ionic RARE EARTHS LTD

ANNUAL REPORT 2022

Producing all the magnet REOs to drive a net zero carbon future

This annual report covers the consolidated entity of Ionic Rare Earths Limited ("IonicRE") and its subsidiaries. The consolidated entity's functional and presentation currency is AUD ($).

A description of the consolidated entity's operations and of its principal activities is included in the review of operations and activities in the directors' report.

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

Company Secretary
B D Dickson

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Telephone: 08 6187 7500
Fax: 08 6187 7599

Share Registry
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Perth WA 6000
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

Solicitors
K & L Gates
Level 32
44 St. George's Terrace
Perth WA 6000

Stock Exchange
Australian Securities Exchange
Code: IXR

Website
www.ionicre.com.au

Contents

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 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.

DIRECTORS

The names and details of the directors of Ionic Rare Earths Limited in office during the financial year and until the date of this report are as follows. Directors were in office for the whole of the financial year, unless otherwise stated.

T Benson B.Sc

(Chairman) – appointed 31 August 2020

Mr Benson has extensive experience as an investment banker and has served on a number of ASX listed company boards as both Chairman and Director. He has specialised in cross border transactions within the natural resources sector across China, Africa and SE Asia, and has been an adviser to Chinese State-Owned Enterprises (SOE's). His specialist activities include corporate funding solutions within the natural resources domain. Trevor holds a Bachelor of Science Degree from the University of Western Australia.

Other Public Company Directorships in the past 3 years

Walkabout Resources Ltd (resigned 19 October 2020)

Cannon Resources Limited (resigned 27 June 2022)

T Harrison B.Eng (Chem), Fellow AusIMM

(Managing Director) – appointed 21 December 2020

Mr. Harrison holds a Bachelor of Chemical Engineering degree from Adelaide University and has over 20 years of experience and an extensive and successful track record in the fields of both mineral processing and hydrometallurgy across multiple commodities, including significant battery and technology metals experience.

This has involved roles in project development, from process development, through studies and engineering, and commissioning and operations. Mr. Harrison is a Fellow of the Australian Institute for Mining and Metallurgy (AusIMM).

Mr. Harrison has been instrumental in driving the development of Makuutu and identifying opportunities for enhanced value creation through downstream refining.

Other Public Company Directorships in the past 3 years

Viridis Mining and Minerals Limited (appointed 17 February 2022)

J Kelley

(Executive Director) – appointed 7 July 2021

Ms. Kelley has previously held roles at the highest levels of international leadership and has played a crucial role in supporting U.S. military operations spanning over 60 countries, collectively known as the U.S. Coalition Allies. Ms. Kelley's networks in, and knowledge of, Europe, the Middle East, Asia, and South and Central America have helped advance American interests during the most critical points in current history. A former honorary ambassador to U.S. Central Command General Mattis and CIA Director David Petraeus. Ms. Kelley received the Pentagon's esteemed Joint Chiefs of Staff Award for her leadership, along with the Multi-National Military Forces Award, an honour only bestowed upon a few individuals.

Other Public Company Directorships in the past 3 years

Nil

M McGarvie MBT, MAICD, FAIM

(Non-Executive Director) – appointed 16 July 2021

Mr. McGarvie is a senior mining executive with an extensive portfolio of technical/managerial appointments in a career exceeding 45 years in mine development, mineral processing, operational and management roles across Australia, Africa and the Middle East. He has had a long and distinguished career in the mining industry, a significant portion of this with Iluka Resources Limited and prior entities, including development roles within its mineral sands operation at Eneabba, Western Australia and a major role in returning the Sierra Rutile mineral sands operation in Sierra Leone (operated by Iluka) to profitable operations following the civil war in that country.

Other Public Company Directorships in the past 3 years

Nil

B Dickson B.Bus, FCPA, FGIA, MAICD

(Company Secretary) – appointed a director on 21 November 2014 (resigned as a director on 21 December 2020).

Mr. Dickson has over 20 years' experience in the financial management of companies, principally companies in early stage development of its resource or production and offers broad financial management skills. He has been Company Secretary and Chief Financial Officer (CFO) for a number of successful resource companies listed on the ASX.

Other Public Company Directorships in the past 3 years

Rox Resources Limited (resigned 30 June 2021)

B Marwood

(Non-Executive Director) – Appointed 21 December 2020 (resigned 16 July 2021)

Mr Marwood is a mining engineer and resources industry executive with more than 30 years of experience. He was instrumental in bringing into production the copper mines at Kipoi (DRC) and Rapu (Philippines); completing development of the Svartliden gold mine (Sweden) and has managed numerous feasibility studies and advanced stage resource projects in Australia, Africa, North America and Asia. He has worked in senior roles for groups such as Normandy Mining Ltd, Dragon Mining Ltd, Lafayette Mining Ltd, Moto Goldmines Ltd, Tiger Resources Ltd and Perseus Mining Ltd before his most recent role as Managing Director of Consolidated Zinc Limited.

Other Public Company Directorships in the past 3 years

Consolidated Zinc Limited

Middle Island Resources Limited

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report the interests of the directors in the securities of the company were:

	Number of Ordinary Shares*	Number of Options over Ordinary Shares*
T Benson	-	25,000,000
T Harrison	8,050,000	50,000,000
J Kelley (appointed 7 July 2021)	3,500,000	-
M McGarvie (appointed 16 July 2021)	-	3,000,000
B Marwood (resigned 16 July 21)	-	-

* represents holding at time of resignation if director resigned during the year

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the *Corporations Act 2001*.

DIRECTORS' MEETINGS

During the year five directors' meetings were held. The number of meetings attended by each director was as follows:

	No. of meetings held while in office	Meetings attended
T Benson	5	5
T Harrison	5	5
J Kelley	5	5
M McGarvie	5	5
B Marwood	1	-

As at the date of this report, the company did not have audit, remuneration or nomination committees, as the directors believe the size of the company does not warrant their existence.

DIVIDENDS PAID OR PROPOSED

The company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

CORPORATE INFORMATION

The Financial Statements of Ionic Rare Earths Limited for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 22 September 2022. The group's functional and presentation currency is AUD ($).

Ionic Rare Earths Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Principal Activities

The principal activity during the year of the group was investment in the mining and resource sector.

The group's business is conducted from operations located in Australia and Uganda through its 51% owned affiliate Rwenzori Rare Metals Limited. During the year the Company sold its 100% owned subsidiary Minera San Cristobal, SA which had conducted operations in Nicaragua.

Employees

Other than the Directors the group had 3 employees at 30 June 2022 (2021: 1).

ionic
RARE EARTHS LTD

43% Magnet Rare Earths to enable net zero carbon applications and deployment into key defence and high end applications.

OPERATING AND FINANCIAL REVIEW

Covid-19

On 24 March 2020 and in response to the worsening COVID-19 pandemic and the ensuing global uncertainties and volatilities the Company suspended its exploration activities at Makuutu. In coming to this decision, the company considered advice and noted the actions of regulatory bodies and authorities in the jurisdictions of both Australia and Uganda.

The company took that step to safeguard the wellbeing and safety of its African-based team, contractors and the community in which the company operates. Additionally, at that time the company implemented necessary policies and procedures which include "no travel", "social distancing", "no congregating in groups" and "working from home where possible".

While some restrictions have eased and the impact of COVID-19 is not expected to significantly affect the 2022/23 work program at Makuutu or SerenTech, the Company will continue to monitor the situation with the wellbeing of staff, contractors and community being of the utmost importance.

The Company was not eligible for and did not receive any government grants during the period.

Overview

Makuutu, Rare Earth Elements (IonicRE 51% earning up to 60%)

Makuutu is one of the world's largest ionic adsorption clay (IAC) hosted Rare Earth Element (REE) deposits, located 120 km east of Kampala in Uganda. Makuutu is 100% owned by Ugandan company Rwenzori Rare Metals Ltd (RRM), of which IonicRE owns 51% and will move to 60% ownership on the completion of the Feasibility Study due by the end of October 2022.

The Makuutu Rare Earths Project is well serviced by existing high quality infrastructure including roads, rail, power infrastructure and cell communications. The installed infrastructure is illustrated in Figure 1.

The Makuutu deposit stretches 37 km in length and has demonstrated potential for a long life, low-cost source of magnet and heavy REEs. These IAC deposit types are prevalent in southern China and Myanmar, which have been the source of more the 95% the world's lowest cost heavy REE production; however, these deposits are being exhausted and Makuutu represents one of only a handful of such deposits outside of southern China that are development ready.

The Makuutu deposit is shallow, with less than three metres of cover, with a clay and saprolite zone with an average thickness of nine metres, suggesting low-cost bulk mining methods with low strip ratio should be possible. Processing will be via simple acidified salt desorption heap leaching, breaking the chemical ionic bond which extracts the REEs (in a chemical form) from the ore into a pregnant leach solution (PLS).

The PLS is concentrated up using membrane technology, from which the rare earths are precipitated as a mixed rare earth carbonate (MREC) product; a product which attracts both a higher payability and achieves a high basket price due to the dominant high value magnet and heavy rare earths which make up over 70% of the product basket.

The Project has the potential of generating a high margin product with a potential operating life exceeding 30 years. The Project is also prospective for a low-cost Scandium co-product.

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

A competitive advantage of Makuutu is its proximity to existing infrastructure. The Makuutu site is approximately 10km from Highway 109 which is a sealed bitumen road connecting to Kampala, to Kenya and on to the Port of Mombasa. All weather access roads connecting the site to the adjacent sealed bitumen highway already exist. A rail line lies within 10 kilometres north of the Makuutu site near the town of Iganga. There are four hydroelectric power plants located within 65 km of the project area, with total installed generating capacity of approximately 810 MW, providing an abundant supply of cheap power to the Project.

Water will be sourced at the project by harvesting water from the Makuutu site, given the Project location in a positive rainfall environment, and a net positive process water balance will require membrane processes to be used to manage site discharge water for reagent recovery. Excess water management will be a key focus of the Project to ensure environmental standards are met, and reagent consumption is minimised.

A workforce of semi-skilled and artisanal workers is available in nearby towns and population centres. The closest major population centre is Iganga, which has a population of 50,000. The town of Mayuge is approximately 10 km from the Project site and the intent is to source local operations staff from the immediate districts and train staff accordingly. The operation is to be staffed by a residential workforce. No fly in – fly out is envisaged, and the number of expatriate staff is intended to be low, and to be phased out over time.

Industrial facilities are available in the city of Jinja, approximately 40 km from the Project area. Additional industrial facilities are available on the outskirts of Kampala.

Updated Mineral Resource Estimate

On 3 May 2022, IonicRE announced a substantial 70% increase to the total mineral Resource Estimate (MRE) and a material increase in resource classification. The updated MRE is estimated at 532 million tonnes at 640ppm Total Rare Earth Oxide (TREO), above a cut-off grade of 200ppm TREO minus CeO_2. The indicated component of the MRE has been increased to 404 million tonnes at 670 ppm TREO, representing a 512% increase on the previous March 2021 Indicated resource estimate (refer Table 1 and Figure 2).

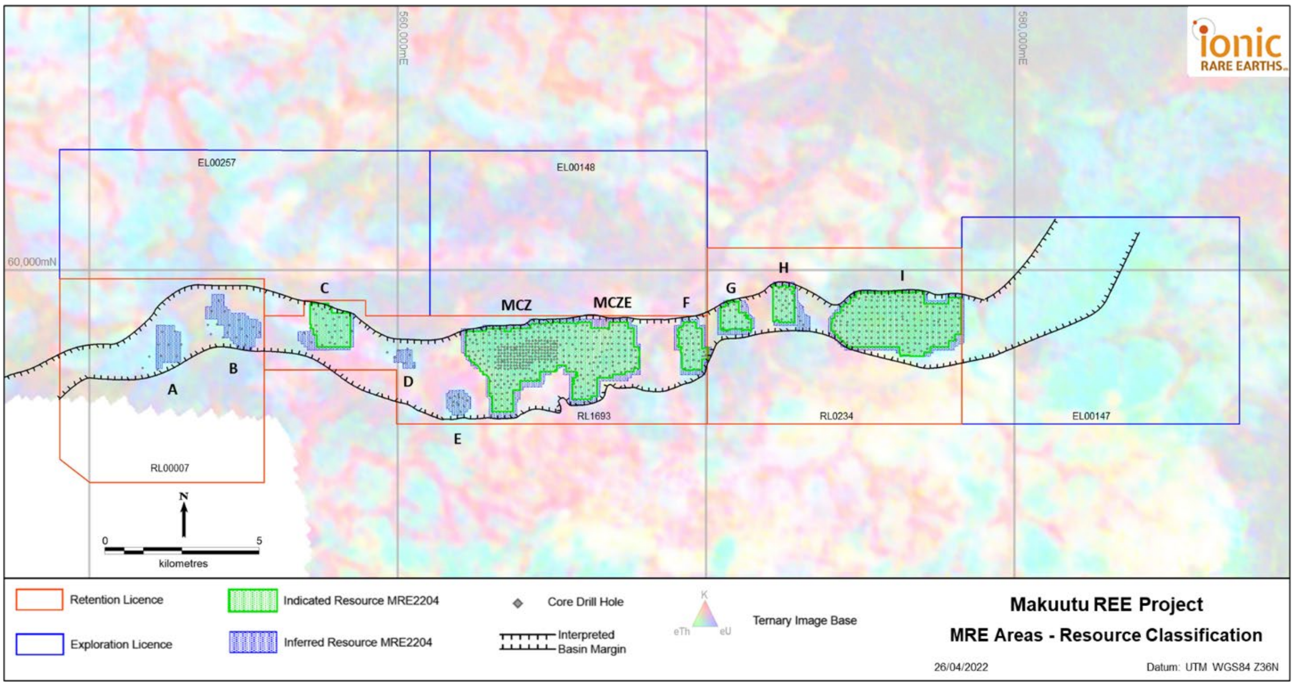


Figure 2: Mineral Resource Estimate (MRE) areas by classification. Green shading on Indicated resource areas and blue on Inferred resource areas.

The updated MRE is now being used to complete mine planning activities which will feed into the Makuutu Feasibility Study, which is due to be completed later in Q4 2022, and submitted to the Ugandan Government as part of the mining licence application by the end of October 2022.

Table 1: Makuutu Resource 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 ASX announcement 3 May 2022, with formulas defining composition of (Light Rare Earth Oxides ("LREO"), HREO and Critical Rare Earth Oxides ("CREO") and Sc_2O_3 formula provided.

This updated MRE cements Makuutu amongst the world's largest ionic adsorption clay (IAC) deposits, with the potential to significantly increase, and as a globally strategic resource for low-cost, high-margin and long-term security of magnet and heavy rare earth oxide (HREO) supply.

Additionally, the updated Makuutu MRE contains a significant portion of highly valuable HREO (25%) and critical rare earth oxides (CREO, 34%), which collectively account for a substantial 42% of the Resource mineralisation.

The reported resources designated by each of the areas is detailed within Table 2, the resource areas shown by resource classification in Figure 2.

Table 2: Mineral Resources by Area (ASX: 3 May 2022)

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.

The distribution of resource tonnes above cut-off grade is dominated by the combined higher grade Makuutu Central and Makuutu Central East Zones. These areas were not joined in the previous MRE (3rd March 2021), however following the Phase 4 drilling they now provide a continuous resource area over 5.5km long and 3km wide for a combined 234 million tonnes or 44% of the total resource and 52% of the total Indicated Resource above cut-off.

Revised Exploration Target

On 1 June 2022, the Company advised of an update to the Makuutu Exploration Target and associated planning of the Phase 5 exploration program.

Following the recent update to the Makuutu MRE, a review was completed to establish further exploration potential at Makuutu and plan the work programs to be conducted over the next 12 months.

The revised Exploration Target, which is additional to the 3 May 2022 MRE, range for additional potential mineralisation at Makuutu has been estimated at;

216 – 535 million tonnes grading 400 – 600 ppm TREO*

*This Exploration Target is conceptual in nature but is based on reasonable grounds and assumptions. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

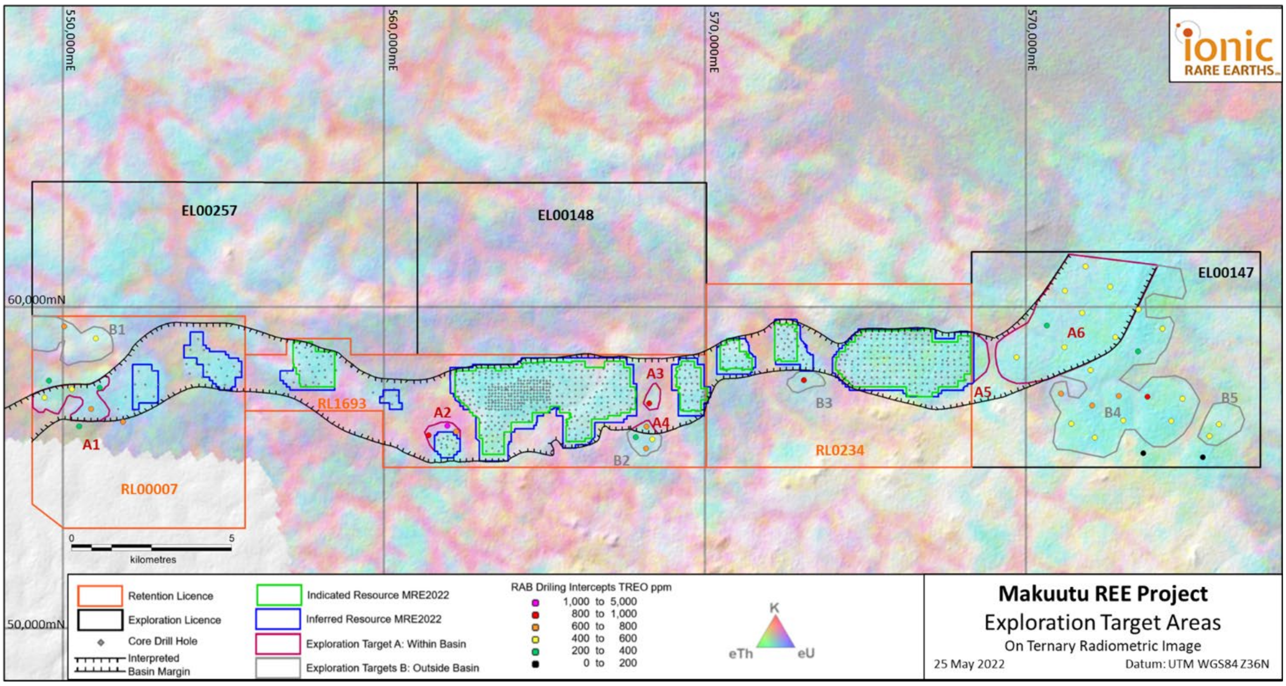


Figure 3: Makuutu Exploration Targets on Ternary Radiometric Image and Phase 3 RAB Intercepts

A new exploration program is being prepared to evaluate potential extension of REE bearing clays across the larger 298 km^2 tenement area which contains a 37-km long IAC mineralisation system, including the new tenement to the northwest, EL00257.

Field based mapping was initiated in Q2 2022, as illustrated by photos below in Figure 4.

Figure 4: Field mapping activities underway across untested radiometric anomalies and granite outcroppings at Makuutu

Community Engagement

Community engagement activities have continued to increase at Makuutu with various dignitaries visiting site and providing support for the development of the Makuutu Project.

During a visit to Uganda in May, IonicRE Chairman Trevor Benson and Managing Director Tim Harrison, along with other representatives of RRM, met with the Kyabazinga of Busoga, His Majesty William Wilberforce Gabula Nadiope IV, and key representatives of the Busoga Kingdom, to discuss initiatives to prioritise employment and business opportunities for local stakeholders.

Figure 5: Top Row – Left, IonicRE leadership meeting with Kyabazinga of Busoga, William Wilberforce Gabula Nadiope IV (2nd from left), and right, meeting with local leadership at Makuutu. Middle Row - Rt. Hon. Lukia Nakadama, 3rd Deputy Prime Minister (front row, centre) and delegation at a Makuutu consultation meeting, and right, Hon. Ruth Nankabirwa Ssentamu, Minister of Energy and Mineral Development, visiting Makuutu and endorsing the activities of RRM in progressing Makuutu towards a mining license application. Bottom Row – local stakeholder engagement meetings discussing voluntary resettlement and planning for the Makuutu Project.

Stakeholder engagements have been well communicated with significant support received from Government representatives and other local officials. During the reporting period, RRM hosted the 3rd Deputy Prime Minister of Uganda, Rt. Hon Lukia Nakadama, the Minister of Energy and Mineral Development, the Hon. Ruth Nankabirwa Ssentamu. In addition to the relevant Ministers the Project has also engaged Presidential Advisors, representatives from the Busoga Kingdom and Chiefdoms, and MPs from the Project districts who have all discussed the Project with local stakeholders and provided their support to the activities completed by RRM.

Work continued into the new financial year (FY 2023) in Uganda with two ESIA public hearings scheduled in August for the Environmental and Social Impact Assessment (ESIA). Plans are in place to action land access consents with local Project Affected Persons (PAPs) for a voluntary Resettlement Action Plan (RAP) which is expected to be completed by the end of August.

Discussion with Ugandan government officials indicate that the ESIA submitted in December 2021, which also focused on RL 1693, is in the final stages of assessment.

Social License to Operate

Creating shared value for all stakeholders is of utmost importance to IonicRE. As we progress our business to become an early mover as a circular economy magnet and heavy metals rare earth miner, refiner and recycler, this commitment requires significant social effort to work with the Ugandan Government and the Bugweri and Mayuge Districts.

IonicRE is focused on transparency and developing key partnerships with a wide range of Ugandan stakeholders to assist the Ugandan Government achieve the goals of employment and growth attained through the mining sector in the near term. Working towards the vision and goals set out in the Third National Development Plan (NDPIII).

At the core, IonicRE is focused on securing a prosperous, safe and healthy future for the Makuutu Project and its communities. The programs over the financial year to 30 June 2022 included:

- Renovated the Natural Resource Office Block at Bugweri District
- Renovated the Buwaaya police post
- Due to poor drinking water quality, serviced 11 community boreholes across the project area
- Donated 86 tree seedlings to Mayuge District in commemoration of the water and environment week
- Donated balls to Makuutu football team in support of youth sports
- Donated COVID19 PPE to Buwaiswa Health Centre 3 in Mayuge, Makuutu Health Centre 3 in Bugweri and Buwunga Health Centre 3 in Bugiri.

Figure 6: (above left) the original Natural Resources Office Block, (above right) Renovated the Natural Resource Office Block at Bugweri District

Figure 7: Serviced 11 community boreholes across the project area

Figure 8: 86 tree seedlings donated to Mayuge District

In addition to these efforts our team in Uganda continued to contribute to community programs such as:

- Condone with bereaved families in the villages where we are currently operating.
- Offer modest support to Makuutu boda boda association elections and swearing-in ceremonies.
- Support the St. James Church of Uganda-Makandwa Parish and St. James Church of Uganda- Makuutu in preparation for the visit of the Arch-Deacon.
- RRM also donated a Delivery bed to the Health Centre 4 maternity ward and refreshments at the women's day celebrations in Idudi.
- We supported and made contributions to Bugiri District in celebration of the Day of the African Child on 28th June 2022.

Feasibility Study

Work programs continued throughout the financial year to enable the company to submit a mining licence application in Uganda by the end of October 2022.

Feasibility study activity has continued with mine plan optimisation commencing to incorporate the larger MRE into the Project. Metallurgical test work continues and good progress has been made on demonstration of the ability to heap leach Makuutu IAC mineralisation with heap leach columns successfully being operated at 5m.

Capital and operating cost estimation is progressing well, with the study due to be completed in October 2022 and will form a key component of the mining licence application.

Acquisition of Seren Technologies Ltd advances vertical integration plans

The acquisition of UK based Seren Technologies Limited (SerenTech) in April 2022, a leading private rare earth separation and magnet recycling technology company, provides IonicRE with unique opportunity to become a fully integrated, circular economy supplier of magnet rare earths.

SerenTech is commercialising technology using ionic liquids for separation and refining of rare earth elements (REE), which includes the full cohort of the proposed basket from Makuutu, consisting of the lanthanides series, Lanthanum (La), to Lutetium (Lu), plus Scandium (Sc) and Yttrium (Y).

SerenTech has an exclusive "patent and know-how" licence from Queens University Belfast allowing it to develop and commercialise technology relating to Multifunctional Amide Ionic Liquids for Separation of Rare Earth metals (MAIL). SerenTech has also developed further know-how in this area and lodged a further four (4) global patents, providing a pipeline of opportunities in which to deploy the technology.

The application of SerenTech patented technology has achieved separated and refined products to high purity with REO grades above 99.9% demonstrated at pilot scale in two key applications;

- Mining ore concentrate: the pilot scale plant has processed concentrate received from supply chain stake holders and achieved separation of REEs; and
- Permanent magnet (Neodymium-Iron-Boron, NdFeB) recycling: the pilot scale plant has processed spent permanent magnets received from supply chain stake holders and achieved extraction of recycled rare earth oxides at purity 99.9% plus.

The technology has application potential to other critical raw materials.

SerenTech has the scope to provide IonicRE with a step change in magnet recycling capability, for near term REE production potential from magnet and swarf recycling which is forecast to provide a growing portion of the REE supply chain in the future.

The acquisition delivers IonicRE with established capability (IP, team and know-how), unique technology and application potential.

Acquisition Rationale

The acquisition of SerenTech delivers IonicRE an immediate rare earth separation and refining capability to target high purity products. Most attractive is the demonstrated capability to recycle NdFeB magnets via extraction of the individual REE content to produce high purity REO products, which we expect will provide a step change to magnet recycling appeal globally.

This will create a significant opportunity where IonicRE will maximise its control, and market share, through supplying the unique rare earth basket from Makuutu, at a time when significant shortfalls are forecasted.

SerenTech has demonstrated capability to separate magnet rare earths Neodymium (Nd), Praseodymium (Pr), Dysprosium (Dy) and Terbium (Tb) for modest capital requirements. This presents an opportunity for targeted deployment in key markets in the US, Europe and Asia where existing inventories of magnets exist and where the current recycling technology fails to be able to achieve separated high purity REOs critical for high intensity permanent magnets, thus providing a step change advantage and the ability to take an early mover position in new NdPr and DyTb supply.

Impressively, work to date has demonstrated capability for REEs to achieve near complete extraction from lower quality spent magnets and waste (swarf) to near complete recovery to high value rare earth oxide (REO) product quality exceeding 99.9% REO.

This presents a potential opportunity to provide a first mover advantage post acquisition to IonicRE in the industrial elemental extraction of REEs from spent magnets and waste, enabling near term magnet REO production capability to satisfy growing demand and lagging new supply chains.

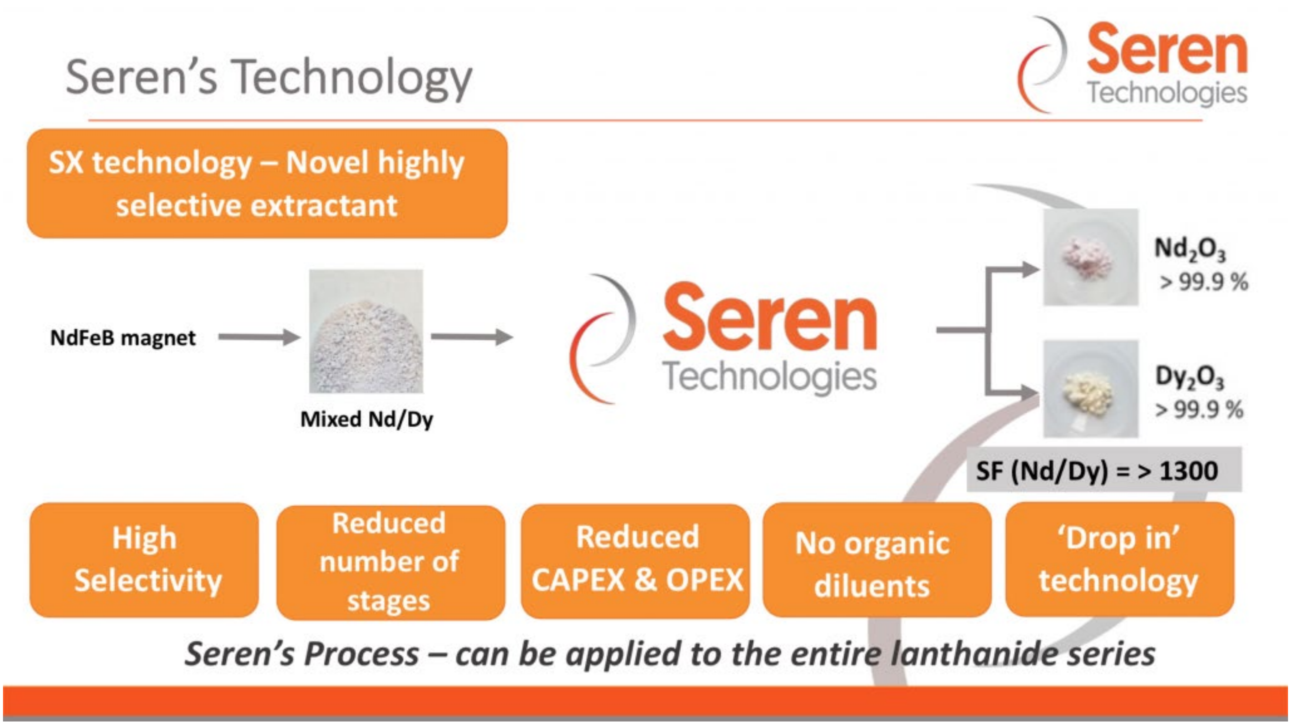


Figure 9: Magnet recycling potential of ionic liquids technology developed by SerenTech.

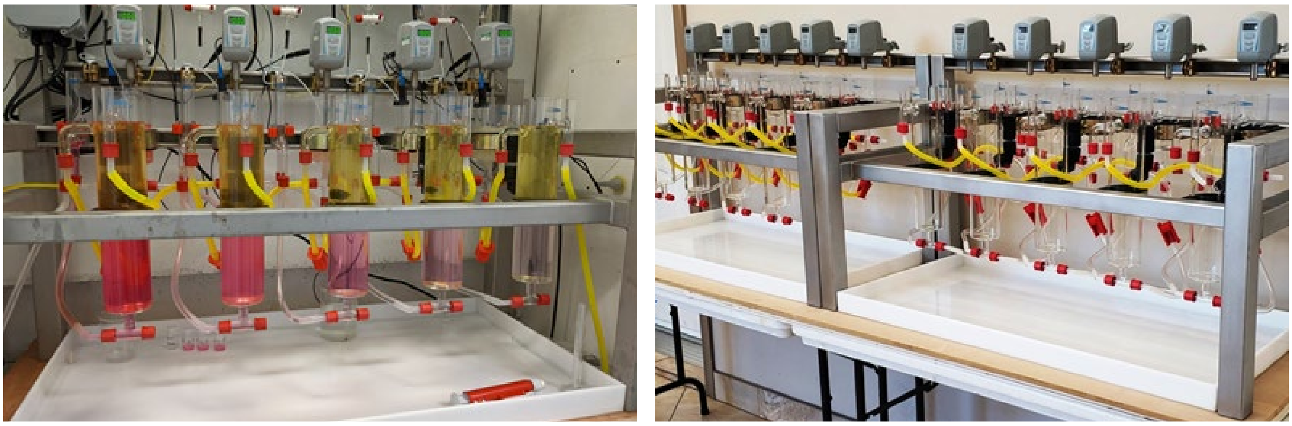


Figure 10: Mixer Settler pilot plant located at Queens University Ionic Liquids Laboratory (QUILL) at QUB.

The integration of SerenTech continues with a view to relocating the pilot plant activities from Queens University Belfast (QUB), and establishing a new standalone facility in Belfast to house the Company's test work facilities and a new magnet recycling demonstration plant.

Strategic Partner Engagement

Throughout the financial year, IonicRE continued to engage with potential partners across the full rare earths supply chain across key western markets. Engagement with groups across North America, Europe, India, Japan and the UK continues with potential to leverage IonicRE's unique offering into new supply chains required across these markets, including magnet recycling, to facilitate manufacturing across EV, renewable energy and military and defence applications.

Discussions continue and the Company will update the market accordingly.

Good Governance – Caring for the environment, people and prosperity of the planet!

The mining sector can demonstrate through affirmative action that the challenges that are posed with climate change can be addressed with science-based data collection through of Environment, Social and Governance (ESG) reporting.

In the new financial year IonicRE will report on all ESG pillars which will demonstrate setting high standards in reporting and assurance processes. Our focus is to become a global circular economy participant in magnet and heavy metal rare earths. This requires strong pillars in ESG reporting and operations. As our project at Makuutu matures along with our refining and recycling technologies, IonicRE will prepare science based Environmental, Social Governance reports which follow globally accepted frameworks.

Operating Results

The Group's income was $224,450 (2021: $215,161) and the loss was $4,644,087 (2021: $2,377,629) for the financial year. Salaries, wages and consulting fee-based payments of $1,403,526 (2021: $677,232) and share based payments of $1,506,993 (2021: $979,763) account for approximately 62.7% (2021: 69%) of this year's loss.

	2022 $	2021 $
Operating income	224,450	215,161
Operating loss	(4,644,087)	(2,377,629)

Review of Financial Position

During the year, the Group raised $28,139,053 (after all expenses) through the issue of 405,405,406 fully paid shares and $1,755,000 through the exercise of 206,000,000 options.

As a result of those raisings the directors believe that at the date of this report the Group has a sound capital structure and is in a position to progress the planned exploration on the Company's mineral properties.

During the year the Group acquired a 100% interest Seren Technologies Limited. Acquisition terms were:

(a) Payment of a non-refundable deposit of US$150,000;

(b) Payment of US$1,000,000 in cash to the Sellers (or their nominees);

(c) issue to the Sellers (or their nominees) 48 million fully paid ordinary shares (**Shares**). The Shares must remain in escrow for a period of 12 months from the issue date of the Shares;

(d) pay the Sellers 25% of any licence fee received by IonicRE 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; and

(e) 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

At 30 June 2022 the cash balance of the group stood at $26,759,731 (2021: $11,055,530).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

IonicRE will continue to advance the Makuutu Rare Earth Project with the aim of finalising a feasibility study by the end of October 2022. Upon the successful completion of the feasibility study it is expected that a decision on further investment into the Makuutu project will be made. In addition, it will progress its downstream operations through the magnet recycling research being undertaken by Seren Technologies Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Ionic Rare Earths Limited against legal costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

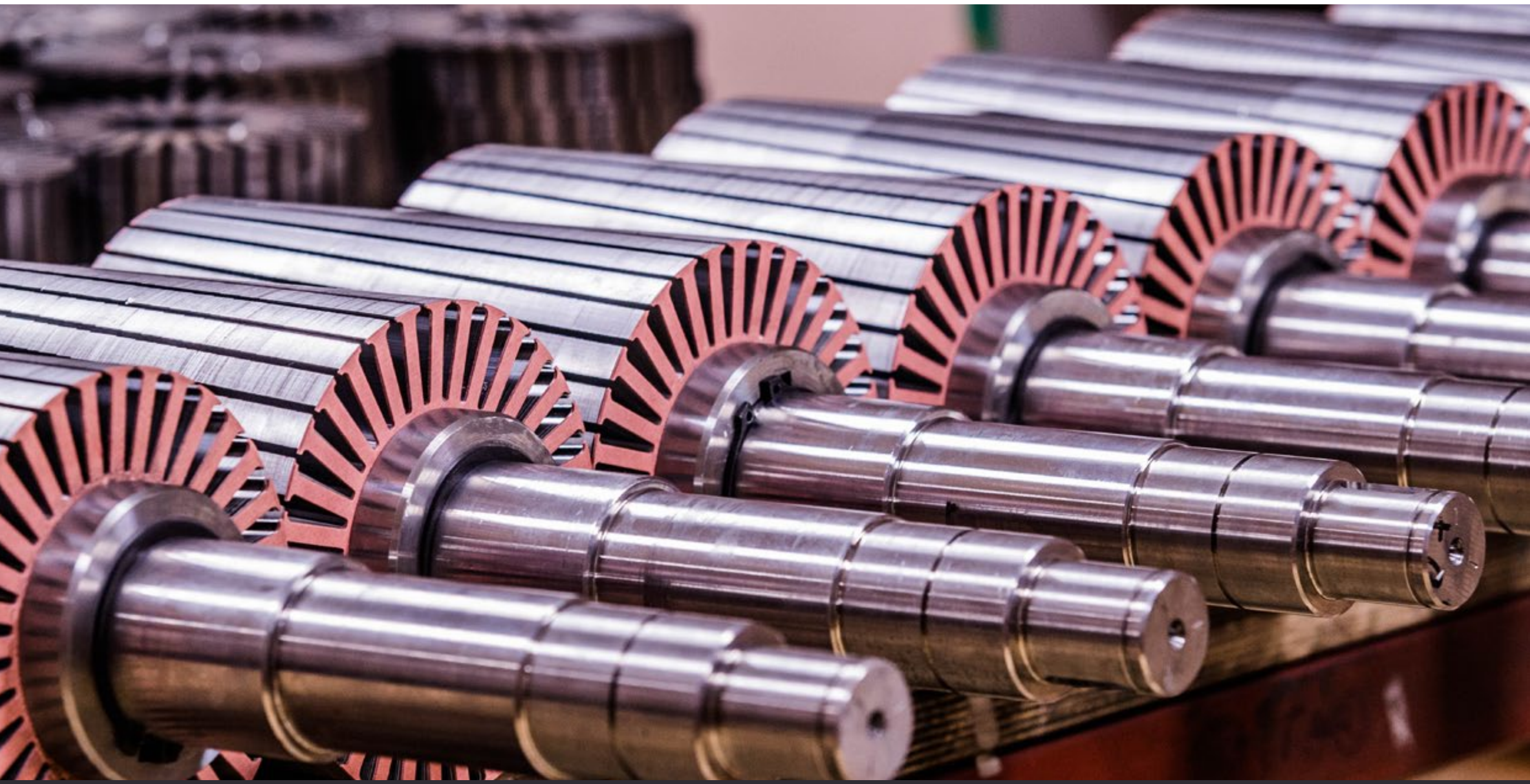
The total amount of insurance contract premiums paid was $36,925 (2021: $22,000).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is subject to significant environmental regulation in respect of its exploration activities. It aims to ensure the appropriate standard of environmental care is achieved and in so doing, is aware of all relevant environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review. The directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirements but may be required to report in the future.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to or intervened in any proceedings during the year.



REMUNERATION REPORT (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the chief executive and secretaries of the Parent and the Group.

Details of key management personnel during the whole or part of the financial period

T B Benson	Chairman (Non-Executive Director)
T J Harrison	Managing Director - (appointed 21 December 2020, previously CEO)
J Kelley	Director (Executive Director) – (appointed 7 July 2021)
M McGarvie	Director (Non-Executive Director) – (appointed 16 July 2021)
B J Marwood	Director (Non-Executive Director) – (appointed 21 December 2020, resigned 16 July 2021)
B D Dickson	Finance Director – (resigned as a director 21 December 2020, continues as Company Secretary)

Remuneration philosophy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash payments. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments on an annual basis based on individual performance and market conditions.

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can reduce, cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

Remuneration consultants were not engaged during the year.

Remuneration structure

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

Compensation of Directors and Executive Officer

(i) Compensation Policy

The Board of Directors of Ionic Rare Earths Limited is responsible for determining and reviewing compensation arrangements for the directors and the Chief Executive Officer.

(ii) Non-Executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed and reviewed annually. The latest determination was in 2011 when shareholders approved an aggregate remuneration of $400,000 per year. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No consultants were used during the year.

REMUNERATION REPORT (Audited) (Continued)

Non-executive directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have an equity interest in the company on which board they sit.

(iii) Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- align the interests of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

Structure

The Board periodically assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

(iv) Fixed Compensation

Objective

Fixed compensation is reviewed annually by the Board. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and other non-cash benefits.

(v) Variable Compensation

Objective

The objective is to link the achievement of the company's targets with the compensation received by the executives charged with meeting those targets.

Currently, the company does not restrict executives from entering into arrangements to protect the value of unvested Long-Term Incentives. However, under the Securities Dealing Policy, members of the Board are required to advise the Company Secretary of any shareholdings including any hedging arrangements.

Share-based compensation

Options or shares may be issued to directors and executives as part of their remuneration. The options or shares are not issued based on performance criteria but are issued to the directors and executives of Ionic Rare Earths Limited to increase goal congruence between executives, directors and shareholders.

During the year 23,000,000 options (2021: 60,000,000) were issued to key management personnel, details of the options are set out elsewhere in this report. No shares were issued during 2022 (2021: nil) in lieu of cash directors' fee, however 3,500,000 shares were issued as a sign on incentive (2021: Nil) and 3,300,000 shares were issued as a result of performance shares meeting its vesting conditions (2021: Nil), details of the shares and options issued are set out elsewhere in this report.

Structure

Actual payments granted to each KMP are determined by the Board who meet periodically to assess the achievements of the company's targets. There are currently no targets established.

Employment contracts

Remuneration and other terms of employment for the following KMP are formalised in service agreements, the terms of which are set out below:

REMUNERATION REPORT (Audited) (Continued)

Mr T J Harrison, Managing Director:

- Term of agreement – to 31 December 2022.
- Fixed consulting fee of $30,000 per month
- Termination by either party with six months' notice.

Mr B D Dickson, Company Secretary:

- Term of agreement – to 31 December 2022.
- Fixed consulting fee of $12,500 per month
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination or the equivalent of 6 months remuneration whichever is the greater.

Compensation of Key Management Personnel (Consolidated and Parent)

Compensation of each director and the executive officer of the parent and group are as follows:

	Short term		Post-employment	Share based payments	Total	Total options related
	Salaries and fees	Non-Monetary Benefit[1]	Super-annuation			
30 June 2022	$	$	$	$	$	$
Directors						
T Benson	248,000	9,366	24,800	142,350	424,516	142,350
T Harrison	360,000	9,366	-	348,764	718,130	284,700
J Kelley[2,3]	201,771	9,212	-	190,249[3]	401,232	-
M McGarvie[4]	59,000	8,981	5,000	85,410	158,391	85,410
B Dickson	150,000	-	-	142,350	292,350	142,350
Total	1,018,771	36,925	29,800	909,123	1,994,619	654,810
30 June 2021	$	$	$	$	$	$
Directors						
T Benson[5]	118,367	6,060	11,243	211,400	347,070	211,400
T Harrison[10]	362,500	3,920	-	224,100	590,520	224,100
B Marwood[6]	9,581	3,820	9,581	-	22,982	-
B Dickson[7]	120,000	3,480	19,162	112,050	254,692	112,050
A Rovira[8]	25,000	3,480	2,375	112,050	142,905	112,050
M Steffens[9]	18,888	1,240	-	-	20,128	-
Total	654,336	22,000	42,361	659,600	1,378,297	659,600

1. The Non-Monetary Benefit relates to the Directors' Indemnity Insurance.
2. Appointed 7 July 2021
3. $157,500 relates to the issue of 3,500,000 sign on incentive shares
4. Appointed 16 July 2021
5. Appointed 31 August 2020
6. Appointed 21 December 2020, resigned 16 July 2021
7. Resigned 21 December 2020, continues as Company Secretary
8. Resigned 21 December 2020
9. Resigned 31 August 2020
10. Includes a $50,000 bonus met through the issue of 3,571,428 fully paid ordinary shares as a result of Mr. Harrison meeting a performance criteria of the Company completing a positive scoping study before 1 November 2020

REMUNERATION REPORT (Audited) (Continued)

Compensation Options: Granted and Vested during the year.

During the year 23,000,000 compensation options were granted (2021: 60,000,000). The weighted average fair value of the options granted was 2.85 cents. The price was calculated by using the Black Scholes Option valuation methodology applying the following inputs:

Grant date	30 Nov 2021
Number of options issued	23,000,000
Weighted average exercise price (cents)	6.4
Weighted average life of the option (years)	3.0
Weighted average underlying share price (cents)	4.4
Expected share price volatility (%)	120
Risk free interest rate (%)	0.87
Fair value per options	0.0285

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. During the financial period 10,000,000 Compensation options were exercised (2021: Nil); No Compensation Options were forfeited (2021: Nil).

Performance Rights: Granted and Vested during the year.

On 24 November 2021 the Company issued 10,000,000 Performance Rights to Mr Tim Harrison and 3,500,000 Performance Rights to Ms Jill Kelley with the following vesting conditions (Refer to Note 20).

(a) to be issued to Mr Harrison:

- (i) 3.3 million Performance Rights will vest when the Company's VWAP share price is above 6 cents for a period of 30 consecutive days (**Tranche A**). This vesting condition was met on 6 May 2022 and as a result 3.3 million shares were issued and the performance rights cancelled;
- (ii) 3.3 million Performance Rights will vest when the Company's VWAP share price is above 8 cents for a period of 30 consecutive days (**Tranche B**); and
- (iii) 3.4 million Performance Rights will vest when the Company's VWAP share price is above 10 cents for a period of 30 consecutive days (**Tranche C**).

(b) to be issued to Ms Jill Kelley will vest when the Company signs its first offtake agreement as a result of Ms Kelley's introduction.

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Apart from the issue of options and performance rights the company currently has no other performance-based remuneration component built into director and executive remuneration (2021: Nil).

Performance Rights held by Key Management Personnel

2022	Balance 1 July 2021	Granted	Lapsed	Vested	Sold	Balance 30 June 2022
Specified Directors						
T Benson	-	-	-	-	-	-
T Harrison	-	10,000,000	-	(3,300,000)	-	6,700,000
B Marwood[1]	-	-	-	-	-	-
J Kelley	-	3,500,000	-	-	-	3,500,000
M McGarvie	-	-	-	-	-	-
B Dickson	-	-	-	-	-	-
Total	-	13,500,000	-	(3,300,000)	-	10,200,000

REMUNERATION REPORT (Audited) (Continued)

Shareholdings of Key Management Personnel

2022	Balance 1 July 2021	Purchased	On Exercise of Options	Share-based payment	Sold	Balance 30 June 2022
Specified Directors						
T Benson	-	-	-	-	-	-
T Harrison	4,750,000	-	-	3,300,000[2]	-	8,050,000
B Marwood[1]	-	-	-	-	-	-
J Kelley	-	-	-	3,500,000[3]	-	3,500,000
M McGarvie	-	-	-	-	-	-
B Dickson	4,658,034	-	5,000,000	-	(9,658,034)	-
Total	9,408,034	-	5,000,000	6,800,000	(9,658,034)	11,550,000

Option Holdings of Key Management Personnel

2022	Balance at beginning of year	Granted	Options Exercised	Options Lapsed	Balance at end of year	Vested at 30 June 2022	
	1 July 2021				30 June 2022	Vested & Exercisable	Unvested
T B Benson	20,000,000	5,000,000	-	-	25,000,000	25,000,000	-
T J Harrison	40,000,000	10,000,000	-	-	50,000,000	50,000,000	-
B J Marwood[1]	-	-	-	-	-	-	-
J Kelley	-	-	-	-	-	-	-
M McGarvie	-	3,000,000	-	-	3,000,000	3,000,000	-
B D Dickson	20,000,000	5,000,000	(5,000,000)	-	20,000,000	20,000,000	-
Total	80,000,000	23,000,000	(5,000,000)	-	98,000,000	**98,000,000**	-

1. Holdings as at date of retirement or resignation as a director
2. Issued as a result of the vesting of 3,300,000 Performance Rights
3. Issued as a sign on incentive

Other Transactions

The Company has entered into a sub-lease agreement on normal commercial terms with Azure Minerals Limited, a company of which Mr Rovira is a director. During the year, the Company paid sub-lease fees totalling $12,721 (2021: $9,255).

Amounts due and unpaid at 30 June 2022 to Key Management Personnel include consulting fees of $65,866.

REMUNERATION REPORT (Audited) (Continued)

Company's Performance

Company's share price performance

The Company's share price performance shown in the below graph for the year ended 30 June 2022 and is a reflection of the Company's performance during the year.

The variable component of the executives' remuneration, which at this stage only includes share options, is indirectly linked to the Company's share price performance.

Loss per share

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2022.

	2022	2021	2020	2019	2018
Basic loss per share (cents)	(0.13)	(0.08)	(0.07)	(0.06)	(0.24)

Voting and comments made at the company's 2021 Annual General Meeting

IonicRE received a 98.4% "yes" vote on its remuneration report for the 2021 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Remuneration Report (Audited)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional Australian Securities Exchange information section of this annual report.

SHARE OPTIONS

At the date of this report, there were 199,000,000 (2021: 361,000,000) share options outstanding.

	Issued	Lapsed/ Exercised	Total number of Options
Balance at the beginning of the year			361,000,000
Share option movements during the year			
Exercisable at 6.4 cents, on or before 30 Nov '24	44,000,000	-	44,000,000
Exercisable at 1.8 cents, on or before 30 Nov '22	-	(20,000,000)	(20,000,000)
Exercisable at 0.75 cents, on or before 31 July '21	-	(186,000,000)	(186,000,000)
Total options issued and exercised in the year to 30 June 2022	44,000,000	(206,000,000)	(162,000,000)
		Total	199,000,000

The balance is comprised the following:

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
23 December 2019	30 November 2022	1.8	20,000,000
24 March 2020	30 November 2022	1.8	20,000,000
12 August 2020	30 November 2022	1.8	30,000,000
3 December 2020	30 November 2022	1.8	10,000,000
3 December 2020	30 November 2023	2.15	40,000,000
24 February 2021	28 February 2024	6.0	25,000,000
1 February 2021	28 February 2024	6.0	10,000,000
9 December 2021	30 November 2024	6.4	6,000,000
17 December 2021	30 November 2024	6.4	38,000,000
Total number of options outstanding at the date of this report			199,000,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During the financial year 20,000,000 options exercisable at $0.018 and 186,000,000 options exercisable at $0.0075 were exercised. No options have been exercised since the end of the financial year.

On 24 November 2021 the Company issued 10,000,000 Performance Rights to Mr Tim Harrison and 3,500,000 Performance Rights to Ms Jill Kelley with the following vesting conditions.

(a) to be issued to Mr Harrison:

  (i) 3.3 million Performance Rights will vest when the Company's VWAP share price is above 6 cents for a period of 30 consecutive days (**Tranche A**). This vesting condition was met on 6 May 2022 and as a result 3.3 million shares were issued and the performance rights cancelled;

  (ii) 3.3 million Performance Rights will vest when the Company's VWAP share price is above 8 cents for a period of 30 consecutive days (**Tranche B**); and

(iii) 3.4 million Performance Rights will vest when the Company's VWAP share price is above 10 cents for a period of 30 consecutive days (**Tranche C**).

(b) to be issued to Ms Jill Kelley will vest when the Company signs its first offtake agreement as a result of Ms Kelley's introduction.

NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit during the year are set out below. There were no non-audit services during this or the previous year.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices.

	Consolidated	
	2021	2020
	$	$
1. Audit Services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**52,557**	41,903

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, BDO Audit (WA) Pty Ltd, as presented on page 26 of this Annual Report.

EVENTS AFTER REPORTING DATE

On 8 September 2022 the Group announced the grant of £1.72 million (approximately A$2.9 million) from the UK Government Advanced Propulsion Centre ("APC") to Seren Technologies ("SerenTech"), a 100% owned subsidiary of IonicRE, based in Belfast, UK.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2023.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2023 financial year.

No other matter or circumstance has arisen since the end of the financial year 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.

Signed in accordance with a resolution of the directors,

T Benson

Chairman

Perth, 23 September 2022

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Ionic Rare Earths Limited, I state that:

1) In the opinion of the directors:

   (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the consolidated entity 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 30 June 2022 and of their performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards which, as stated in accounting policy Note 2 to the Financial Statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), the Corporations Regulations 2001 and other mandatory professional reporting requirements.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2022.

On behalf of the Board

T Benson
Chairman
Perth, 23 September 2022

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

As lead auditor of Ionic Rare Earths Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

23 September 2022

ionic RARE EARTHS LTD

Financial Report

	Notes	CONSOLIDATED 2022 $	2021 $
Other income			
Interest Received		4,018	1,212
Other income		220,432	213,949
Expenses			
Depreciation		(31,956)	-
Amortisation		(28,699)	-
Interest expense		(2,733)	-
Consultants		(63,852)	(102,524)
Directors' fees (excluding executives)	3	(358,771)	(103,886)
Executives' salaries, wages and consulting fees	3	(980,903)	(470,822)
Legal fees		(358,434)	(43,086)
Travel and accommodation		(218,856)	(10,750)
Administration expenses		(740,282)	(500,366)
Insurance		(60,113)	(28,297)
Promotion		(439,403)	(161,673)
Share based payments	20	(1,506,993)	(979,763)
Loss on sale of subsidiary		-	(191,623)
Research & development		(77,542)	-
Loss from continuing operations before income tax		(4,644,087)	(2,377,629)
Income tax credit/(expense)	4	-	-
Loss for the year		(4,644,087)	(2,377,629)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(4,600)	(589,586)
Other comprehensive income net of tax		(4,600)	(589,586)
Total comprehensive loss for the year, net of tax		(4,648,687)	(2,967,215)
Attributable to:			
Equity holders of the parent		(4,648,687)	(2,967,215)
Non-controlling interests		-	-
		(4,648,687)	(2,967,215)
Total Loss per share for loss attributable to the ordinary equity holders			
Basic loss per share (cents)	14	(0.13)	(0.08)
Diluted loss per share (cents)	14	(0.13)	(0.08)

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

	Notes	CONSOLIDATED 2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	12	26,759,731	11,055,530
Receivables		531,096	63,604
Other		65,351	15,530
Total current assets		27,356,178	11,134,664
Non-current assets			
Right to use assets		35,886	-
Investments	6	3,932,173	3,536,269
Plant & equipment		253,872	-
Intangibles - Patents	7	5,077,796	-
Exploration & evaluation expenditure	8	12,314,681	3,409,530
Total non-current assets		21,614,408	6,945,799
Total assets		48,970,586	18,080,463
LIABILITIES			
Current liabilities			
Payables		613,705	394,698
Lease Liability		27,645	-
Total current liabilities		641,350	394,698
Non-Current liabilities			
Deferred tax liability		31,890	-
Lease liability		7,318	-
Total non-current liabilities		39,208	-
Total liabilities		680,558	394,698
Net assets		48,290,028	17,685,765
EQUITY			
Issued capital	10	76,957,059	43,393,406
Reserves	11	8,910,505	7,225,808
Accumulated losses		(37,577,536)	(32,933,449)
Total equity		48,290,028	17,685,765

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

	Notes	CONSOLIDATED 2022 $	2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,586,152)	(1,333,717)
Interest received		4,018	1,212
Net cash flows used in operating activities	12	(3,582,134)	(1,332,505)
Cash flows from investing activities			
Receipt of government R&D rebate		1,908	213,949
Receipt of grants		54,089	-
Cash acquired on acquisition of subsidiary		82,695	-
Proceeds from sale of subsidiary		-	53,436
Deconsolidation of subsidiary		-	(11,456)
Payments for plant and equipment		(79,412)	-
Payment for investments		-	(1,210,048)
Payment for acquisition of subsidiary		(1,592,572)	-
Payments for patents		(104,658)	-
Payment for capitalised exploration		(8,963,221)	(3,165,136)
Net cash flows used in investing activities		(10,601,171)	(4,119,255)
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of transaction costs)		29,894,053	15,677,357
Net cash flows from financing activities		29,894,053	15,677,357
Net increase in cash and cash equivalents		15,710,748	10,225,597
Cash and cash equivalents at the beginning of the financial year		11,055,530	829,933
Effect of exchange rate changes on cash and cash equivalents		(6,547)	-
Cash and cash equivalents at the end of the financial year	12	26,759,731	11,055,530

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

	Issued Capital	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	-	-	-	-	(4,644,087)	(4,644,087)
Other comprehensive loss	-	-	-	(4,600)	-	(4,600)
Total comprehensive loss for the period	-	-	-	(4,600)	(4,644,087)	(4,648,687)
Shares issued during the period	31,968,600	-	-	-	-	31,968,600
Transaction costs	(1,860,947)	-	-	-	-	(1,860,947)
Share based transaction costs	3,456,000	-	-	-	-	3,456,000
Vesting of performance rights	-	-	(1,896)	-	-	(1,896)
Share based payments	-	-	1,295,289	-	-	1,295,289
Foreign currency translation	-	-	-	395,904	-	395,904
At 30 June 2022	**76,957,059**	**136,403**	**8,972,388**	**(198,286)**	**(37,577,536)**	**48,290,028**

	Issued Capital	Convertible Notes Reserve	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
At 1 July 2020	27,938,424	136,403	6,216,857	(233,604)	(30,555,820)	3,502,260
Loss for the period	-	-	-	-	(2,377,629)	(2,377,629)
Other comprehensive loss	-	-	-	(589,586)	-	(589,586)
Total comprehensive loss for the period	-	-	-	(589,586)	(2,377,629)	(2,967,215)
Shares issued during the period	16,955,000	-	-	-	-	16,955,000
Transaction costs	(1,017,643)	-	-	-	-	(1,017,643)
Vesting of performance rights	386,100	-	(386,100)	-	-	-
Share based transaction costs	(868,475)	-	868,475	-	-	-
Share based payments	-	-	979,763	-	-	979,763
Foreign currency translation	-	-	-	233,600	-	233,600
At 30 June 2021	**43,393,406**	**136,403**	**7,678,995**	**(589,590)**	**(32,933,449)**	**17,685,765**

Changes in Equity should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The Consolidated Financial report of Ionic Rare Earths Limited for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 22 September 2022. The consolidated financial statements and notes represent those of Ionic Rare Earths Limited and its controlled entities (the "Group"). The consolidated entity's functional and presentation currency is AUD ($). The separate financial statements of the parent entity, Ionic Rare Earths Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

Ionic Rare Earths Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Financial report is a general-purpose Financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial report has also been prepared on an accruals basis. The Group is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded that would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial reports and notes also comply with International Financial Reporting Standards.

b) Adoption of new and amended accounting standards

The Company has adopted all of the new, revised or amending 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 not materially applicable to the Group have not been applied in preparing these consolidated financial statements.

(c) Basis of consolidation

The parent entity and its subsidiaries are collectively referred to as the "Group". The parent of this Group is Ionic Rare Earths Limited. Entities (including structured entities) over which the parent (or the Group) directly or indirectly exercises control are called "subsidiaries". The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the Group's subsidiaries is provided in Note 9.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are referred to as 'non-controlling interests'. The Group recognises any non-controlling interests in subsidiaries on a case-by-case basis either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d) **Significant accounting estimates and assumptions**

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:

Asset vs Business

Management have determined the acquisition of Seren Technologies to be an asset acquisition using the concentration test available under AASB 3 *Business Combinations*, where by the fair value of the assets of Seren Technologies is concentrated in the intangibles acquired.

Fair value of assets acquired

Fair value of the intangible assets acquired has been determined using the market approach based on the purchase price of the acquisition of Seren Technologies. Management deem the purchase price to be the most accurate representation of the fair value of the assets purchased on acquisition date.

Milestone 1 and 2 payments were deemed to have nil value as management have determined these payments to be contingent liabilities as it is not probable at this stage that the performance obligations will be met.

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 acquisition in Note 6).

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 ('RML")) which represents the group's 51% interest in RML 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 RML 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 RML 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.

Share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the binominal or implied barrier formula. For options issued in this financial year, the assumptions detailed as per Note 20 were used.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in Associates

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights or in other cases with greater than 50% where control has still not been obtained due to the lack of controls over the relevant activities. Investments in associates are accounted for by using the equity method of accounting after being initially recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment each reporting period.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at the bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

(h) Foreign currency translation

Both the functional and presentation currency of Ionic Rare Earths Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

All resulting exchange differences in the consolidated financial statements are taken to the statement of profit or loss and other comprehensive income.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation
Ionic Rare Earths Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Ionic Rare Earths Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Share-based payment transactions

The Group provides benefits to directors, employees and consultants of the Group (with shareholders' approval) in the form of share-based payment transactions, whereby directors, employees and consultants render services in exchange for options over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ionic Rare Earths Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each End of the reporting period until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contributed equity

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

Effective 1 July 1998, the corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued capital.

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(n) Earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares:
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

(p) Exploration and development expenditure

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 they 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.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(q) Intangible assets

Accounting policy

Patents, trademarks and licences

Trademarks, licences and patents acquired as part of an asset acquisition are recognised at the fair value at acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation methods and useful lives

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Patents, trademarks and licences 20 years

3. EXPENSES AND LOSSES

	2022 $	2021 $
Profit/(loss) from continuing operations before income tax includes the following specific expenses		
Salaries & wages expenses	980,903	470,822
Operating lease rentals	40,800	12,255
Directors' benefit expense (excluding executive directors)	358,771	103,886

4. INCOME TAX

Statement of profit or loss and other comprehensive income		
Current income tax benefit/(expense)	-	-
Deferred income tax benefit/(expense)	-	-
Income tax benefit/(expense) reported in the statement of profit or loss and other comprehensive income	-	-

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before income tax	(4,644,087)	(2,377,629)
At the Group's statutory income tax rate of 26% (2021: 26%)	(1,207,463)	(618,185)
Less: Share options expenses during the year	391,818	254,738
Exploration expenditure	-	-
Government grants exempt from tax	(43,249)	(55,627)
Other expenditure not allowable for income tax purposes	77,581	49,822
	(781,313)	(369,252)
Current year tax losses not brought to account	781,313	369,252
Income tax (benefit)/expense reported in the consolidated statement of profit or loss and other comprehensive income	-	-

Deferred Income Tax

Deferred income tax at 30 June relates to the following:

Deferred tax liabilities		
Prepayments	(16,991)	(4,038)
Total deferred tax liabilities	(16,991)	(4,038)
Deferred tax assets		
Accrued expenses	5,200	5,200
Capital raising costs	45,304	19,377
Tax assets/losses recognised /(not brought to account)	(33,513)	(20,539)
Total deferred tax assets	16,991	4,038
Net deferred tax liabilities/(asset)	-	-

4. INCOME TAX (Continued)

Other than to offset deferred tax liabilities the Group has not recognised tax losses arising in Australia of $15,299,605 (2021: $13,432,620) that may be available for offset against future taxable profits of the companies in which the losses arose. The potential benefit of carried forward losses will only be obtained if assessable income is derived of a nature and, of an amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company provided that :

(i) the provisions of deductibility imposed by law are complied with;
(ii) the group satisfies the continuity of ownership test from the period the losses were incurred to the time they are to be utilised; and
(iii) no change in tax legislation adversely affect the realisation or the benefit from the deductions.

Tax Consolidation
Ionic Rare Earths Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate the income tax expense to the wholly owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group
The allocation of taxes under the tax sharing and funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Ionic Rare Earths Limited. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

5. 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, Uganda and United Kingdom (2021: Australia, Uganda and Nicaragua).

2022	Australia $	Nicaragua $	U.K. $	Uganda $	Total $
Revenues					
Loss	(4,482,931)	-	(161,156)	-	(4,644,087)
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	(627,325)	-	(53,223)	-	(680,548)
2021	**Australia $**	**Nicaragua $**	**U.K. $**	**Uganda $**	**Total $**
Revenues	215,161	-	-	-	215,161
Loss	(2,186,007)	(191,622)	-	-	(2,377,629)
Non-current assets	-	-	-	6,945,799	6,945,799
Total assets	11,134,664	-	-	6,945,799	18,080,463
Total liabilities	(394,698)	-	-	-	(394,698)

6. INVESTMENTS

An amount of $3,932,173 has been presented in the financial statements as an Investment in Associates. This represents amounts incurred to acquire an interest in Rwenzori Rare Metals Limited which holds 100% of the Makuutu Rare Earth Elements project. Refer to note 19 for further information. This includes the amounts set out below.

	2022 $	2021 $
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 (exercise price) of $0.005 issued to SCM	325,000	325,000
Expenditure on exploration and evaluation for additional 11% interest	954,689	954,689
Expenditure on exploration and evaluation for additional 15% interest	1,166,337	1,166,337
Expenditure on exploration and evaluation for additional 5% interest	498,210	498,210
Movement in foreign exchange	(193,682)	(589,586)
	3,932,173	**3,536,269**

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.

Current assets		
Cash	318,867	110,693
Non-current assets		
Plant and equipment	89,179	31,284
Other	70,783	38,533
Current Liabilities		
Payables	(33,318)	(123,499)
Net assets	**445,511**	**57,011**
Groups share in %	51%	51%
Groups share in $	227,211	29,076
Fair value uplift	3,704,962	3,507,541
Carrying amount	3,932,173	3,536,617

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's may increase its interest in RRM from 51% to 60% by the completion of a bankable feasibility study.

7. INTAGIBLES - PATENTS

	2022 $	2021 $
At Cost (a)	5,244,733	-
Accumulated amortisation	(166,937)	-
Carrying amount at the end of the financial year	5,077,796	-
Opening carrying value	-	-
Additions (net of amortisation) – acquisition of patents (a)	5,088,550	-
Amortisation charge	(10,754)	-
Carrying amount at the end of the financial year	5,077,796	-

(a) On 8 December 2021, the Group announced that it had reached agreement to acquire 100% of the shares in Seren technologies Limited; the acquisition was completed on 21 April 2022. As a result of the asset acquisition, intangibles were acquired at the fair value of $5,088,550 which included $3,456,000 through the issue of 48,000,000 shares at a price on issue date of $0.072, with the remaining paid in cash. Refer to note 19 (c) for disclosure relating to future milestone payments which have been recognised as contingent liabilities.

8. EXPLORATION AND EVALUATION EXPENDITURE

	2022 $	2021 $
At Cost (a)	12,314,681	3,409,530
Impairment of exploration & evaluation expenditure	-	-
Carrying amount at the end of the financial year	12,314,681	3,409,530
Carrying amount at the beginning of the financial year	3,409,530	525,697
Additions	8,905,151	2,883,833
Carrying amount at the end of the financial year	12,314,681	3,409,530

(a) This amount represents contribution to expenditure to earn a 51% interest in Rwenzori Rare Metals Limited which hold the Makuutu exploration licence.

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.

9. INTEREST IN SUBSIDIARIES

The subsidiaries listed below have share capital consisting solely of ordinary shares.
Each country of incorporation is also its principal place of business.

Name of Subsidiary	Country of Incorporation	% equity held by consolidated entity	
		2022	2021
Seren Technologies Limited	England	100	-
Goldcap Resources Pty Limited	Australia	-	100

During the period Goldcap Resources Pty Limited was deregistered.

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities of the group.

10. ISSUED CAPITAL

	2022 $	2021 $
(a) Issued and paid up capital		
Fully paid ordinary shares	82,782,854	47,358,254
Less: capital raising costs	(5,825,795)	(3,964,848)
	76,957,059	43,393,406

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Movements in ordinary share capital

		2022		2021	
		Number of shares	$	Number of shares	$
Beginning of the financial year		3,206,399,514	43,393,406	2,161,328,050	27,938,424
Issued during the year					
Issue at $0.074	(i)	405,405,406	30,000,000	-	-
Issue at $0.0075	(ii)	186,000,000	1,395,000	154,000,000	1,155,000
Issue at $0.018	(ii)	20,000,000	360,000	-	-
Issue at $0.017	(iii)	3,300,000	56,100	-	-
Issue at $0.045	(iv)	3,500,000	157,500	-	-
Issue at $0.072	(v)	48,000,000	3,456,000	-	-
Issue at $0.040	(i)	-	-	300,000,000	12,000,000
Issue at $0.005	(ii)	-	-	50,000,000	250,000
Issue at $0.014	(vi)	-	-	3,571,428	50,000
Issue at $0.008	(i)	-	-	437,500,036	3,500,000
Issue at $0.0044	(iii)	-	-	33,300,000	145,200
Issue at $0.0039	(iii)	-	-	33,300,000	128,700
Issue at $0.0034	(iii)	-	-	33,400,000	112,200
Cost of share issues		-	(1,860,947)	-	(1,886,118)
End of the financial year		3,872,604,920	76,957,059	3,206,399,514	43,393,406

Funds raised from the share placements during the 2022 and 2021 year were used to progress the Group's exploration activities and for general working capital.

(i) Exercise of options
(ii) Issued on vesting of performance rights
(iii) Sign on incentive shares
(iv) Issued as part payment to acquire Seren Technologies Limited (refer note 7)
(v) Issued in lieu of cash bonus.

(c) Movements in unlisted options on issue

At balance date, there were 199,000,000 (2021: 361,000,000) share options outstanding.

	Issued	Exercised	Lapsed	Total number of Options
Balance at the beginning of the year				361,000,000
Share option movements during the year				
Total options issued and lapsed in the year to 30 June 2022	44,000,000	(206,000,000)	-	(162,000,000)
Balance at the end of the year				199,000,000

The balance of options on issue is comprised of the following:

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
23 December 2019	30 November 2022	1.8	20,000,000
24 March 2020	30 November 2022	1.8	20,000,000
12 August 2020	30 November 2022	1.8	30,000,000
3 December 2020	30 November 2022	1.8	10,000,000
3 December 2020	30 November 2023	2.15	40,000,000
24 February 2021	28 February 2024	6.0	25,000,000
1 February 2021	28 February 2024	6.0	10,000,000
9 December 2021	30 November 2024	6.4	6,000,000
17 December 2021	30 November 2024	6.4	38,000,000
Total number of options outstanding at the date of this report			199,000,000

(c) Movements in unlisted performance rights

At balance date, there were 10,200,000 (2021: Nil) performance rights outstanding.

	Issued	Vested	Lapsed	Total number of Rights
Balance at the beginning of the year				-
Performance rights movements during the year				
Total performance rights issued and vested in the year to 30 June 2022	13,500,000	(3,300,000)	-	10,200,000
Balance at the end of the year				10,200,000

(d) Capital Management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The Group is not exposed to any externally imposed capital requirements.

11. RESERVES

	2022 $	2021 $
Share Option Reserve		
Balance at beginning of year	7,678,995	6,216,857
Vesting of performance rights	(1,896)	(386,100)
Movement during the year	1,295,289	1,848,238
Balance at the end of year	8,972,388	7,678,995
Convertible Note Equity Reserve		
Balance at beginning of year	136,403	136,403
Movement during the year	-	-
Balance at the end of year	136,403	136,403
Foreign Currency Translation Reserve		
Balance at beginning of year	(589,590)	(233,604)
Movement during the year	391,304	(355,986)
Balance at the end of year	(198,286)	(589,590)

Nature and purpose of reserves

Share option reserve
This reserve records the value of options issued to directors, employees and associates as part of their remuneration.

Convertible note equity reserve
This reserve records the equity portion attributable to the convertible notes at the time of issue.

Foreign currency translation reserve
This reserve is used to record exchange differences arising from the translation of foreign controlled subsidiaries.

12. STATEMENT OF CASH FLOWS

	2022 $	2021 $
Reconciliation of the net profit/(loss) after tax to the net cash flows from operations		
Net loss	(4,644,087)	(2,377,629)
Depreciation	31,956	-
Amortisation	10,754	-
Share based payments	1,506,993	979,763
Fees paid through share issue	-	50,000
Loss on sale of subsidiary	-	191,623
R&D income classified as Investing Activity	(218,523)	(213,949)
Grants classified as Investing Activity	(1,908)	-
Changes in assets and liabilities		
Trade receivables	(467,437)	(46,848)
Prepayments	(44,513)	(8,989)
Trade and other creditors	244,631	93,524
Net cash flows used in operating activities	(3,582,134)	(1,332,505)

12. STATEMENT OF CASH FLOWS (Continued)

(a) Reconciliation of cash

	2022 $	2021 $
Cash balance comprises:		
Cash at bank	26,726,230	11,022,029
Short term deposit	33,501	33,501
Closing cash balance	26,759,731	11,055,530

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made at various periods on call, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. At 30 June 2022, the Group had borrowing facilities of $30,000 (2021: $30,000). The short term deposit is provided as security for $30,000 of the facilities. This facility is unutilised at 30 June 2022.

The fair value of cash and cash equivalents is $26,759,731 (2021: $11,055,530).

The effective interest rate on cash at bank was 0.1% (2021: 0.1%).

Refer to Note 18 for risk exposure.

(b) Non-cash investing and financing activities

During the financial year the Group undertook the following non-cash investing and financing activities.

3,500,000 fully paid shares issued to Ms. Jill Kelley as a performance incentive	157,500	-
48,000,000 fully paid shares issued to Seren AG as part consideration for the acquisition of Seren Technologies Limited	3,456,000	-
3,571,428 fully paid shares issued to Horizon Metallurgy Pty Ltd in lieu of cash bonus	-	50,000
	3,613,500	50,000

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 8 September 2022 the Group announced the grant of £1.72 million (approximately A$2.9 million) from the UK Government Advanced Propulsion Centre ("APC") to Seren Technologies ("SerenTech"), a 100% owned subsidiary of IonicRE, based in Belfast, UK.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2022.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2022 financial year.

No other matter or circumstance has arisen since the end of the financial year 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.

14. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary Owners of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary Owners of the parent by the weighted average number of ordinary shares during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income / (loss) and share data used in the calculations of basic and diluted loss per share:

	2022 CENTS	2021 CENTS
(a) Basic and diluted loss per share		
From continuing operations attributable to the ordinary Owners of the company	(0.13)	(0.08)
	$	**$**
(b) Reconciliations of losses used in calculating losses per share		
Loss attributable to the ordinary Owners of the company used in calculating basic and diluted earnings per share		
From continuing operations	(4,644,087)	(2,377,629)
Weighted average number of ordinary shares on issue used in the calculation of continuing and discontinued basic and diluted earnings per share	3,480,509,348	2,875,075,245

Effect of dilutive securities
Options on issue at reporting date could potentially dilute basic loss per share in the future. The effect in the current year is to decrease the loss per share hence they are considered anti-dilutive. Accordingly, diluted loss per share has not been disclosed.

15. AUDITOR'S REMUNERATION

Amounts received or due and receivable by BDO Audit (WA) Pty Ltd or associated entities for:		
An audit or review of the financial report of the entity	52,557	41,903
	52,557	41,903

16. KEY MANAGEMENT PERSONNEL

Compensation of key management personnel by compensation

	2022 $	2021 $
Short-term	1,055,696	676,336
Post-employment	29,800	42,361
Share-based payment	909,123	659,600
	1,994,619	1,378,297

17. RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statement of Ionic Rare Earths Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	Equity interest 2022	Equity interest 2021
		%	%
Seren Technologies Limited	England	100	-
Goldcap Resources Pty Ltd	Australia	-	100

(b) Ultimate parent

Ionic Rare Earths Limited is the ultimate parent entity.

(c) Other

The Company has entered into a sub-lease agreement on normal commercial terms with Azure Minerals Limited, a company of which Mr Rovira is a director. During the year the Company paid sub-lease fees totalling $12,721 (2021: $9,255).

(d) Loans to/from Key Management Personnel

There were no loans outstanding to or from key management personnel as at 30 June 2022 (2021: Nil).

(e) Other transactions and balances with Key Management Personnel

Amounts due and unpaid at 30 June 2022 to Key Management Personnel includes consulting fees of $27,500 to Coolform Investments Pty Ltd, a related party of B D Dickson and consulting fees of $38,366 to Horizon Metallurgy Pty Ltd, a related party of TJ Harrison.

18. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Group's financial instruments comprise receivables, payables and cash.

The Group's main risks arising from the financial instruments are:

(i) interest rate risk,
(ii) liquidity risk,
(iii) credit risk
(iv) foreign currency risk.

Risk Exposures and Responses

(i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Group's income. The objective of interest rate risk management is to manage and control risk exposures within acceptable parameters, while optimising any return. As the Group has interest bearing assets, the Group's income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits. The Group does not have any policy in place and no financial instruments are employed to mitigate interest rate risks.

18. FINANCIAL INSTRUMENTS (Continued)

(i) Interest Rate Risk (Continued)

At reporting date, the Group had the following financial assets exposed to Australian and English variable interest rate risk:

	2022 $	2021 $
Financial Assets – Cash at Bank		
Australia	26,547,615	11,055,530
England	212,116	-
	26,759,731	11,055,530

The Group has no interest bearing liabilities and is therefore not exposed to interest rate risks.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period. The 1% sensitivity is based on reasonable possible change over the financial year using the observed range for the historic 2 years.

At 30 June, if interest rates had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2022 $	2021 $	2022 $	2021 $
CONSOLIDATED				
+1% (100 basis points)	267,597	110,555	267,597	110,555
-1% (100 basis points)	(267,597)	(110,555)	(267,597)	(110,555)

The movements in profit and equity are due to higher/lower interest costs from variable rate cash balances.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Undiscounted cash flows of financial liabilities are presented.

The Group has no derivative financial instruments.

The remaining contractual maturities of the Group's financial liabilities are:

	2022 $	2021 $
6 months or less	627,144	394,698
6 – 12 months	14,206	-
1 – 5 years	7,318	-
	648,668	394,698

Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and (outflows). Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

18. FINANCIAL INSTRUMENTS (Continued)

(ii) Liquidity Risk (Continued)

	<6 months $	6 – 12 months $	1 – 5 years $	> 5 years $	Total $
CONSOLIDATED					
Year ended 30 June 2022					
Financial assets					
Cash & cash equivalents	26,759,731	-	-	-	26,759,731
Trade & other receivables	531,096	-	-	-	531,096
	27,290,827	-	-	-	27,290,827
Financial liabilities					
Trade & other payables	627,144	14,206	7,318	-	648,668
Net Maturity	26,663,683	(14,206)	(7,318)	-	26,642,159
Year ended 30 June 2021					
Financial assets					
Cash & cash equivalents	11,055,530	-	-	-	11,055,530
Trade & other receivables	63,605	-	-	-	63,605
	11,119,135	-	-	-	11,119,135
Financial liabilities					
Trade & other payables	394,698	-	-	-	394,698
Net Maturity	10,724,437	-	-	-	10,724,437

(iii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from transactions with customers and investments.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets of the Group, which comprises of cash and cash equivalents, trade and other receivables and available for sale financial assets.

The Group does not hold any credit derivatives to offset its exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group places its cash deposits with institutions with a credit rating of AA or better and only with major banks.

Fair value

The fair values of financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short-term nature. The carrying amounts of financial assets and liabilities as described in the statement of financial position are as follows:

18. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit Risk (Continued)

CONSOLIDATED	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	2022 $	2021 $	2022 $	2021 $
FINANCIAL ASSET				
Cash	26,759,731	11,055,530	26,759,731	11,055,530
Receivables	531,096	63,605	531,096	63,605
Total financial assets	27,290,827	11,119,135	27,290,827	11,119,135
FINANCIAL LIABILITIES				
Trade creditors and accruals and other creditors	648,668	394,698	648,668	394,698
Total financial liabilities	648,668	394,698	648,668	394,698

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United Sates Dollar (USD) and English pound (GBP). The currencies in which the transactions primarily are denominated are USD and GBP.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk
The Group's exposure to foreign currency risk at reporting date, expressed in Australian dollars (AUD), was:

	2022	2021
Cash	212,116	110,693
Trade Receivables	-	-
Trade Payables	142,916	106,090
Gross Statement of Financial Position Exposure	355,032	216,783
Forward exchange contracts	-	-
Net Exposure	355,032	216,783

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
AUD/US$	0.7256	0.7469	0.6892	0.7507
AUD/GBP	0.5455	0.5546	0.5674	0.5426

18. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent movement of the Australian dollar against the British Pound at 30 June would have had no effect on equity and loss. A 10 percent movement of the Australian dollar against the British Pound at 30 June would have affected equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2021.

	Equity $	Profit or loss $
30 June 2022		
British Pound	+/- 16,115	-
30 June 2021		
British Pound	-	-

19. PARENT ENTITY FINACIAL INFORMATION

(a) Summary Financial Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards:

	2022 $	2021 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	27,700,381	11,119,135
Non-Current assets	21,216,972	6,961,328
Total assets	48,917,353	18,080,463
LIABILITIES		
Current liabilities	620,007	394,698
Non-Current liabilities	7,319	-
Total liabilities	627,326	394,698
EQUITY		
Issued capital	76,957,059	43,393,406
Reserves		
Share-option	8,972,388	7,678,995
Convertible note equity	136,403	136,403
Foreign Currency Reserve	(193,686)	(589,590)
Accumulated loses	(37,582,136)	(32,933,449)
Total Equity	48,290,028	17,685,765
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	(4,482,930)	(2,132,574)
Total comprehensive loss	(4,482,930)	(2,132,574)

19. PARENT ENTITY FINANCIAL INFORMATION (Continued)

(b) Guarantees

Ionic Rare Earths Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

(c) Contingent liabilities

On 19 August 2019, the Group received shareholder approval to acquire up to a 60% interest in the Makuutu rare earths project (**Makuutu**). Makuutu is owned 100% by Ugandan registered Rwenzori Rare Metals Limited (**RRM**) which at the time was owned 85% by South African registered Rare Earth Elements Africa Proprietary Limited (**REEA**). IonicRE has entered into a binding option agreement with both companies that enables it to acquire up to a 60% direct interest in RRM, and thereby up to a 60% indirect interest in Makuutu. The Group currently has a 51% interest in RRM and to increase to 60% it must fund, to completion, a bankable feasibility study, which is in progress. Additionally, there remains a milestone payment of US$375,000, payable in cash or IonicRE shares at the election of the Vendor, on conversion of existing licences to mining licences.

On 8 December 2021, the Group announced that it had reached agreement to acquire 100% of the shares in Seren technologies Limited; the acquisition was completed on 21 April 2022. In addition to the acquisition payments, which have been made, the agreement provided for the payment of certain milestone payments, being;

(a) pay the Sellers 25% of any licence fee received by IonicRE 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**).

20. SHARE BASED PAYMENTS

Details of each class of option issues are set out below.

(a) Employee and consultants' option plan

The establishment of the Ionic Rare Earths Limited Employee Share Option Plan ("Plan") was approved by shareholders at the Annual General Meeting held on 24 November 2021. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights. During the year 44,000,000 options were issued pursuant to the plan (2021: Nil)

2022

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and Exercisable at end of the year Number
30 Nov '21	30 Nov '24	6.4	2.85	-	44,000,000	-	-	44,000,000	44,000,000
TOTAL				**-**	**44,000,000**	**-**	**-**	**44,000,000**	**44,000,000**
Weighted average exercise price					6.4	-	-	6.4	6.4

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.42 years (2021: Nil years).

20. SHARE BASED PAYMENTS (Continued)

Fair value of options granted.

During the 2022 financial year the weighted average fair value of the options granted was 2.85 cents. The price was calculated by Black Scholes Option valuation methodology applying the following inputs

Number of options issued	44,000,000
Weighted average exercise price (cents)	6.4
Weighted average life of the option (years)	3.0
Weighted average underlying share price (cents)	4.4
Expected share price volatility (%)	120
Risk free interest rate (%)	0.87
Fair value per option (cents)	2.847

(b) Directors and executive options

During the year no options were issued to directors and senior executives other than through the Ionic Rare Earths Limited Employee Share Option Plan (2021: 60,000,000). Set out below are summaries of options issued to senior executives.

2022

Grant Date	Expiry Date	Exer-cise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and Exercisable at end of the year Number
23 Dec '19	30 Nov '22	1.8	0.58	30,000,000	-	10,000,000	-	20,000,000	20,000,000
24 Mar '20	30 Nov '22	1.8	0.27	20,000,000	-	-	-	20,000,000	20,000,000
3 Dec '20	30 Nov '22	1.8	0.99[a]	10,000,000	-	-	-	10,000,000	10,000,000
3 Dec '20	30 Nov '23	2.15	1.12[b]	40,000,000	-	-	-	40,000,000	40,000,000
TOTAL				**100,000,000**	**-**	**10,000,000**	**-**	**90,000,000**	**90,000,000**
Weighted average exercise price				$0.019	-	$0.018	-	$0.019	$0.019

2021

Grant Date	Expiry Date	Exer-cise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and Exercisable at end of the year Number
15 Dec '17	30 Nov '20	1.3	0.35	22,000,000	-	-	22,000,000	-	-
23 Dec '19	30 Nov '22	1.8	0.58	40,000,000		-	10,000,000	30,000,000	30,000,000
24 Mar '20	30 Nov '22	1.8	0.27	20,000,000		-	-	20,000,000	20,000,000
3 Dec '20	30 Nov '22	1.8	0.99[a]	-	10,000,000	-	-	10,000,000	10,000,000
3 Dec '20	30 Nov '23	2.15	1.12[b]	-	50,000,000	-	10,000,000	40,000,000	40,000,000
TOTAL				**82,000,000**	**60,000,000**	**-**	**42,000,000**	**100,000,000**	**100,000,000**
Weighted average exercise price				$0.017	$0.021	-	$0.016	$0.019	$0.019

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.86 years (2021: 1.82 years).

20. SHARE BASED PAYMENTS (Continued)

(c) Performance Share Rights

During the period 10,000,000 Performance Rights were granted to Mr Tim Harrison and 3,500,000 Performance Rights to Ms Jill Kelley. The vesting conditions of the Performance Rights are:

(a) issued to Mr Harrison:

i. 3,3000,000 Performance Rights will vest when the Company's VWAP share price is above 6 cents for a period of 30 consecutive days (**Tranche A**);

ii. 3,300,000 million Performance Rights will vest when the Company's VWAP share price is above 8 cents for a period of 30 consecutive days (**Tranche B**); and

iii. 3,400,000 Performance Rights will vest when the Company's VWAP share price is above 10 cents for a period of 30 consecutive days (**Tranche C**).

(b) Those issued to Ms Jill Kelley will vest when the Company signs its first offtake agreement as a result of Ms Kelley's introduction.

The Company has valued the Performance Rights issued to Mr. Tim Harrison using the Monte Carlo Valuation approach. The valuation of an option using the Monte Carlo Approach incorporates the probability of meeting the relevant performance conditions using a function of a number of variables and was calculated using the following assumptions:

Variable	Tranche A Input	Tranche B Input	Tranche C Input
Share price (cents)	4.7	4.7	4.7
Share price target (cents)	6.0	8.0	10.0
Risk free interest rate	0.99%	0.99%	0.99%
Volatility	120%	120%	120%
Effective life	3 years	3 years	3 years
Fair Value (cents per Right)	1.7	0.8	0.4

The Company considered the probability of the Performance Rights issued to Ms Jill Kelley vesting to be more than likely and valued them based on the share price at the date of issue using the Black-Scholes Model using the following assumptions:

Variable	Input
Share price (cents)	4.7
Risk free interest rate	0.99%
Volatility	120%
Effective Life	3.0 years
Fair Value (cents per Right)	4.7

Total expenses arising from the issue of Performance Rights recognised during the year were $96,813 (2021: Nil).

(d) Incentive Share Issue

During the period 3,500,000 fully paid ordinary shares were issued to Ms Jill Kelley as a sign on incentive. These shares were valued at the closing price of the shares as trading on the ASX, being 4.5 cents per share.

Total expenses arising from the issue of Incentive Shares recognised during the year was $157,500 (2021: Nil).

20. SHARE BASED PAYMENTS (Continued)

(e) Options issued to unrelated Parties

No options were issued to unrelated parties during the 2022 year. During the 2021 year three tranches of options were issued to unrelated consultants in lieu of cash fees. The services provided by the consultants were unable to be accurately valued and as such a value was placed on the options issued. The price of each option was calculated by using the Binominal Option valuation methodology applying the following inputs:

Grant date	12 August 2020	24 February 2021	1 February 2021
Number of options issued	40,000,000	25,000,000*	10,000,000
Expiry date (years)	2.34	3.00	3.00
Underlying share price (cents)	1.10	0.50	0.37
Exercise price (cents)	1.80	6.0	6.0
Expected share price volatility (%)	100	112	112
Risk free interest rate (%)	0.27	0.1	0.1
Fair value per option	0.005	0.035	0.012

*25,000,000 options were issued in relation to share issue costs, therefore have been offset against ordinary shares.

There were no other share based payments to unrelated parties during the 2022 or 2021 financial years.

Total expenses arising from share-based payment transactions during the period were as follows:

	Consolidated	
	2022	2021
	$	$
Options issued under Ionic Rare Earths Employee Share Option Plan (a)		
Options issued to executives (b)	1,252,680	659,600
Performance share rights issued (c)	96,813	-
Incentive share Issue (d)	157,500	-
Options issued to unrelated parties (e)	-	320,163
Total	1,506,993	979,763

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INDEPENDENT AUDITOR'S REPORT

To the members of Ionic Rare Earths Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ionic Rare Earths Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Investment in Associate

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2022, the carrying value of the equity accounted investment in associate Rwenzori Rare Metals Limited ("RRM") who holds 100% interest in the Makuutu Rate Earth Elements Project in Uganda is disclosed in Note 6. At each reporting period, the value of the equity accounted investment in RRM needs to be assessed for indicators of impairment. If indicators of impairment exist, the recoverable amount needs to be estimated. The assessment of the carrying value of the equity accounted investment in RRM was a key audit matter due to the judgement involved in determining the appropriate accounting treatment and determining whether there are any indicators to suggest that the investment in associate could be impaired.	Our procedures included, but were not limited to: • Considering the appropriateness of management's assessment of significant influence over RRM and accounting for the interest as an investment in associate; • Considering management's assessment of indicators that the investment in associate could be impaired; • Verifying the Group's contribution to RRM's exploration and evaluation expenditure to earn its equity interest in RMM during the year and confirming the Group's percentage ownership of RRM; • Reviewing the calculation for the carrying value of the investment including the Group's share in RRM's loss; • Reviewing ASX announcements, Board of Directors meetings minutes to assess for potential indicators of impairment; and • Assessing the adequacy of the related disclosures in Notes 2 and 6 to the financial report.

BDO

Carrying value of Exploration and Evaluation Expenditure

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2022 the carrying value of capitalised exploration expenditure was disclosed in Note 8. As the carrying value of the exploration assets represent a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of these assets may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular, whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of the areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 2 and Note 8 to the financial report.

BDO

Asset Acquisition

Key audit matter	*How the matter was addressed in our audit*
As disclosed in the financial report, the Group completed the acquisition of Seren Technologies Limited during the year. The group treated the transaction as an asset acquisition, rather than a business combination. Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset acquisition or business combination, estimating the fair value of the net assets acquired and estimating the fair value of the purchase consideration.	Our procedures included, but were not limited to the following: • Assessing management's conclusion of the acquisition meeting the definition of an asset acquisition; • Reviewing the acquisition agreement to understand the key terms and conditions of the acquisition; • Assessing management's calculation of the total consideration including the key assumptions made in determining the contingent consideration; • Evaluating the assumptions and the methodology used in management's determination of the fair value of assets acquired and liabilities assumed; and • Assessing the adequacy of the related disclosures in Note 2 and Note 7 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Ionic Rare Earths Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth

23 September 2022

Approach to Corporate Governance

Ionic Rare Earths Limited ACN 083 646 477 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition. The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained the reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at

https://ionicre.com.au/governance/

Charters

Board

Audit and Risk Committee

Nomination Committee

Remuneration Committee

Policies and procedures

Policy and Procedure for the Selection and (Re)Appointment of Directors

Process for Performance Evaluations

Securities Trading Policy

Code of Conduct (summary)

Diversity Policy (summary)

Continuous Disclosure Policy (summary)

Continuous Disclosure Compliance Procedures (summary)

Shareholder Communication and Investor Relations Policy

Whistle Blower Policy

Anti-Bribery and Corruption Policy

The Company reports below on whether it has followed each of the recommendations during the Reporting Period. This statement was approved by a resolution of the Board on, and the information in this statement is current as at 23 September 2022.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter, which is disclosed on the Company's website.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The checks which are undertaken, and the information provided to shareholders are set out in the Company's Policy and Procedure for the Selection and (Re)Appointment of Directors, which is disclosed on the Company's website.

The Company appointed Ms Jill Kelley on 7 July 2021 and Mr Max McGarvie on 16 July 2021; the checks referred to in the Company's policies and Procedures for the selection and (Re)Appointment of Directors were undertaken.

The Company provided shareholders with all material information in relation to the election of Ms Jill Kelley and Mr Max McGarvie at its 2021 Annual General Meeting.

Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment.

The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is related party of the Chief Executive Officer or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Recommendation 1.5

The Company has a Diversity Policy, a summary of which is disclosed on the Company's website. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. Nor has the Board set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, the number of employees in Australia and the nature of the labour market in Uganda and Nicaragua, the Board considers that it is not practical to set measurable objectives for achieving gender diversity.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the Company's financial standing. During the Reporting Period, this included the Finance Director & Company Secretary:

	Proportion of women
Whole organisation (including the Board)	3 out of 8 (37%)
Senior executive positions	1 out of 3 (33%)
Board	1 out of 4 (25%)

Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The Chairperson's performance is evaluated by the other members of the Board in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Chairperson took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

Recommendation 1.7

The Chief Executive Officer is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The Chairman is responsible for evaluating the Chief Executive Officer in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Company's senior executives took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

Principle 2: Structure the board to be effective and add value

Recommendation 2.1

The Board has not established a separate Nomination Committee. The Board believes that there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Although the Board has not established a separate Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

The Board carries out those functions which are delegated to it in the Company's Nomination Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Nomination Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when nomination related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.2

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the Board's current composition, which includes extensive geological experience and qualifications, experience in mineral processing, experience in operating in locations outside of Australia, accounting qualifications and financial management skills, leadership, governance and strategy.

While the Company is at exploration and feasibility stage, it does not wish to increase the size of the Board and considers that the Board weighted towards technical experience is appropriate at this stage of the Company's development. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at 30/06/2022	Independence status
T Benson Non-executive Chairman	31 August 2020	22 months	Independent
T Harrison Managing Director	12 December 2020	18 months	Not Independent
J Kelley Executive Director	7 July 2021	12 months	Not Independent
M McGarvie Non-executive director	16 July 2021	12 months	Independent

Recommendation 2.4

The Board has does not have a majority of directors who are independent. The Board does not wish to increase its size at present and considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

Recommendation 2.5

The Chair is Mr Trevor Benson an independent director and is not the CEO of the Company.

Recommendation 2.6

The Company has an induction program that it uses when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity.

The full Board in its capacity as the Nomination Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the full Board in its capacity as the Nomination Committee considers what training or development should be undertaken to fill those gaps. In particular, the full Board in its capacity as the Nomination Committee ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1

The Company expects that its board and senior executives will conduct themselves with integrity and honesty in accordance with the Code of Conduct. Directors, executives and employees shall deal with the Company's customers, suppliers, competitors, shareholders and each other with honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates.

The Company aims to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community and to comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

The Company is to comply with all legislative and common law requirements which affect its business wherever it operates. Where the Company has operations overseas, it shall comply with the relevant local laws as well as any applicable Australian laws. Any transgression from the applicable legal rules is to be reported to the Managing Director as soon as a person becomes aware of such a transgression.

Recommendation 3.2

The Company has established a Code of Conduct for its directors, senior executives and employees, a summary of which is disclosed on the Company's website. Any breach of that code is reported to the board at the next meeting of directors.

Recommendation 3.3

The Company has adopted a Whistleblower Policy to encourage the raising of any concerns or reporting of instances of any violations (or suspected violations) of the Code of Conduct (or any potential breach of law or any other legal or ethical concern) without the fear of intimidation or reprisal.

Recommendation 3.4

The Company has established an anti-bribery and corruption policy which is disclosed on the Company's website. Any breach of that policy is immediately reported to the Chief Executive Officer and Chairman of the board of directors.

Principle 4: Safeguard the integrity of corporate reports

Recommendation 4.1

The Board has not established a separate Audit and Risk Committee. The Board believes that there would be no efficiencies or other benefits gained by establishing a separate Audit and Risk Committee. Accordingly, the Board performs the role of the Audit and Risk Committee. Although the Board has not established a separate Audit and Risk Committee, it has adopted an Audit and Risk Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit and Risk Committee. The Company's Audit and Risk Committee Charter is disclosed on the Company's website.

The Board carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Audit and Risk Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when audit or risk related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is an appendix to its Audit and Risk Committee Charter disclosed on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit and Risk Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit and Risk Committee (or its equivalent) and any recommendations are made to the Board.

Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2021 and the full-year ended 30 June 2022, it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (**Declaration**).

Recommendation 4.3

Processes are in place to verify the integrity of the Company's periodic corporate reports released to the market and not audited or reviewed by the external auditor. Examples of periodic corporate reports released by the company include quarterly cash flow reports. IonicRE has adopted a Continuous Disclosure Policy which sets out how market announcements are prepared and released and has appointed the Company Secretary as the Continuous Disclosure officer who oversees the drafting of and approves the final release of announcements. The Company Secretary is responsible for satisfying him/herself that the content of any announcement is accurate and not misleading and is supported by appropriate verification.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's Continuous Disclosure Policy and Continuous Disclosure Compliance Procedures are disclosed on the Company's website.

Recommendation 5.2

The Company secretary circulates all material market announcements to the board prior to release to ASX.

Recommendation 5.3

All new presentations are released to ASX Markets Platform ahead of any presentation to investors.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors on its website at www.ionicre.com.au.

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication and Investor Relations Policy, which is disclosed on the Company's website.

Recommendation 6.3

The Company has in place a Shareholder Communication and Investor Relations Policy (disclosed on the Company's website) which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

Recommendation 6.4

All resolutions put to meetings of shareholders are decided by way of a poll.

Recommendation 6.5

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd at www.computershare.com.au.

Principle 7: Recognise and manage risk

Recommendation 7.1

The Board has not established a separate Audit and Risk Committee. The Board performs the role of the Audit and Risk Committee. Please refer to the disclosure above in relation to Recommendation 4.1.

Recommendation 7.2

The full Board in its capacity as the Audit and Risk Committee reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

Recommendation 7.4

As the Company is not in production, the Company has not identified any material exposure to any environmental and/or social sustainability risks. However, the Company does have a material exposure to the following economic risks:

i. Market risk – movements in commodity prices. The Company manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience.

ii. Future capital risk – cost and availability of funds to meet the Company's business requirements. The Company manages this risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

The Board has not established a separate Remuneration Committee. The Board believes that there would be no efficiencies or other benefits gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. Although the Board has not established a separate Remuneration Committee, it has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Remuneration Committee. The Company's Remuneration Committee Charter is disclosed on the Company's website.

The Board carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Remuneration Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when remuneration related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 23. The Company has not adopted a policy regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements as other punitive measures, including dismissal, are available to be utilised by the Company.

Recommendation 8.3

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting executives and directors from entering into transactions which limit the economic risk of participating in any equity-based remuneration scheme.

Additional information required by the Australian Securities Exchange Ltd and not disclosed elsewhere in this report is as follows. The information is current as at 9 September 2022.

Statement of shareholdings

Range	Names of 20 largest shareholders	Ordinary Shares Fully paid		
		No of holders	No. of shares held	% held
100,001 or more	BNP Paribas Pty Ltd <DRP>		188,777,871	4.87
	Mr Bilal Ahmad		168,500,000	4.35
	Citicorp Nominees Pty Limited		121,004,155	3.12
	Mr Sufian Ahmad		111,000,000	2.87
	JGM Property Investments Pty Ltd		104,650,000	2.70
	BNP Paribas Noms Pty Ltd <IB AU NOMS Retailclient DRP>		69,016,480	1.78
	Markovic Family No 2 Pty Ltd		53,350,000	1.38
	Seren AG		48,000,000	1.24
	HSBC Custody Nominees (Australia) Limited		29,298,408	0.76
	Mr.Bongani Raziya		29,179,517	0.75
	Compusure Superannuation Pty Ltd <staff>		25,000,000	0.65
	Stecol Consulting Pty Ltd <Cologna Family A/C>		25,000,000	0.65
	Upsky Equity Pty Ltd		22,250,000	0.57
	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>		22,173,161	0.57
	Reco Holdings Pty Ltd		21,500,000	0.56
	Mr Gary Temple		20,285,072	0.52
	Shordean Pty Ltd		17,984,497	0.46
	Mr Torbjoern Smooth Fredriksen + Ms Emi Ono		17,001,700	0.44
	Rainmaker Holdings (WA) Pty Ltd		16,175,676	0.42
	JLM Corporation Pty Ltd		15,000,000	0.39
		20	1,125,146,537	29.05
	Various	3,920	2,467,046,552	63.71
	Sub-total	3,940	3,592,193,089	92.76
10,001 - 100,000	Various	6,208	272,302,453	7.03
5,001 – 10,000	Various	868	7,399,312	0.19
1,001 – 5000	Various	233	599,452	0.02
1 – 1,000	Various	312	110,614	0
Total		**11561**	**3,872,604,920**	**100.00**
	Holding an unmarketable parcel	1,668	10,922,397	

The Company has the following unquoted securities on issue.

Security	Number
30 November 2022, 1.8 cent options	80,000,000
30 November 2023, 2.15 cent options	40,000,000
28 February 2024, 6.0 cent options	35,000,000
30 November 2024, 6.4 cent options	44,000,000
Share Rights held by T Harrison	6,700,000
Share Rights held by J Kelley	3,500,000

Restricted Securities
There are no restricted securities, though 48,000,000 shares held by Seren AG are subject to voluntary escrow until 22 April 2023.

Voting Rights
All ordinary shares carry one vote per share without restriction.

Substantial Shareholders

As at 9 September 2022 there are no substantial shareholders who have notified the company in accordance with section 671B of the *Corporations Act 2001*

: Schedule of Mining Tenements Held

Project	Location	Location	Type of Concession	Percentage Held*
Makuutu	RL 1693	Uganda	Retention Licence	51%
	RL00007	Uganda	Retention Licence	51%
	RL00234	Uganda	Retention Licence	51%
	EL00147	Uganda	Exploration	51%
	EL00148	Uganda	Exploration	51%
	EL00257	Uganda	Exploration	51%

* IonicRE may earn up to a 60% interest

MINERAL RESOURCES ESTIMATION GOVERNANCE STATEMENT

Governance of IonicRE's mineral resources is a responsibility of the Executive Management of the Company.

The Makuutu mineral resource was first estimated in March 2020 and has been updated several times, the last on 30 May 2022.

IonicRe has ensured that its mineral resources estimates are subject to appropriate levels of governance and internal controls. The mineral resources reported have been estimated by independent external consultants who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimations. Additionally, the Company carries out regular internal peer reviews of processes and contractors engaged.

Competent Persons named by IonicRE are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and/or of a "Recognised Professional Organisation", as included in a list on the JORC and ASX websites.

Makuutu Mineral Resource Estimate above 200ppm TREO-CeO_2 Cut-off Grade (ASX: 30 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 MRE announcement dated 30 May 2022 with formulas defining composition of Light Rare Earth Oxides (LREO), Heavy Rare Earth Oxides (HREO), Critical Rare Earth Oxides (CREO) and Total Rare Earth Oxides (TREO).

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