April 2022, demonstrating hydrometallurgical extraction from Neodymium-Iron-Boron (NdFeB) swarf (see Figure 5, left), supplied by a UK metal and alloy manufacturer, treating a sample rich in magnet REEs, Neodymium (Nd) and Dysprosium (Dy). The pilot campaign successfully processed the swarf into a number of intermediary REE products (refer Figure 5 right), prior to the separation, and production of approximately 5 kgs of refined high purity rare earth oxides (REO), Nd_2O_3 and Dy_2O_3 (Figure 6). Internal and external analysis of the products confirms they are consistent with separated REO products produced and sourced from existing Chinese producers.

Figure 5: Swarf feedstock on the left, sourced from NdFeB metal alloy production, rich in Nd and Dy only, prior to production of intermediate products on the right – mixed Nd/Dy oxide (brown) and mixed Nd/Dy oxalate (pink).

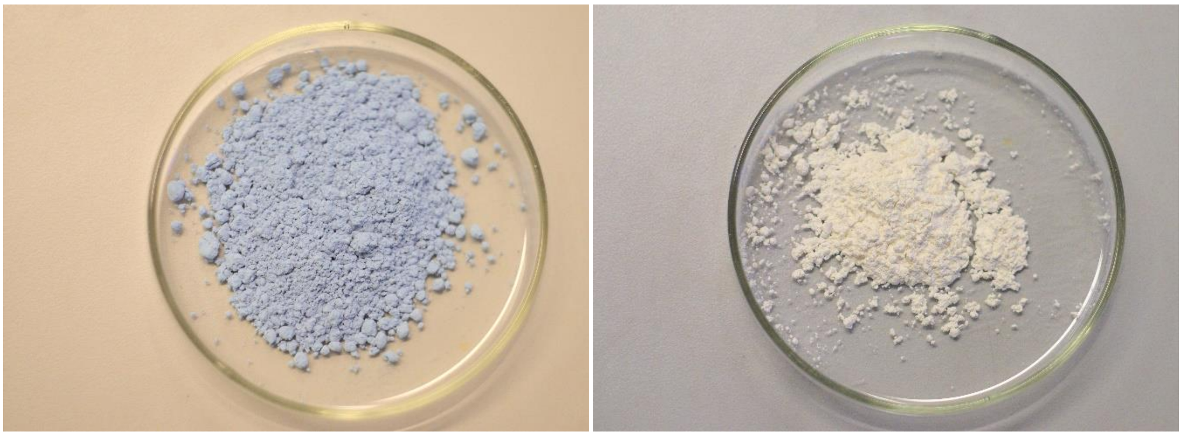

Figure 6: High purity separated oxides, showing Neodymium (Nd_2O_3) (left) and Dysprosium (Dy_2O_3) (right).

The demonstration scale plant will hydrometallurgically extract individual high purity magnet REOs from recycling, processing 30 tonnes per annum of waste magnets and swarf, to produce in excess of 10 tonnes of separated and refined magnet REOs – Nd, Pr, Dy and Tb.

Refinery Study – adding value through downstream supply chain

Over 2022, IonicRE completed extensive metallurgical test work and process modelling to define a process flowsheet capable of separating the Makuutu basket into the full spectrum of REOs, plus scandium. Engineering activity is now in its final stages.

IonicRE continued to initiate discussions and receive inputs from potential supply chain partners and other technology partners on further value addition beyond REOs, to metals, alloys and magnets plus other rare earth compounds to support the location trade-off study.

Engagements with government bodies continued over the year with very positive feedback on the unique appeal of IonicRE's basket from Makuutu. The Company has had significant interest from several government bodies, all interested in accessing sustainable and traceable supply of magnet and heavy rare earths into new emerging supply chains to address concerns around sovereign capability and global security.

CORPORATE

During the period:

70,000,000 options exercisable at 1.8 cents each were exercised raising $1,260,000.

EVENTS AFTER THE REPORTING PERIOD END DATE

Issue of options

On 3 February 2023 the Company issued 35,000,000 options exercisable at $0.064, expiring 30 November 2024 pursuant to the Company's Employee Share Option Plan.

Deed of Settlement

On 23 January 2023 the Company entered into a Deed of Settlement and Release (**Deed**) with Director Ms Jill Kelley. Pursuant to the Deed, shareholder approval was sought to allow for the provision of benefits to Ms Kelley (or her nominee) under the Deed, being:

(a) a cash payment in the amount of $500,000 (**Cash**); and

(b) 3,500,000 fully paid ordinary shares in the Company (**Shares**),

Shareholder approval was obtained on 28 February 2023 and the cash payment and issue of shares was completed on 2 March 2023. Ms Jill Kelley resigned as a director on 2 March 2023.

No other matter or circumstance has 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.

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 2022. The written auditor's independence declaration is attached at page 21 and forms part of this Directors' report.

Signed in accordance with a resolution of directors.

T Benson
Chairman
Perth 15 March 2023

Ionic Rare Earths Mineral Tenement Interests

Concession ID	Licence Type	Location	Area (km^2)	Interest
RL00007	Retention	Uganda	43.38	51%*
RL 1693 / TN03834	Retention	Uganda	43.78	51%*
RL00234	Retention	Uganda	47.03	51%*
EL00257	Exploration	Uganda	55.51	51%*
EL00147	Exploration	Uganda	60.30	51%*
EL00148	Exploration	Uganda	48.15	51%*

* Ionic Rare Earths may earn up to a 60% interest

Makuutu Mineral Resource Estimate above 200ppm TREO-CeO_2 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 Resource	404	670	450	500	170	230	30
Inferred Resource	127	540	360	400	140	180	30
Total Resource	**532**	**640**	**430**	**480**	**160**	**220**	**30**

Rounding has been applied to 1Mt and 10ppm which may influence averaging calculation.
All REO are tabulated in announcement 3 May 2022 with formulas defining composition of (Light Rare Earth Oxides ("LREO"), HREO and Critical Rare Earth Oxides ("CREO").

Competent Person Statement

Information in this report that relates to previously reported Exploration Targets and Exploration Results has been crossed-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 March 2021 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.

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 2022

	Note	31 December 2022 $	31 December 2021 $
Continuing operations			
Other Income		109,859	-
Interest income		136,398	505
Depreciation and amortisation		(98,835)	(13,416)
Salaries and wages		(890,022)	(464,384)
Directors' fees		(314,182)	(139,971)
Travel and accommodation		(433,634)	(10,078)
Promotion		(281,297)	(259,445)
Consultants		(392,793)	(59,081)
Insurance		(47,817)	(21,326)
Legal fees		(216,050)	(42,770)
Administration expenses		(681,622)	(330,342)
Share based payments – options		-	(1,252,680)
Share based payments – performance rights		(34,363)	(8,806)
Share based payments – shares		-	(157,500)
Interest expenses		(1,178)	(1,036)
Research and Development		(421,777)	-
Loss from continuing operations before Income tax		**(3,567,313)**	**(2,760,330)**
Income tax credit/(expense)		**-**	**-**
Loss from continuing operations after income tax		**(3,567,313)**	**(2,760,330)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences in translating foreign controlled entities		825	-
Other comprehensive income net of tax		825	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(3,566,488)**	**(2,760,330)**
Earnings per share for loss attributable to the ordinary equity holder of the parent:			
Basic earnings per share (cents per share)		(0.09)	(0.08)
Diluted earnings per share (cents per share)		(0.09)	(0.08)

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 2022

	Note	31 December 2022 $	30 June 2022 $
ASSETS			
Current Assets			
Cash and cash equivalents	3	19,560,745	26,759,731
Receivables		373,640	531,096
Other		226,793	65,351
Total Current Assets		**20,161,178**	**27,356,178**
Non-current Assets			
Investments	4	3,974,797	3,932,173
Office right of use		22,428	35,886
Exploration & evaluation expenditure	5	16,504,166	12,314,681
Intangibles - Patents		5,199,277	5,077,796
Plant and equipment		1,055,492	253,872
Total Non-current Assets		**26,756,160**	**21,614,408**
TOTAL ASSETS		**46,917,338**	**48,970,586**
LIABILITIES			
Current Liabilities			
Payables		803,189	613,705
Lease liability	6	21,525	27,645
Total Current Liabilities		**824,714**	**641,350**
Non-current liabilities			
Lease liability	6	-	7,318
Deferred Tax Liability		32,097	31,890
Total Non-current Liabilities		**32,097**	**39,208**
TOTAL LIABILITIES		**856,811**	**680,558**
NET ASSETS		**46,060,527**	**48,290,028**
EQUITY			
Issued Capital	7	78,217,059	76,957,059
Reserves		8,988,317	8,910,505
Accumulated losses		(41,144,849)	(37,577,536)
TOTAL EQUITY		**46,060,527**	**48,290,028**

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 2022

	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						
Shares issued for capital raising	-	-	-	-	-	-
Exercise of Options	1,260,000	-	-	-	-	1,260,000
Vesting of Performance Rights	-	-	34,363	-	-	34,363
Shares issued for consulting Fees	-	-	-	-	-	-
Transaction Costs	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
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**

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	$	$	$	$	$	$
At 1 July 2021	**43,393,406**	**136,403**	**7,678,995**	**(589,590)**	**(32,933,449)**	**17,685,765**
Loss for the period	-	-	-	-	(2,760,330)	(2,760,330)
Other comprehensive loss	-	-	-	195,612	-	195,612
Total comprehensive loss for the period	-	-	-	195,612	(2,760,330)	(2,564,718)
Transactions with owners in their capacity as owners						
Shares issued during the period	1,732,500	-	-	-	-	1,732,500
Transaction Costs	-	-	-	-	-	-
Share based payments	-	-	1,261,486	-	-	1,261,486
At 31 December 2021	**45,125,906**	**136,403**	**8,940,481**	**(393,978)**	**(35,693,779)**	**18,115,033**

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 2022

	Note	31 December 2022 $	31 December 2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,580,555)	(1,308,259)
Interest received		136,398	505
Net cash flows used in operating activities		**(3,444,157)**	**(1,307,754)**
Cash flows from investing activities			
Purchase of plant and equipment		(847,741)	(77,509)
Receipt of government R&D rebate		164,434	-
Receipt of grants		109,859	-
Capitalised exploration expenditure		(4,282,655)	(3,789,242)
Payments for Patents		(151,893)	-
Payments for Investments		-	(211,811)
Net cash flows used in investing activities		**(5,007,996)**	**(4,078,562)**
Cash flows from financing activities			
Proceeds from application for shares/exercise of options, net of transaction costs		1,260,000	1,575,000
Net cash flows from financing activities		**1,260,000**	**1,575,000**
Net increase/(decrease) in cash and cash equivalents		(7,192,153)	(3,811,316)
Cash and cash equivalents at beginning of period		26,759,731	11,055,530
Effect of exchange rate changes on cash and cash equivalents		(6,833)	-
Cash and cash equivalents at end of period	3	**19,560,745**	**7,244,214**

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 2022

1 BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 31 December 2022 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 2022 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 $3,567,313 (2021: $2,760,330) for the period ended 31 December 2022 and experienced net cash outflows from operating activities of $3,444,157 (2021: $1,307,754).

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 2022.

(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 2022

1 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 4).

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 51% interest in RRM which the Group has significant influence over. In addition, exploration expenditure incurred during the period to increase the Group's interest to 51% 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.

Patents
Patients 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 patients is assessed to be finite and are amortised on a straight-line basis over the life of the patent, being 20 years.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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.

During the period the Company conducted its activities across three geographic locations, being Australia, United Kingdom and Uganda (previous period three geographic locations, being Australia, Uganda and Nicaragua.

31 Dec 2022	**Australia**	**United Kingdom**	**Uganda**	**Total**
	$	**$**	**$**	**$**
Interest income	136,398	-	-	136,398
Other income	-	109,859	-	109,859
Profit/(Loss)				
Non-current assets	78,124	6,199,073	20,478,963	26,756,160
Total assets	19,793,276	6,645,099	20,478,963	46,917,338
Total liabilities	(478,784)	(378,027)	-	(856,811)

31 Dec 2021	**Australia**	**United Kingdom**	**Uganda**	**Total**
	$	**$**	**$**	**$**
Other income	505	-	-	505
Profit/(Loss)	(2,760,330)	-	-	(2,760,330)
30 June 2022				
Non-current assets	87,304	5,280,251	16,246,853	21,614,408
Total assets	27,137,060	5,586,673	16,246,853	48,970,586
Total liabilities	(627,335)	(53,223)	-	(680,558)

3 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 2022 $	**30 June 2022 $**
Cash at bank and in hand	19,380,895	26,726,230
Short-term deposits	179,850	33,501
	19,560,745	26,759,731

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

4 INVESTMENTS IN ASSOCIATE

	31 December 2022 $	30 June 2022 $
Investment in Associate	3,974,797	3,932,173
	3,974,797	3,932,173

An amount of $3,731,881 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 2022 $	30 June 2022 $
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
Movement in foreign exchange	(151,058)	(193,682)
	3,974,797	3,932,173

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.

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

	31 December 2022 $	30 June 2022 $
Current assets		
Cash	355,706	318,867
Prepayments	16,377	-
Non-current assets		
Plant and equipment	104,230	89,179
Other	35,266	70,783
Current Liabilities		
Payables	(28,800)	**(33,318)**
Net assets	**482,779**	**445,511**
Group's share in %	51%	51%
Group's share in $	246,217	227,211
Fair value uplift	3,728,580	3,704,962
Carrying amount	3,974,797	3,932,173

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

The Company may increase its interest in RRM from 51% to 60% by completing a bankable feasibility study post period end.

5. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2022	30 June 2022
At Cost	16,504,166	12,314,681
Impairment of exploration & evaluation expenditure	-	-
Carrying amount at the end of the financial period	16,504,166	12,314,681
Carrying amount at the beginning of the financial period	12,314,681	3,409,530
Additions	4,189,485	8,905,151
Carrying amount at the end of the financial period	16,504,166	12,314,681

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.

6. LEASE LIABILITY

The Company is party to a lease agreement for office premises in Victoria, Australia, whereby the Company was granted the right of use to office premises for a period of two years commencing 1 October 2021.

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

	31 December 2022	30 June 2022
Current		
Lease liability	**21,525**	27,645
Non-Current		
Lease liability	**-**	7,318

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

7 SHARE CAPITAL

	Shares	$
Balance at 1 July 2021	3,206,399,514	43,393,406
Exercise of options @ $0.0075	186,000,000	1,395,000
Issue of incentive shares to director – J Kelley	3,500,000	157,500
Exercise of options @ $0.018	10,000,000	180,000
Balance as at 31 December 2021	**3,405,899,514**	**45,125,906**
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**

8 RESERVES

Share Option Reserve

	Options	$
Balance at 1 July 2021	361,000,000	7,495,899
Options exercisable at 0.75 cents, expire 31 Jul ‘21	(186,000,000)	-
Options exercisable at 1.8 cents, expire 30 Nov ‘22	(10,000,000)	-
Issue of options exercisable at 6.4 cents, expire 30 Nov 24	44,000,000	1,252,680
Balance as at 31 December 2021	**209,000,000**	**8,748,579**
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**

9 EVENTS AFTER THE REPORTING PERIOD END DATE

Issue of options

On 3 February 2023 the Company issued 35,000,000 options exercisable at $0.064, expiring 30 November 2024 pursuant to the Company’s Employee Share Option Plan.

Deed of Settlement

On 23 January 2023 the Company entered into a Deed of Settlement and Release (**Deed**) with Director Ms Jill Kelley. Pursuant to the Deed, shareholder approval was sought to allow for the provision of benefits to Ms Kelley (or her nominee) under the Deed, being:

(c) a cash payment in the amount of $500,000 (**Cash**); and

(d) 3,500,000 fully paid ordinary shares in the Company (**Shares**),

Shareholder approval was obtained on 28 February 2023 and the cash payment and issue of shares was completed on 2 March 2023. Ms Jill Kelley resigned as a director on 2 March 2023.

No other matter or circumstance has 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.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

10 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**).

11 RELATED PARTY TRANSACTIONS

For details of related party transactions refer to 30 June 2022 financial statements.

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2022.

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 2022 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.

T Benson
Chairman
Perth, 15 March 2023

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2022, 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 entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

15 March 2023

BDO

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 2022 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 Entities*. 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 2022 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

J Prue

Jarrad Prue

Director

Perth

15 March 2023