Ionic Rare Earths Ltd

Annual Report

30 June 2023

ABN 84 083 646 477

Corporate Directory

This annual report covers the consolidated entity of Ionic Rare Earths Limited ("Ionic Rare Earths") 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 J Harrison - Managing Director
M E McGarvie - Non-Executive Director
S Ahmad - Non-Executive Director
N Tyagi - Non-Executive Director

Company Secretary

B D Dickson

Registered Office and Principal Place of Business

Level 5 South
459 Colins Street
Melbourne VIC 3000
Telephone: 03 9776 3434

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St. George's Terrace
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 cross-referenced in this report to the date that it was originally reported to ASX. Ionic Rare Earths Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcements.

The information in this report that relates to Mineral Resources for the Makuutu Rare Earths deposit was first released to the ASX on 20 March 2022 and is available to view on www.asx.com.au. Ionic Rare Earths Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

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

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

Ionic Rare Earths Securing critical elements for the new economy

Directors' Report

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 Harrison *Managing Director*
B.Eng (Chem), Fellow AusIMM

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)

M McGarvie *Non-Executive Director*
MBT, MAICD, FAIM

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

S Ahmad *Non-Executive Director*

Appointed 10 May 2023

Mr Ahmad holds a Master of Business Administration, a Post-Graduate Diploma in Commercial and Resources Law, a Bachelor of Law (Hons) and a Diploma in Financial Planning and brings strong legal, business and marketing expertise to the board with over 10 years' experience in the resource sector in the provision of corporate advisory services.

Mr Ahmad is also the founder of Sixty Two Capital, an advisory firm specialising in the growth and funding of emerging ASX companies.

Other Public Company Directorships in the past 3 years

Pathfinder Resources Limited

N Tyagi *Non-Executive Director*

MSc (Material Science),
B.Tech (Metallurgical & Materials)

Appointed 1 July 2023

Mr Tyagi is currently VP of supply chain at Our Next Energy (ONE), a battery company based in Novi, Michigan. Prior to ONE, Mr Tyagi was the Director of Battery Supply Chain at Rivian Automotive managing all nodes of the battery supply chain from mines to battery packs to recycling. He scaled-up and ramped four electric vehicle programs (R1T, R1S, EDV NCA, EDV LFP) from pre-production to launch. Mr Tyagi drove the iron-phosphate chemistry adoption on Amazon Electric Delivery Vans resulting in significant cost savings.

Previously, Mr Tyagi was part of Apple's operations and supply chain team and helped launch over 20 Apple products, including every iPhone from iPhone 6 to iPhone 12. Before Apple, Mr Tyagi was in various engineering roles at Cree and Sun Catalytix (acquired by Lockheed Martin in 2014).

Other Public Company Directorships in the past 3 years

Nil

T Benson *Chairman*

B.Sc

Appointed 31 August 2020, resigned 30 June 2023

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)
- Evolution Energy Minerals Limited (resigned 15 February 2023)

J Kelley *Executive Director*

Appointed 7 July 2021, resigned 3 March 2023

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

B Dickson *Company Secretary*

B.Bus, FCPA, FGIA, MAICD

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)

Makuutu's basket is 39% Magnet Rare Earths, enabling net zero carbon and deployment into key applications

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:

Variable	Shares	Options over Ordinary Shares	Performance Rights
T Benson (resigned 30 June 23)*	4,362,500	15,000,000	-
T Harrison	20,000,000	30,000,000	6,700,000
J Kelley (resigned 3 March 2023)*	3,500,000	-	3,500,000
M McGarvie	-	3,000,000	-
S Ahmad (appointed 10 May 2023)	121,396,203	12,500,000	-
N Tyagi (appointed 1 July 23)	-	-	-

** Holding at time of resignation*

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 seven directors' meetings were held. The number of meetings attended by each director was as follows:

Variable	No. of meetings held while in office	Meetings attended
T Benson	7	7
T Harrison	7	7
J Kelley	4	3
M McGarvie	7	7
S Ahmad	2	2

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 2023 were authorised for issue in accordance with a resolution of the directors on 22 September 2023. 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 the completion of feasibility studies in preparation for the construction of a demonstration plant at the 60% owned Makuutu rare earths project in Uganda and construction of a demonstration plant at the Groups magnet recycling facility in Norther Ireland.

The group's business is conducted from operations located in Australia, Uganda through its 60% owned affiliate Rwenzori Rare Metals Limited, and the UK through its 100% owned subsidiary Ionic Technologies International Limited.

Employees

Other than the Directors the group had 34 employees at 30 June 2023 (2022: 3).

Operating and Financial Review

Ionic Rare Earths – securing critical elements for the new economy

Over the financial year ending 30 June 2023, Ionic Rare Earth build internal capability to harness technology innovations, grow strategic partnerships and accelerate the Company's vision to mine, refine and recycle magnet and heavy rare earths critical for the energy transition, advanced manufacturing, and defence.

Ionic Rare Earths' three-pillar strategy continues to demonstrate alignment with global policies outlined throughout the financial year. Significantly, the final quarter of the financial year 2023 culminated in the achievement of several pivotal milestones across its activities. These achievements continue to create significant inroads to working with all the actors of the western supply chain for critical elements, such as global policy makers, governments, downstream partners and other collaborators who ultimately make up the new economy.

Makuutu's Strategic Importance will increase long term

The Makuutu Rare Earths Project Uganda (60% Ionic Rare Earths Ltd)

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

Makuutu, comprising six licences (see Table 1) covering approximately 300 km², is located 120 km east of Kampala in Uganda (Figure 1). The deposit stretching 37km end to end, is situated near high quality tier one infrastructure (Figure 2) and has the potential to provide the new economy with a strategic alternative supply of heavy REO to support the growth of advanced manufacturing and industries critical to achieve net-zero carbon initiatives for 50 years and beyond.

Table 1: Makutu Rare Earths Project Tenement Status and Details

Licence ID	Licence Type	Application Date	Granted Date	Expiry / Renewal Date	Area (km²)
RL00007	Retention	12/12/2022	20/12/2022	26/11/2024	43.38
RL1693 / TN03834	Retention	01/09/2022	Pending	Pending	43.78
RL00234	Retention	26/06/2021	06/07/2021	05/07/2024	47.03
EL00257	Exploration	15/07/2021	21/10/2021	20/10/2024	55.51
EL00147	Exploration	19/10/2020	28/12/2020	27/12/2023	60.30
EL00148	Exploration	21/10/2020	28/12/2020	27/12/2023	48.15

Highlighted row showing tenement supporting Stage 1 development for RL 1693 only, supporting the MLA application.

Figure 1: Makuutu Project location within Uganda and proximity

Figure 2: Makuutu proximity to local infrastructure to support the Project.

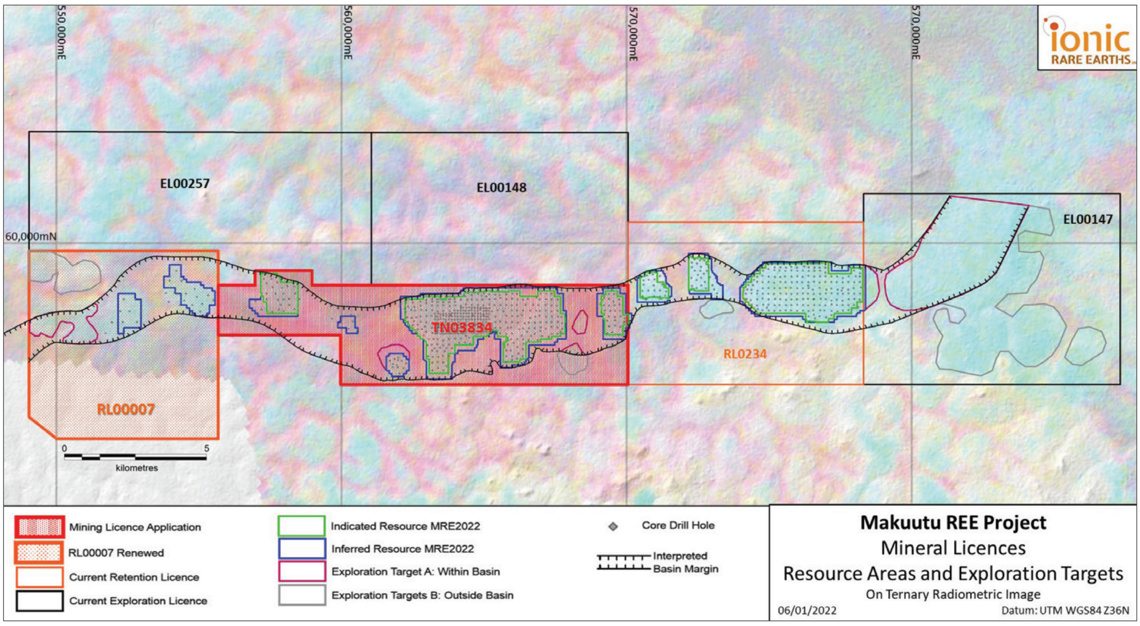


Figure 3: Makuutu Project resource map showing the Stage 1 Mining Licence Application TN03834 (red border) and exploration target areas.

Makuutu is being developed by Rwenzori Rare Metals Limited ("RRM"), a Ugandan private company which owns 100% of the Makuutu Project. During the year, Ionic Rare Earths increased its ownership in RRM to become a 60% owner of RRM and is awaiting approval of the Mining Licence at Makuutu. Ionic Rare Earths has the first right over the remaining 40% stake in RRM, and Makuutu and is progressing discussions with partners on a transaction to increase ownership, paving the way towards an investment decision.

Makuutu has a large and growing Mineral Resource Estimate (MRE) defined at Makuutu (Table 2 and ASX: 3 May 2022). RRM initiated the Mining Licence Application (MLA) process for Makuutu in September 2022. The MLA was applied over the Makuutu Central Zone (MCZ), located within Retention Licence (RL) 1693, and will provide the basis for initial mining at Makuutu. This area contains an Indicated Resource of 259 million tonnes at 740 ppm TREO-CeO2 (Table 3 and ASX: 3 May 2022).

Table 2: Makuutu Resource above 200ppm TREO-CeO2 Cut-off Grade (ASX : 3 May 2022)

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

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

Table 3: 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.
Highlighted rows providing Indicted Resource Estimate for MLA over RL 1693.

In October 2022, the Company advised that Uganda's National Environmental Management Authority (NEMA) had approved the Environmental and Social Impact Assessment (ESIA) for the Makuutu. In recognition of the flagship nature of the Project and its significance to the country's development outlook as enshrined in Uganda's National Development Plan NDP-III, the certificate was awarded at a ceremony held in Kampala at NEMA's headquarters.

Figure 4: NEMA Executive presenting the Certificate of Approval for the Makuutu Rare Earth Project ESIA to the Rwenzori team in Uganda.

In January 2023 the Company advised that Retention Licence (RL) 00007 was renewed for a further two years.

In March 2023, a maiden Ore Reserve Estimate was announced over RL 1693 at Makuutu, of 172.9 Mt at 848 ppm TREO, or 584 ppm TREO – CeO_2, and 30 ppm Sc_2O_3.

In March 2023, the Company announced a Definitive Feasibility Study (DFS) for the first stage of development at Makuutu over RL1693 A summary of the Makuutu Stage 1 DFS results are provided in Table 4. The financial modelling of the DFS was carried out on a 100% ownership basis to determine Project value.

Table 4: Makuutu Stage 1 DFS Financial and Technical Summary.(ASX: 19 March 2023)

Parameter	Unit	DFS Results
Stage 1 Duration	Years	35
Stage 1 Feed, dry	Mt	172.9
Stage 1 Waste, dry	Mt	98.8
Stage 1 Strip Ratio	Mt	0.57
Stage 1 TREO Head Grade	Ppm	848
Stage 1 TREO-CeO2 Head Grade	Ppm	584
Total REO Feed	Kt	146.7
Total REO Production	Kt	40.1
Average REO Production	t/a	1,156
Stage 1 Sc2O3 Head Grade	Ppm	30
Total Sc2O3 Feed	T	5,112
Total Sc2O3 Production	T	511
Annual Average Sc2O3 Production	t/a	15
Recoveries – TREE-Ce	%	35%
Yield – TREO-CeO2	Ppm	208
MREC Payability	%	70%
Total Stage 1 Revenue	USD, M	3,984
REO Revenue, Stage 1	USD, M	3,707
Sc2O3 Revenue, Stage 1	USD, M	277
REO Revenue (excl Sc2O3), per t Ore	USD/t	21.44
REO Revenue (excl Sc2O3), per kg REO	USD/kg	91.64
Total Stage 1 OPEX	USD, M	2,143
Mining OPEX	USD, M	757
Processing OPEX	USD, M	1,309
G&A OPEX	USD, M	260
OPEX, annual average	USD, M	61.24
OPEX, per t Ore (dry)	USD/t	12.40
OPEX, per kg REO	USD/kg	52.99
OPEX, per kg REO (less Sc2O3 credit)	USD/kg	46.13
Govt Royalties	USD, M	199
Social Fund Package – CSR	USD, M	40
CAPEX, upfront	USD, M	120.81
CAPEX, sustaining	USD, M	19.28
Tax	USD, M	438
Total Free Cash Flow	USD, M	1,023
EBITDA	USD, M	1,602
Pre-Tax NPV8 (01-Jul-23)	USD, M	406
Post-Tax NPV8 (01-Jul-23)	USD, M	278
IRR	%	32.7%
Payback from First Production	Years	3

In May 2023 the Company received approval and commenced the Phase 5 drill program from NEMA, the focus of activities including:

- Increased classification of Inferred Resources to Indicated Resources at RL00007 to support the next MLA with the commencement of rotary air blast (RAB) drilling and diamond infill drilling; and
- RAB drilling at Makuutu exploration targets on EL00147 and EL00257 to evaluate areas with known rare earth mineralisation and untested geophysical anomaly target areas.

In April 2023 the Company received approval from the Ugandan Ministry of Energy and Mineral Development (MEMD) to commence activity for the Demonstration Plant at Makuutu. The construction of a technical facility at the Makuutu Mine Site is required to validate and optimise metallurgical test work and provide a foundation for grade control, mine design, material handling, metallurgical reconciliation and scale up construction activity to support the commercial Project financing process. As this represents a significant capital expenditure, prudent engineering management requires a suitable demonstration be conducted for a representative period of time in order to de-risk the entire process chain of mixed rare earth carbonate (MREC) production from mining to transportation to potential customer facilities.

MLA advances with gazetting of updated mining regulations

In 2022, Uganda implemented a new mining act. To enable RRM to finalise the MLA, the update of the mining regulations in Uganda to reflect the new mining act was a pre-requisite. The Company has been working closely with the DGSM and the MEMD to monitor the revision, approval and gazetting process. The time and diligence to legislate Uganda's new mining regulations demonstrates the Government's intent on securing the right balance between growing the economy and ensuring sustainable mining practices and balancing stakeholder interest.

Post end of the reporting period, the new regulations were approved (August 2023) and publicly gazetted (September 2023), announcing the updated Mining and Minerals (Licencing) Regulations 2023 had been passed into law. Uganda's mining industry is developing, as such, due care was undertaken by the authorities to consult widely on the new regulations. The longer than expected time taken to update the mining regulations has extended timelines for the approval of Makuutu's MLA for RL 1693 (TN03834). All documents have been submitted, application fees paid and the Company expects award shortly.

Figure 5: Makuutu Demonstration Plant ground-breaking performed by RRM Country Manager, Patience Singo (left), and Ben Vietnieks (ADT Africa, Right) along with Bugweri District officials at the Makuutu Demonstration Plant site in the Makandwa Village, Makuutu Sub-County.

Figure 6: Tool box talks for the Makuutu Demonstration Plant construction team.

Ionic Technologies – UK (100% Ionic Rare Earths Limited)

Ionic Technologies International Limited ("Ionic Technologies"), previously Seren Technologies Limited, is a 100% owned subsidiary of Ionic Rare Earths Ltd. Based in Belfast, UK, Ionic Technologies represents a significant part of the Company's supply chain integration strategy by providing supply of secondary sourced magnet REOs to help the establishment of sovereign capability for western governments, and seed new development of alternative supply chains.

Since its founding in 2015, as a spinout from Queens University Belfast (QUB), Ionic Technologies has developed processes for the separation and recovery of rare earths from mining ore concentrates and waste permanent magnets.

The technology developed is a step up in efficient, non-hazardous, and economically viable processing with minimal environmental footprint.

Ionic Technologies has demonstrated capability to achieve near complete extraction of rare earths from spent magnets and waste (swarf) to a recovery of high value magnet REO product quality exceeding 99.9% REO.

Ionic Technologies now has "first mover" advantage in the industrial elemental extraction of separated REOs from spent magnets and waste, enabling near term magnet REO production capability to satisfy growing demand from the energy transition, advanced manufacturing, and defence.

Ionic Technologies proprietary technology provides a universal method for the recovery of high purity REOs from lower quality and variable grade magnets, to be used in the manufacture of modern high-performance and high specification permanent magnets required to support substantial growth in both EV and wind turbine deployment.

In September 2022, the Company received a grant of £1.72 million (approximately A$2.9 million) from the UK Government Advanced Propulsion Centre (APC). The APC is a non-profit organisation that facilitates funding to UK based research and development projects developing low-carbon emission powertrain technologies, funded by UK Department for Business and Trade (DBT) and managed by Innovate UK.

Ionic Technologies applied for the grant under the Innovate UK Automotive Transformation Fund Scale up Readiness Validation (SuRV) program to develop a demonstration scale magnet recycling plant, a significant step towards securing the UK supply of critical rare earth metals for Electric Vehicle (EV) manufacture. The magnet REO products are also crucial for facilitating offshore wind farm development.

This significant step indicates the UK Government's resolve to secure sovereignty of critical rare earth sourcing to advance the EV manufacture industry locally.

Post award of the grant, Ionic Technologies established a new technical centre in Belfast (see Figure 7) and continued to add capability to the team, building out capacity.

Figure 7: Ionic Technologies new facility located at the Titanic Quarter, Belfast, UK.

The demonstration plant, supported by successful pilot plant campaigns, has progressed through late 2022 and the first half of 2023, culminating in the maiden production of high-grade magnet REOs announced in June 2023. The high purity production, achieved through the process commissioning run was made up of:

- 4.2 kg of Nd_2O_3 grading 99.7%, and ~0.3% Dy_2O_3 (total REO content of 99.99%); and
- 0.6 kg of Dy_2O_3 grading 99.8 % (total REO content of 99.9%).

Following on from the conclusion of the financial year to 30 June 2023, production was approximately 40 kg of Nd_2O_3 and 6 kg of Dy_2O_3.

Plans continue to progress rapidly the commercial the modular scale up potential of the technology and processes.

Our Path to Commercialisation

Rapid acceleration of our technology ready to scale globally

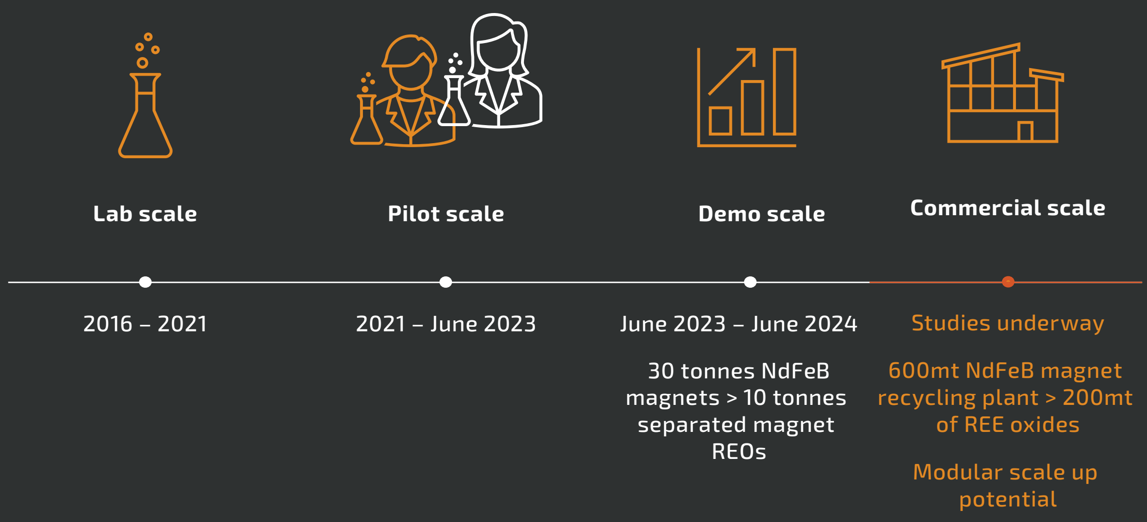


Figure 8: Ionic Technologies path to production.

About Ionic Technologies

Ionic Technologies has developed separation and refining technology that can be applied to the recycling and refining of individual magnet rare earths from used permanent (NdFeB) magnets.

Our hydrometallurgical process is able to deliver high purity separated magnet rare earth oxides no matter the quality and variability in composition of magnet feedstock.

Ionic Technologies is 100% owned by Australian rare earth resources company Ionic Rare Earths Limited (ASX: IXR).

Intake flexibility

Unlike other recycling processes, our technology can recycle any form of mixed waste magnets and production swarf regardless of type, age or coatings. We are not reliant on a single feedstock stream.

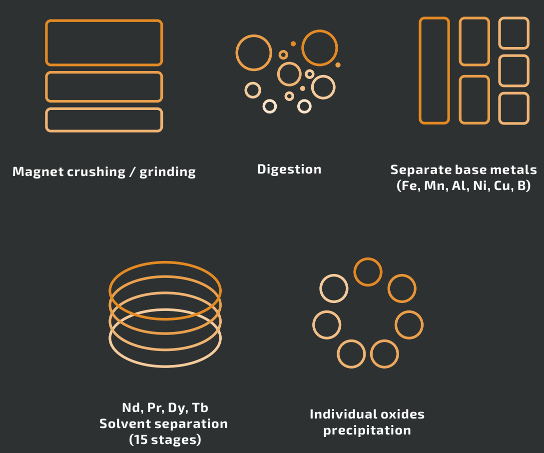


Figure 9: Ionic Technologies technology overview.

This leading-edge technology will enable countries all around the world to establish new domestic supplies via recycling end-of-life magnet and rare earth products, developing secure, sustainable, and traceable supply chains, providing them the confidence to set even more ambitious climate targets, creating a better world for everyone.

ESG & Social License to Operate

Ethical business practices and a bold corporate vision to create technologies, advancements in innovation and strategic collaborations to accelerate electrification to reduce the impacts of climate on the planet require Ionic Rare Earths to focus on understanding material and non-material financial risks, opportunities and the impact of climate change will have on business practices and activities.

The initial steps to establish an ESG reporting pathway began with the completion of Company's first Digbee ESG™ submission on Makuutu announced October 2022. The overall ESG award of BB is averaged with a range of C to AA. This means on average BB scores are achieved, however, Ionic Rare Earths acknowledges that there is the potential to reflect C or AA depending on action or inaction taken to manage ESG risks and opportunities.

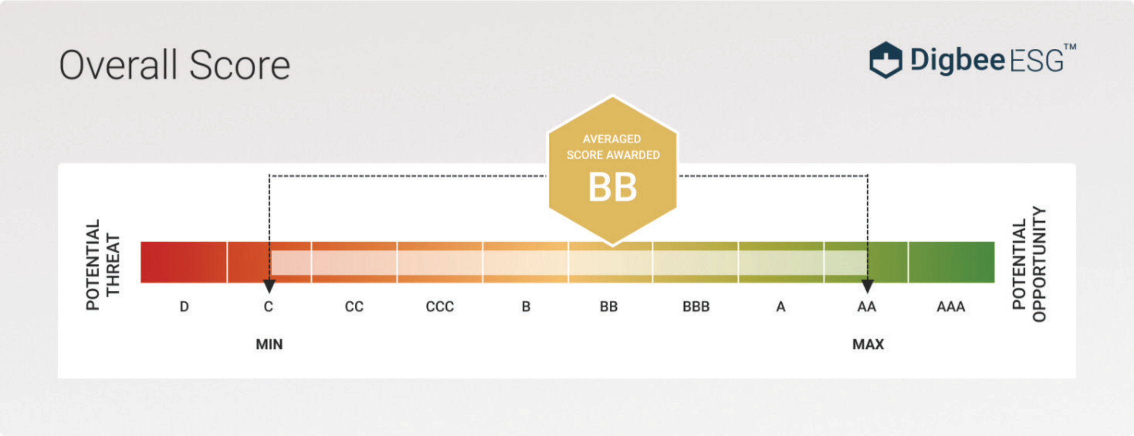


Figure 10: Makuutu maiden ESG rating provide by Digbee ESG™.

In October 2022, Ionic Rare Earths was accepted as a participant of the United Nations Global Compact. The UN Global Compact is the world's largest corporate sustainability initiative with a mission to mobilise a global movement of sustainable companies to create a better world.

Driven by the realisation that all companies play a crucial part in enforcing human rights, using innovation to solve complex challenges whilst building a more sustainable world. Ionic Rare Earths' decision to consolidate Environmental, Social and Governance transparency, and to act on the United Nations "Agenda 2030", Ionic Rare Earths will now begin to report on progress of the United Nations Sustainable Development Goals (SDGs).

The Communication of Progress (CoP) is a voluntary action plan used by UN Global Compact participants to address an organisations impact on the prosperity of all people and our planet. This is one of the many programs of reporting and assurance that the Company is undertaking with respect to climate and environmental responsibility, social license to operate, business innovation and ethical governance practices.

In the new financial year Ionic Rare Earth plans to report on all ESG pillars, demonstrating a high commitment to reporting and assurance processes. This is in line with the Company's focus – to become a global circular economy participant in magnet and heavy metal rare earths.

As the Company's projects mature in Uganda and in the UK, along with developments with refining partners, the focus is to articulate the ESG strategy and reporting pathway based on newly announced Commonwealth legislation, and international climate and nature taxonomies such as Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD).

Building corporate capability to meet company strategy and global market needs.

Building an outstanding team with the right expertise across Ionic Rare Earths' businesses to deliver on strategic outcomes was a key focus as major milestones were met in the year to 30 June 2023.

Ionic Rare Earths commitment to deliver one of the most strategically impactful magnet and heavy rare earths projects outside of China with the Makuutu product focused on suppling critical supply chains to European, north Asia and US partners. With both subsidiaries, RRM and Ionic Technologies, advancing production capabilities, so too was the need for strong leadership to drive future success.

Specific to the Makuutu Rare Earths Project, advanced African mining experience was recognised as a key driver of future success. In June 2023, the Company appointed experienced African mining executive, Dr Tommie van der Walt, to the position of Chief Operating Officer to accelerate growth at Makuutu. Dr van der Walt's proven track-record and deep understanding in African project development and impeccable leadership skills developed over 20 years on the continent. At EMR Capital, he lead the Lubambe Copper Project in Zambia and prior to that was the Newmont Regional Project Director of Africa where he delivered the US$2 billion Ahafo mega-project in Ghana.

With a significant increase in the inbound enquiry from European supply chain and government stakeholders through the later stages of 2022, the Company appointed Mr Lee Constable to the role of Vice President – EU & UK in December 2022. With over 25 years' experience across a wide range of manufacturing and process related industries, including site operations in value addition of rare earths containing compounds, Mr Constable has been tasked to drive supply chain stakeholder engagement and interface with government bodies across this region those key markets.

Throughout the last financial year, Ionic Technologies' workforce has grown significantly in Belfast and the Company progressed towards demonstration production of its leading magnet recycling technology and through sustainable values and product stewardship in Northern Ireland. Careers spanning business strategy, management, administration, engineering, and chemistry have been added to Ionic Technologies head count increase. In January 2023, Mr Thomas Kelly was appointed as General Manager – Operations, with the key task of driving the development of the magnet recycling demonstration plant and technical centre established in Belfast, UK. Mr Kelly has 15 years' experience in industry, a proven track in process engineering and operations management roles across Europe, including the role of Operations Manager of the two largest potable water production facilities in Northern Ireland. In November 2022, Ms Neruja Srikantharajah was appointed as Engineering Manager with over 10 years' experience in process engineering design and systems across the nuclear and defence industries with Rolls Royce Civil Nuclear and Sellafield in the UK.

As strategic partnerships and collaborations progress, both RRM and Ionic Technologies accelerate in growth towards their production potential, so too the need to increase capability at the highest level.

In Q2 2023, Ionic Rare Earths moved to strengthen the Board across both capital markets and supply chain engagement. In May 2023, Mr Sufian Ahmad was appointed to the Board in the role of Non-Executive Director. Mr Ahmad also is the founder of Sixty Two Capital, an advisory firm specialising in the growth and funding of emerging ASX companies. Mr Ahmad brings strong legal, business and marketing expertise to the board with over 10 years' experience in the resource sector in the provision of corporate advisory services.

In June 2023 Mr Nitin Tyagi was appointed to the role of Non-Executive Director. Mr Tyagi is currently VP of supply chain at One Next Energy (ONE). ONE is a battery company based in Novi, Michigan, where Mr Tyagi has firsthand experience of off-taker objectives and demand growth in the EU, North Asia and the US. As Non-Executive Director for Ionic Rare Earths, Mr Tyagi's focus will be to optimise supply chain engagement, specifically focusing on relationships in the United States and European Union, with an initial key area being the electric vehicle market.

Ionic Rare Earths' strategic vision will provide future consumers with supply chain security – ensuring potential access to traceable magnet and heavy rare earths to support advanced manufacturing of components for the energy transition thematic, communications technologies and military and defence requirements for sovereign capability sourced from environmentally friendly and sustainably mined, refined, and recycled technological innovations.

This is how Ionic Rare Earths is working to create value, reduce the impacts of climate change and empower the energy transition and advanced manufacturing across the new economy.

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 Ionic Rare Earths 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, Ionic Rare Earths will prepare science based Environmental, Social Governance reports which follow globally accepted frameworks.

Operating Results

The Groups loss for the year was $6,776,668 (2022: $4,644,087). Government grants and R&D tax rebates were significant at $2,761,222 (2022: $220,432). Salaries, wages and consulting fee-based payments of $4,093,744 (2022: $1,403,526) were incurred reflecting the significant increased activity across the Group. Share based payments of $340,673 (2022: $1,506,993) were also incurred.

	2023 $	2022 $
Operating income	3,028,300	224,450
Operating loss	**(8,538,562)**	**(4,644,087)**

Year in Review

Review of Financial Position

During the year, the Group raised $1,260,000 through the exercise of 70,000,000 share options. Cash at bank at 30 June stood at $11,116,649 (2022: $26,759,731).

Given the strong cash position 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.

Likely Developments and Expected Results of Operations

Ionic Rare Earths will continue to advance the Makuutu Rare Earth Project with the aim of completing construction of a demonstration plant that will assist in providing further information to enable the Company to move to a decision to mine.

In addition, it will progress its downstream operations through the magnet recycling path to commercialisation through the demonstration plant, feasibility studies and supply chain collaboration being undertaken by Ionic Technologies International 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 $49,950 (2022: $36,925).

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.

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

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 year

T B Benson	Non-Executive Chairman (appointed 31 August 2020, resigned 30 June 2023)
T J Harrison	Managing Director (appointed 21 December 2020)
J Kelley	Executive Director (appointed 7 July 2021, resigned 3 March 2023)
M McGarvie	Non-Executive Director (appointed 16 July 2021)
S Ahmad	Non-Executive Director (appointed 10 May 2023)
B D Dickson	Company Secretary – (resigned as a director 21 December 2020)

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.

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 no options (2022: 23,000,000) were issued to key management personnel, details of the options are set out elsewhere in this report. No shares were issued during 2023 (2022: nil) in lieu of cash directors' fee, however 3,500,000 shares were issued as a termination payment (2022: 3,500,000 issued as a sign on incentive) and No shares were issued as a result of performance shares meeting its vesting conditions (2022: 3,300,000), 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:

Mr T J Harrison, Managing Director:

- Term of agreement – to 31 December 2024.
- Fixed consulting fee of $35,000 per month
- Termination by either party with six months' notice.

Mr B D Dickson, Company Secretary:

- Term of agreement – to 31 December 2024.
- Fixed consulting fee of $16,500 per month from 1 January 2023 (previously $12,500 per months)
- 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[4]	Total	Total options related
	Salaries and fees	Non-Monetary Benefit[1]	Super-annuation			
30 June 2023	$	$	$	$	$	$
Directors						
T Benson[5]	248,000	11,684	26,040	–	285,724	–
T Harrison	390,000	11,684	–	–	401,684	–
J Kelley[4]	680,463[2]	7,843	–	55,108[3]	743,414	55,108
M McGarvie	50,000	11,684	5,249	–	66,933	–
S Ahmad[6]	–	1,633	–	–	1,633	–
B Dickson	174,000	–	–	–	174,000	–
Total	**1,542,463**	**44,528**	**31,289**	**55,108**	**1,673,388**	**55,108**

	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	201,771	9,212	–	190,2497	401,232	–
M McGarvie	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**

1. *The Non-Monetary Benefit relates to the Directors' Indemnity Insurance.*
2. *Includes $500,000 termination payment.*
3. *Relates to the issue of 3,500,000 shares as a termination payment.*
4. *Resigned 3 March 2023.*
5. *Resigned 30 June 2023.*
6. *Appointed 10 May 2023.*
7. *Relates to the issue of 3,500,000 shares as a sign on incentive.*

Compensation Options: Granted and Vested during the year.

No compensation options were granted during the year (2022: 23,000,000).

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. During the financial year 35,000,000 Compensation options were exercised (2022: 10,000,000); No Compensation Options were forfeited (2022: Nil).

Performance Rights: Granted and Vested during the year.

No Performance Rights were issued or vested during the year

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 (2022: Nil).

Performance Rights held by Key Management Personnel

2023	Balance 1 July 2022	Granted	Lapsed	Vested	Sold	Balance 30 June 2023
Specified Directors						
T Benson	–	–	–	–	–	–
T Harrison	6,700,000	–	–	–	–	6,700,000
J Kelley	3,500,000	–	(3,500,000)	–	–	–
M McGarvie	–	–	–	–	–	–
B Dickson	–	–	–	–	–	–
Total	**10,200,000**	**–**	**(3,500,000)**	**–**	**–**	**6,700,000**

Shareholdings of Key Management Personnel

2023	Balance 1 July 2022[1]	Purchased	On Exercise of Options	Share-based payment	Sold	Balance 30 June 2023[2]
Specified Directors						
T Benson	–	–	10,000,000	–	(5,637,500)	4,362,500
T Harrison	8,050,000	–	20,000,000	–	(8,050,000)	20,000,000
J Kelley	3,500,000	–	–	3,500,000[3]	–	7,000,000
M McGarvie	–	–	–	–	–	–
S Ahmad	120,396,203	2,585,403	–	–	–	122,981,606
B Dickson	–	–	5,000,000	–	–	5,000,000
Total	**131,946,203**	**2,585,403**	**35,000,000**	**3,500,000**	**(13,687,500)**	**159,344,106**

Option Holdings of Key Management Personnel

2023	Balance at beginning of year 1 July 2022[1]	Granted	Options Exercised	Options Lapsed	Balance at end of year 30 June 2022[2]	Vested at 30 June 2023 Vested & Exercisable	Unvested
Specified Directors							
T B Benson	25,000,000	–	(10,000,000)	–	15,000,000	15,000,000	–
T J Harrison	50,000,000	–	(20,000,000)	–	30,000,000	30,000,000	–
J Kelley	–	–	–	–	–	–	–
M McGarvie	3,000,000	–	–	–	3,000,000	3,000,000	–
S Ahmad	12,500,000	–	–	–	12,500,000	12,500,000	–
B D Dickson	20,000,000	–	(5,000,000)	–	15,000,000	15,000,000	–
Total	**110,500,000**	**–**	**(35,000,000)**	**–**	**75,500,000**	**75,500,000**	**–**

1. *Holdings as at 1 July 2022 or if appointed during the year, date of appointment*
2. *Holdings as at date of retirement or resignation as a director*
3. *Issued as a termination payment*

Other Transactions

The Company has entered into a sub-lease agreement on normal commercial terms with Azure Minerals Limited, a company of which Mr Dickson is Company Secretary. During the year, the Company paid sub-lease fees totalling $9,000 (2022: $12,721). The sub-lease agreement was terminated on 31 March 2023.

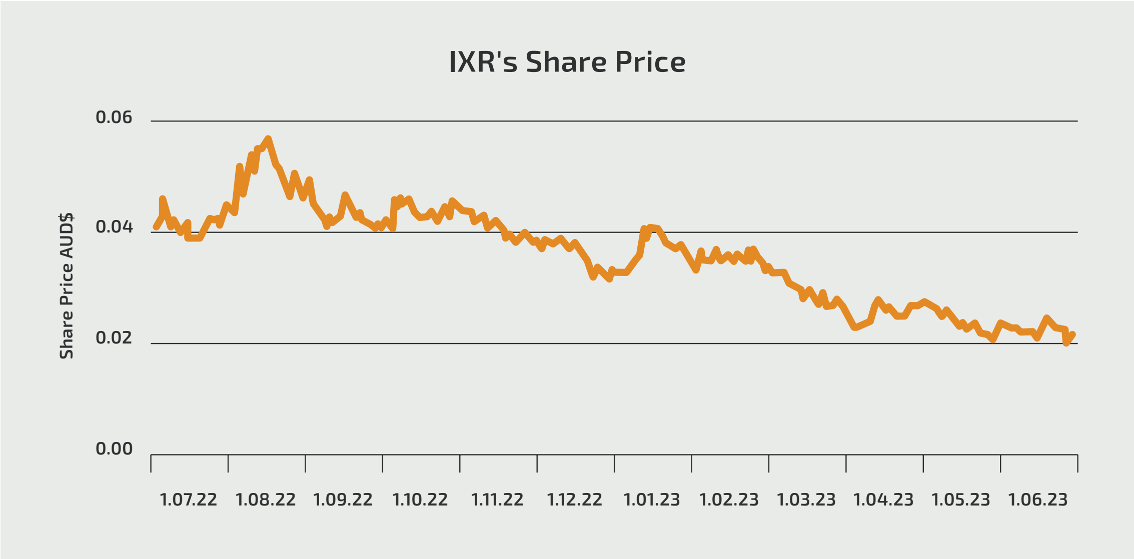
Amounts due and unpaid at 30 June 2023 to Key Management Personnel include consulting fees of $16,500 (2022:$65,866).

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 2023 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 2023.

	2023	2022	2021	2020	2019
Basic loss per share (cents)	(0.22)	(0.13)	(0.08)	(0.07)	(0.06)

Voting and comments made at the company's 2022 Annual General Meeting

Ionic Rare Earths received a 95.75% "yes" vote on its remuneration report for the 2022 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.

Risks

Ionic Rare Earths operates in an industry with unique challenges and risks that can impact its operations, financial health, and long-term sustainability as set out below.

A significant risk for the Group is the volatility of rare earth metal prices. The prices of rare earth elements are subject to global supply and demand dynamics, geopolitical factors, and macroeconomic conditions. A change in rare earth prices can significantly impact the company's prospects. In addition, rare earths are geopolitically sensitive due to their strategic importance in various high-tech industries, including defence and renewable energy. Any changes in export restrictions, tariffs, or trade disputes between countries can disrupt the supply chain and affect Ionic Rare Earths Limited's ability to access critical markets.

The company's success depends on its ability to develop Makuutu as an economically viable rare earth mine. Geological uncertainties can pose risks. Mining and processing rare earths involve complex operations. The Group will require robust risk mitigation strategies in place to address operational challenges.

The Group will require capital for exploration and development activities. Relying on debt or equity financing can expose it to risks related to interest rates, market sentiment, and credit availability.

Ionic Technology success is closely tied to the development and commercialisation of its patented rare earth separation and processing technologies. Staying at the forefront of technological advancements is essential. Rare earth processing techniques are highly specialised and constantly evolving. Staying up-to-date with the latest technologies is crucial to remain competitive.

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	
1. Audit Services	**2023 $**	**2023 $**
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**71,628**	**52,557**

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, BDO Audit (WA) Pty Ltd, as presented on page 39 of this Annual Report.

Share Options

At the date of this report, there were 150,000,000 (2022: 199,000,000) share options outstanding.

	Issued	Lapsed/ Exercised	Total number of Options
Balance at the beginning of the year			199,000,000
Share option movements during the year			
Exercisable at 6.4 cents, on or before 30 Nov '24	33,000,000	(2,000,000)	31,000,000
Exercisable at 1.8 cents, on or before 30 Nov '22	–	(80,000,000)	(80,000,000)
Exercisable at 0.75 cents, on or before 31 July '21	–	–	–
Total options issued and exercised in the year to 30 June 2023	33,000,000	(82,000,000)	(49,000,000)
Total			**150,000,000**

The balance is comprised the following:

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
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	36,000,000
3 February 2023	30 November 2024	6.4	33,000,000
Total number of options outstanding at the date of this report			**150,000,000**

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 70,000,000 options exercisable at $0.018 were exercised. Since the end of the financial year 10,000,000 options exercisable at $0.0215 have been exercised.

Events After Reporting Date

No 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 Harrison
Managing Director

Melbourne, 29 September 2023

Makuutu Rare Earths Project Indpendently Assessed by

ESG CERTIFIED

Digbee ESG™

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 2023 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.

   b. subject to achievement of the matters as set out in Note 2(a), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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 2023.

On behalf of the Board

T Harrison
Managing Director

Melbourne, 29 September 2023

Auditors Declaration of Independence

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Australia

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 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

29 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income *For Year Ended 30 June 2023*

	Notes	Consolidated 2023 $	2022 $
Other income			
Interest received		267,078	4,018
Government grants	3(a)	1,922,348	-
Other income		838,874	220,432
Expenses			
Depreciation		(286,657)	(31,956)
Amortisation		(289,153)	(28,699)
Interest expense		(1,804)	(2,733)
Consultants		(643,866)	(63,852)
Directors' fees (excluding executives)	3(b)	(1,093,963)	(358,771)
Executives' salaries, wages and consulting fees	3(b)	(2,355,915)	(980,903)
Legal fees		(338,950)	(358,434)
Travel and accommodation		(680,401)	(218,856)
Administration expenses	3(c)	(1,999,751)	(740,282)
Insurance		(127,132)	(60,113)
Promotion		(685,519)	(439,403)
Exploration expense		(1,947,533)	–
Share based payments	21	(340,673)	(1,506,993)
Foreign exchange loss		(1,261)	–
Research & development		(774,184)	(77,542)
Loss from continuing operations before income tax		**(8,538,462)**	**(4,644,087)**
Income tax credit/(expense)	4	–	–
Loss for the year		**(8,538,462)**	**(4,644,087)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		2,230,902	(4,600)
Other comprehensive income net of tax		**2,230,902**	**(4,600)**
Total comprehensive loss for the year, net of tax		**(6,307,560)**	**(4,648,687)**
Total Loss per share for loss attributable to the ordinary equity holders			
Basic loss per share (cents)	15	(0.22)	(0.13)
Diluted loss per share (cents)	15	(0.22)	(0.13)

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	13	11,116,649	26,759,731
Receivables		1,102,795	531,096
Inventory		793,810	-
Other		224,471	65,351
Total current assets		**13,237,725**	**27,356,178**
Non-current assets			
Right to use assets		8,970	35,886
Investments	6	21,926,992	3,932,173
Plant & equipment	7	2,295,746	253,872
Intangibles - Patents	8	5,429,587	5,077,796
Exploration & evaluation expenditure	9	1,624,481	12,314,681
Total non-current assets		**31,285,776**	**21,614,408**
Total assets		**44,523,501**	**48,970,586**
Liabilities			
Current liabilities			
Payables		817,541	613,705
Lease Liability		7,319	27,645
Total current liabilities		**824,860**	**641,350**
Non-Current liabilities			
Deferred tax liability		–	31,890
Lease liability		–	7,318
Total non-current liabilities		**–**	**39,208**
Total liabilities		824,860	680,558
Net assets		43,698,641	48,290,028
Equity			
Issued capital	11	78,332,559	76,957,059
Reserves	12	11,482,080	8,910,505
Accumulated losses		(46,115,998)	(37,577,536)
Total equity		**43,698,641**	**48,290,028**

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

Consolidated Statement of Changes in Cash Flows

For Year Ended 30 June 2023

	Notes	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(9,181,935)	(3,476,618)
Payments for Inventory		(793,810)	-
Payment for exploration		(1,947,533)	
Interest received		267,078	4,018
Interest expense		(1,804)	-
Net cash flows used in operating activities	**13**	**(11,658,004)**	**(3,472,600)**
Cash flows from investing activities			
Receipt of government R&D rebate		1,003,308	1,908
Receipt of grants		1,922,348	54,089
Cash acquired on acquisition of subsidiary		-	82,695
Loss on foreign exchange		(1,261)	-
Payments for plant and equipment		(2,328,476)	(79,412)
Payment for investments		(5,855,318)	-
Payment for acquisition of subsidiary		-	(1,592,572)
Payments for patents		(251,510)	(104,658)
Payment for exploration capitalised		-	(8,963,221)
Net cash flows used in investing activities		**(5,510,909)**	**(10,601,171)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of transaction costs)		1,375,500	29,894,053
Repayment of office lease liability		(27,644)	(109,534)
Net cash flows from financing activities		**1,347,856**	**29,784,519**
Net increase in cash and cash equivalents		**(15,821,057)**	**15,710,748**
Cash and cash equivalents at the beginning of the financial year		26,759,731	11,055,530
Effect of exchange rate changes on cash and cash equivalents		177,975	(6,547)
Cash and cash equivalents at the end of the financial year	**13**	**11,116,649**	**26,759,731**

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

Consolidated Statement of Changes In Equity

For Year Ended 30 June 2023

	Issued Capital	Convertible Notes Reserve	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
At 1 July 2022	76,957,059	136,403	8,972,388	(198,286)	(37,577,536)	48,290,028
Loss for the year	-	-	-	-	(8,538,462)	(8,538,462)
Other comprehensive loss	-	-	-	2,230,902	-	2,230,902
Total comprehensive loss for the year	-	-	-	2,230,902	(8,538,462)	(6,307,560)
Shares issued during the year	1,375,500	-	-	-	-	1,375,500
Share based payments	-	-	340,673	-	-	340,673
At 30 June 2023	**78,332,559**	**136,403**	**9,313,061**	**2,032,616**	**(46,115,998)**	**43,698,641**
At 1 July 2021	43,393,406	136,403	7,678,995	(589,590)	(32,933,449)	17,685,765
Loss for the year	-	-	-	-	(4,644,087)	(4,644,087)
Other comprehensive loss	-	-	-	(4,600)	-	(4,600)
Total comprehensive loss for the year	-	-	-	(4,600)	(4,644,087)	(4,648,687)
Shares issued during the year	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**

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

Notes to the Consolidated Financial Statements *For Year Ended 30 June 2023*

1. Corporate Information

The Consolidated Financial report of Ionic Rare Earths Limited for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 29 September 2023. 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.

Going Concern

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

The Company incurred a loss after tax of $8,538,462 (2022: $4,644,087) for the year ended 30 June 2023 and experienced net cash outflows from operating activities of $11,658,004 (2022: $3,472,600).

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

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

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

b. 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 year. 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 10.

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.

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 year are:

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 ('RMM")) which represents the group's 60% interest in RML which the group has significant influence over. In addition, exploration expenditure incurred during the year to increase the group's interest to 60% has been capitalised as a further investment in RMM 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 RMM 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 21 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 year in which this determination is made.

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 control 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 year; 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 year in which the operation is disposed.

i. Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year'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 year.

Deferred income tax is provided on all temporary differences at the end of the reporting year 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.

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 year 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.

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 year 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 year the decision is made. Each area of interest is also reviewed at the end of each accounting year 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

r. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment and Motor Vehicles

Plant and equipment and Motor vehicles are measured on the cost basis. The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 50% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

s. Inventory

Inventory is recognised at the lower of cost and net realisable value. Cost includes all costs directly attributable to bringing the inventory to its present location and condition, including purchase costs, direct labour, and applicable overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion, and costs necessary to make the sale.

The cost of inventory is determined using the First-In, First-Out (FIFO) method.

Inventory is assessed for impairment on a periodic basis. If the carrying amount of inventory exceeds its net realisable value, the inventory is written down to its net realisable value.

t. Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Receivables are assessed for impairment at each reporting date. A provision for impairment is established when there is objective evidence of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Receivables are derecognised when the rights to receive cash flows have expired or have been transferred, and the entity has transferred substantially all the risks and rewards of ownership.

u. Financial Instruments

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and financial liabilities at amortised cost.

Financial assets are initially recognised at fair value, and financial liabilities are recognised at the amount received, net of transaction costs. Subsequent measurement depends on the category.

Financial assets are assessed for impairment at each reporting date. A provision for impairment is recognised when there is a significant increase in credit risk since initial recognition.

v. Grant Income:

Grant income is recognised when there is reasonable assurance that the entity will comply with the conditions attached to the grant and the grant income will be received.

Grant income is initially recognised at the fair value of the grant received or receivable. If the grant is conditional, recognition is deferred until the conditions are met.

Grant income is presented as other income in the statement of comprehensive income.

Government grants are recognised in accordance with the specific requirements of accounting standards applicable to government grants.

3. Income And Expenses

a. Government Grants

In September 2022 the Company's 100% owned, Belfast based, subsidiary, Ionic Technologies International Limited (IonicTech)) was awarded a grant of £1.72 million (approximately A$2.9 million) from the UK Government Advanced Propulsion Centre ("APC"). The APC is a non-profit organisation that facilitates funding to UK based research and development projects developing low-carbon emission powertrain technologies, funded by UK Department for Business, Energy and Industrial Strategy ("BEIS") and managed by Innovate UK. IonicTech applied for the grant under the Innovate UK Automotive Transformation Fund Scale up Readiness Validation ("SuRV") program to develop a demonstration scale magnet recycling plant.

During the year $1,922,348 (£1,075,938) was received from the grant.

b. Profit/(loss) from continuing operations before income tax includes the following specific expenses

	2023 $	2022 $
Salaries & wages expenses	2,355,915	980,903
Operating lease rentals	423,943	36,776
Directors' benefit expense (excluding executive directors)	1,093,693	358,771

c. Administration expenses

	2023 $	2022 $
Office operating lease rentals	423,943	36,776
Office operating and maintenance	336,045	73,136
Accounting and tax services	322,523	103,699
ESG expenses	199,601	-
Conferences	244,542	127,141
Publications	183,917	76,397
Other	289,180	359,909
	1,999,751	**740,282**

4. Income Tax

	2023 $	2022 $
The major components of income tax expense are:		
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	**(8,538,462)**	**(4,644,087)**
At the Group's statutory income tax rate of 25% (2022: 26%)	(2,134,616)	(1,207,463)
Less: Share options expenses during the year	85,168	391,818
Exploration expenditure	486,883	-
Government grants exempt from tax	(690,306)	(43,249)
Other expenditure not allowable for income tax purposes	95,529	77,581
	(2,157,342)	(781,313)
Current year tax losses not brought to account	**2,157,342**	**781,313**
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	(56,118)	(16,991)
Total deferred tax liabilities	**(56,118)**	**(16,991)**

Deferred tax assets		
Accrued expenses	5,000	5,200
Capital raising costs	43,042	45,304
Tax assets/losses recognised /(not brought to account)	8,076	(33,513)
Total deferred tax assets	**56,118**	**16,991**

Net deferred tax liabilities/(asset)	**-**	**-**

Other than to offset deferred tax liabilities the Group has not recognised tax losses arising in Australia of $16,979,519 (2022: $15,299,605) 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 year the Company conducted its activities across three geographic locations, being Australia, Uganda and United Kingdom (2022: Australia, Uganda and United Kingdom).

2023	Australia $	U.K. $	Uganda $	Total $
Other income	1,038,092	1,990,208	-	3,028,300
Loss	(4,388,402)	(2,202,527)	(1,947,533)	(8,538,462)
Non-current assets	214,963	7,519,339	23,551,474	31,285,776
Total assets	11,360,089	9,611,938	23,551,474	44,523,501
Total liabilities	**(225,175)**	**(599,685)**	**-**	**(824,860)**
2022				
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)**

6. Investments

An amount of $21,926,992 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 20 for further information. This includes the amounts set out below.

	2023 $	2022 $
Subscription for initial 20% interest in Rwenzori Rare Metals Limited	148	148
US$100,000 paid to Rare Earth Elements Africa Pty Ltd	148,035	148,035
29,179,517 fully paid shares issued to Rare Earth Elements Africa Pty Ltd	233,436	233,436
100,000,000 fully paid shares issued to Southern Cross Mining Pty Ltd (SCM)	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
Expenditure on exploration and evaluation for additional 9% interest	16,384,749	-
Movement in foreign exchange	1,416,388	(193,682)
	21,926,992	**3,932,173**

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

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

	2023 $	2022 $
Current assets		
Cash	**501,342**	**318,867**
Non-current assets		
Plant and equipment	281,077	89,179
Other	**691,209**	**70,783**
Current Liabilities		
Payables	**(170,220)**	**(33,318)**
Net assets	**1,303,408**	**445,511**
Groups share in %	60%	51%
Groups share in $	782,045	227,211
Fair value uplift	3,704,962	3,704,962
Contributions/Foreign exchange movement	17,439,985	–
Carrying amount	**21,926,992**	**3,932,173**

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

During the year the Company increased its interest in RRM from 51% to 60% by the completion of a bankable feasibility study.

7. Plant and Equipment

	Furniture, fittings and equipment $	Motor Vehicles $	Plant and Equipment $	Total $
Year ended 30 June 2022				
Opening net book value	–	–	–	–
Additions	79,412	–	–	79,412
Additions on acquisition (a)	–	–	297,190	297,190
Depreciation on acquisition (a)	–	–	(90,769)	(90,769)
Depreciation charge	(27,312)	–	(4,706)	(32,018)
Foreign exchange translation adjustment	–	–	57	57
Closing net book value	**52,100**	**–**	**201,772**	**253,872**
At 30 June 2022				
Cost (a)	79,412	–	297,189	376,601
Accumulated depreciation	(27,312)	–	(95,417)	(122,729)
Net book amount	**52,100**	**–**	**201,772**	**253,872**
Year ended 30 June 2023				
Opening net book value	52,100	–	201,772	253,872
Additions	375,542	25,234	1,927,700	2,328,476
Depreciation charge	(65,411)	(1,262)	(219,984)	(286,657)
Foreign exchange translation adjustment	(1,651)	–	1,706	55
Closing net book value	**360,580**	**23,972**	**1,911,194**	**2,295,746**
At 30 June 2023				
Cost	455,013	25,234	2,248,821	2,729,068
Accumulated depreciation	(94,433)	(1,262)	(337,627)	(433,322)
Net book amount	**360,580**	**23,972**	**1,911,194**	**2,295,746**

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, furniture, fittings and equipment, together with plant and equipment were acquired at the fair value of $206,421.

8. Intagibles – Patents

	2023 $	2022 $
At Cost (a)	5,877,572	5,244,733
Accumulated amortisation	(447,985)	(166,937)
Carrying amount at the end of the financial year	**5,429,587**	**5,077,796**

Opening carrying value	5,077,796	–
Additions (net of amortisation) – acquisition of patents (a)	251,510	5,088,550
Amortisation charge	(289,153)	(10,754)
Effects of movement in foreign exchange	389,434	–
Carrying amount at the end of the financial year	**5,429,587**	**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 20 (c) for disclosure relating to future milestone payments which have been recognised as contingent liabilities.

9. Exploration and Evaluation Expenditure

	2023 $	2022 $
At Cost (a)	1,624,481	12,314,681
Impairment of exploration & evaluation expenditure	–	–
Carrying amount at the end of the financial year	**1,624,481**	**12,314,681**

Carrying amount at the beginning of the financial year	12,314,681	3,409,530
Additions (a)	5,651,228	8,905,151
Effects of movement in foreign exchange	43,321	–
Transferred to Investment in Associate	(16,384,749)	–
Carrying amount at the end of the financial year	**1,624,481**	**12,314,681**

a. This amount represents contribution to expenditure incurred to move form a 51% interest to a 60% interest in Rwenzori Rare Metals Limited which holds the Makuutu exploration licence.

Recovery of the capitalised amount is dependent upon:

iv. the continuance of the Group's right to tenure of the area of interest;

v. the results of future exploration; and

vi. the successful development and commercial exploitation, or alternatively sale.

10. 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	
		$	$
Ionic Technologies International Limited (a)	**England**	**100**	**100**

a. previously called Seren Technologies Limited

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

11. Issued Capital

a. Issued and paid up capital

	2023 $	2022 $
Fully paid ordinary shares	84,158,354	82,782,854
Less: capital raising costs	(5,825,795)	(5,825,795)
	78,332,559	**76,957,059**

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

		2023 Number of shares	2023 $	2022 Number of shares	2022 $
Beginning of the financial year		**3,872,604,920**	**76,957,059**	**3,206,399,514**	**43,393,406**
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
Issue at $0.018	(ii)	70,000,000	1,260,000	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 $0.033	(vi)	3,500,000	115,500	–	–
Cost of share issues		–	–	–	(1,860,947)
End of the financial year		**3,946,104,920**	**78,332,559**	**3,872,604,920**	**76,957,059**

i. Funds raised from the exercise of options during the 2023 year and the exercise of options and share placements during the 2022 year were used to progress the Group's exploration activities and for general working capital.

ii. Exercise of options

iii. Issued on vesting of performance rights

iv. Sign on incentive shares

v. Issued as part payment to acquire Seren Technologies Limited (refer note 8)

vi. Termination payment to Jill Kelley.

c. Movements in unlisted options on issue

At balance date, there were 150,000000 (2022: 199,000,000) share options outstanding.

	Issued	Exercised	Lapsed	Total number of Options
Balance at the beginning of the year				**199,000,000**
Share option movements during the year				
Total options issued and lapsed in the year to 30 June 2023	33,000,000	(70,000,000)	(12,000,000)	(49,000,000)
Balance at the end of the year				**150,000,000**

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

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
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	36,000,000
3 February 2023	30 November 2024	6.4	33,000,000
Total number of options outstanding at the date of this report			**150,000,000**

d. Movements in unlisted performance rights

At balance date, there were 6,700,000 (2022: 10,200,000) performance rights outstanding.

	Issued	Vested	Lapsed	Total number of Rights
Balance at the beginning of the year				10,200,000
Performance rights movements during the year				
Total performance rights issued and vested in the year to 30 June 2023	-	-	(3,500,000)	(3,500,000)
Balance at the end of the year				**6,700,000**

e. 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.

12. Reserves

	2023 $	2022 $
Share Option Reserve		
Balance at beginning of year	8,972,388	7,678,995
Vesting of performance rights	-	(1,896)
Movement during the year	340,673	1,295,289
Balance at the end of year	**9,313,061**	**8,972,388**
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	(198,286)	(589,590)
Movement during the year	2,230,902	391,304
Balance at the end of year	**2,032,616**	**(198,286)**

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.

13. Statement of Cash Flows

Reconciliation of the net profit/(loss) after tax to the net cash flows from operations

	2023 $	2022 $
Net loss	(8,538,462)	(4,644,087)
Depreciation	286,657	31,956
Amortisation	289,153	10,754
Share based payments	340,673	1,506,993
R&D income classified as Investing Activity	(838,874)	(218,523)
Grants classified as Investing Activity	(1,922,348)	(1,908)
Foreign exchange loss	1,261	–
Changes in assets and liabilities		
Inventory	(793,810)	–
Trade receivables	(511,094)	(467,437)
Prepayments	(146,813)	(44,513)
Provisions	(32,321)	–
Trade and other creditors	207,974	244,631
Net cash flows used in operating activities	**(11,658,004)**	**(3,582,134)**

a. Reconciliation of cash

	2023 $	2022 $
Cash balance comprises:		
Cash at bank	10,935,290	26,726,230
Short term deposit	181,359	33,501
Closing cash balance	**11,116,649**	**26,759,731**

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 2023, the Group had borrowing facilities of $30,000 (2022: $30,000) which is secured by a short term deposit of $33,504 (2022: $33,501). This facility is unutilised at 30 June 2023. In addition, the Company has a term deposit of $146,359 (2022: Nil) to secure a bank guarantee.

The fair value of cash and cash equivalents is $11,116,649 (2022: $26,759,731).

The effective interest rate on cash at bank was 0.1% (2022: 0.1%).

Refer to Note 19 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.

	2023 $	2022 $
3,500,000 fully paid shares issued to Ms. Jill Kelley as a termination payment (2022: incentive payment)	115,500	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
	115,500	**3,613,500**

14. Events Occurring after the Reporting Period

No 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.

15. 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:

a. Basic and diluted loss per share

	2023 Cents	2022 Cents
From continuing operations attributable to the ordinary Owners of the company	**(0.22)**	**(0.13)**

b. Reconciliations of losses used in calculating losses per share

	2023 $	2022 $
Loss attributable to the ordinary Owners of the company used in calculating basic and diluted earnings per share		
From continuing operations	(8,358,462)	(4,644,087)
Weighted average number of ordinary shares on issue used in the calculation of continuing and discontinued basic and diluted earnings per share	**3,914,662,454**	**3,480,509,348**

c. 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.

16. Auditor's Remuneration

Amounts received or due and receivable by BDO Audit (WA) Pty Ltd or associated entities for:

	2023 $	2022 $
An audit or review of the financial report of the entity	71,628	52,557
	71,628	**52,557**

17. Key Management Personnel

Compensation of key management personnel by compensation

	2023 $	2022 $
Short-term	1,586,991	1,055,696
Post-employment	31,289	29,800
Share-based payment	55,108	909,123
	1,673,388	**1,994,619**

18. 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 2023 $	Equity interest 2022 $
Ionic Technologies International Limited	**England**	**100**	**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 Dickson is Company Secretary. During the year the Company paid sub-lease fees totalling $9,000 (2022: $12,721).

d. Loans to/from Key Management Personnel

There were no loans outstanding to or from key management personnel as at 30 June 2023 (2022: Nil).

(e) Other transactions and balances with Key Management Personnel

Amounts due and unpaid at 30 June 2023 to Key Management Personnel includes consulting fees of $18,150 (2022: $27,500) to Coolform Investments Pty Ltd, a related party of B D Dickson and consulting fees of $Nil (2022: $38,366) to Horizon Metallurgy Pty Ltd, a related party of TJ Harrison.

19. 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.

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

	2023 $	2022 $
Financial Assets – Cash at Bank		
Australia	11,004,864	26,547,615
England	111,785	212,116
	11,116,649	**26,759,731**

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:

	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2023 $	2022 $	2023 $	2022 $
Consolidated				
+1% (100 basis points)	111,166	267,597	111,166	267,597
-1% (100 basis points)	(111,166)	(267,597)	(111,166)	(267,597)

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:

	2023 $	2022 $
6 months or less	817,541	627,144
6 – 12 months	7,319	14,206
1 – 5 years	-	7,318
	824,860	**648,668**

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.

	<6 months $	6 – 12 months $	1 – 5 years $	> 5 years $	Total $
Consolidated					
Year ended 30 June 2023					
Financial assets					
Cash & cash equivalents	11,116,649	–	–	–	11,116,649
Trade & other receivables	1,102,795	–	–	–	1,102,795
	12,119,444	**–**	**–**	**–**	**12,119,444**
Financial liabilities					
Trade & other payables	817,541	7,319	–	–	824,860
Net Maturity	**11,301,903**	**(7,319)**	**–**	**–**	**11,294,584**
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**

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:

	Carrying Amount		Aggregate Net Fair Value	
	2023	2022	2023	2022
	$	$	$	$
Financial Asset				
Cash	11,116,649	26,759,731	11,116,649	26,759,731
Receivables	1,102,795	531,096	1,102,795	531,096
Total financial assets	**12,219,444**	**27,290,827**	**12,219,444**	**27,290,827**
Financial Liabilities				
Trade creditors and accruals and other creditors	824,860	648,668	824,860	648,668

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:

	2023 $	2022 $
Cash	111,785	212,116
Trade Receivables	996,437	–
Trade Payables	599,685	142,916
Gross Statement of Financial Position Exposure	1,707,907	355,032
Forward exchange contracts	–	–
Net Exposure	**1,707,907**	**355,032**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
AUD/US$	0.6734	0.7256	0.6630	0.6892
AUD/GBP	0.5597	0.5455	0.5250	0.5674

Sensitivity analysis

Over the year 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 2022.

	Equity $	Profit or loss $
30 June 2023		
British Pound	**+/-202,152**	**–**
30 June 2022		
British Pound	**+/- 16,115**	**–**

20. 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:

	2023 $	2022 $
Statement of Financial Position		
Assets		
Current assets	18,354,245	27,700,381
Non-Current assets	27,360,344	21,216,972
Total assets	**45,714,589**	**48,917,353**
Liabilities		
Current liabilities	217,855	620,007
Non-Current liabilities	7,319	7,319
Total liabilities	**225,174**	**627,326**
Equity		
Issued capital	**78,332,559**	**76,957,059**
Reserves		
Share-option	9,313,061	8,972,388
Convertible note equity	136,403	136,403
Foreign Currency Reserve	1,459,705	(193,686)
Accumulated loses	(43,752,313)	(37,582,136)
Total Equity	**45,489,415**	**48,290,028**
Statement of Profit or Loss and Other Comprehensive Income		
Total loss	**(6,335,934)**	**(4,482,930)**
Total comprehensive loss	**(4,837,946)**	**(4,648,687)**

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). Ionic Rare Earths has acquired to a 60% direct interest in RRM, and thereby up to a 60% indirect interest in Makuutu. There remains a milestone payment of US$375,000, payable in cash or Ionic Rare Earths 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 Ionic Rare Earths 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).

21. 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 33,000,000 options were issued pursuant to the plan (2022: 44,000,000).

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
2023									
30 Nov '21	30 Nov '24	6.4	2.85	44,000,000	–	–	(2,000,000)	42,000,000	42,000,000
3 Feb '23	30 Nov '24	6.4	0.71	–	33,000,000	–	–	33,000,000	33,000,000
Total				**44,000,000**	**33,000,000**	**–**	**(2,000,000)**	**75,000,000**	**75,000,000**
Weighted average exercise price				6.4 cents	6.4 cents	–	6.4 cents	6.4 cents	6.4 cents
2022									
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 cents	–	–	6.4 cents	6.4 cents

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.42 years (2022: 2.42 year).

Fair value of options granted.

During the 2023 financial year the weighted average fair value of the options granted was 0.714 cents (2022: 2.85). The price was calculated by Black Scholes Option valuation methodology applying the following inputs

	2023	2022
Number of options issued	33,000,000	44,000,000
Weighted average exercise price (cents)	6.4	6.4
Weighted average life of the option (years)	1.8	3.0
Weighted average underlying share price (cents)	3.5	4.4
Expected share price volatility (%)	70%	120%
Risk free interest rate (%)	3.03	0.87
Fair value per option (cents)	0.714	2.847

Total expenses arising from the issue of Employee Share Options recognised during the year were $360,090 (2022: $697,500).

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 (2022: Nil). Set out below are summaries of options issued to senior executives.

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
2023									
23 Dec '19	30 Nov '22	1.8	0.58	20,000,000	–	(10,000,000)	(10,000,000)	–	–
24 Mar '20	30 Nov '22	1.8	0.27	20,000,000	–	(20,000,000)	–	–	–
3 Dec '20	30 Nov '22	1.8	0.99	10,000,000	–	(10,000,000)	–	–	–
3 Dec '20	30 Nov '23	2.15	1.12	40,000,000	–	–	–	40,000,000	40,000,000
Total				**90,000,000**	**–**	**(40,000,000)**	**(10,000,000)**	**40,000,000**	**40,000,000**
Weighted average exercise price			1.9 cents		1.8 cents	1.8 cents	2.15 cents	2.15 cents	
2022									
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	10,000,000	–	–	–	10,000,000	10,000,000
3 Dec '20	30 Nov '23	2.15	1.12	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			1.9 cents	–	1.8 cents	–	1.9 cents	1.9 cents	

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.50 years (2022: 0.86 years).

Total expenses arising from the issue of director and executive options recognised during the year were Nil (2022: $697,500).

c. Performance Share Rights

No performance Rights were issued during the year. During the year ended 30 June 2022 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 a credit of $19,417 (2022: $96,813).

d. Share Issue

During the year 3,500,000 fully paid ordinary shares were issued to Ms Jill Kelley as a termination payment. These shares were valued at the closing price of the shares as trading on the ASX of the day of issue being 3.3 cents per share.

During the previous year 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 Termination and Incentive Shares recognised during the year was $115,500 (2022: $157,500).

	Consolidated	
	2023 $	2022 $
Options issued under Ionic Rare Earths Employee Share Option Plan (a)	360,090	1,252,680
Options issued to executives (b)	–	–
Performance share rights issued (c)	(19,417)	96,813
Termination/Incentive share Issue (d)	115,000	157,500
Total	**455,673**	**1,506,993**

Auditor's Independence Declaration

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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 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2023 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of Investment in Associate

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2023, 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 Note 6 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 2023, 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 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 18 to 22 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Ionic Rare Earths Limited, for the year ended 30 June 2023, 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

29 September 2023

Corporate Governance Statement *30 June 2023*

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:
www.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 Mr Sufian Ahmad on 10 May 2023 and Mr Nitin Tyagi 1 July 2023; 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 re-election of Mr Trevor Benson at its 2022 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, 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)	10 out of 34 (29%)
Senior executive positions	2 out of 6 (33%)
Board	0 out of 4 (0%)

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 business 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 30/06/2023	Independence Status
T Harrison – Managing Director	12 December 2020	30 months	Not Independent
S Ahmad – Non-executive Director	10 May 2023	2 months	Independent
M McGarvie – Non-executive director	16 July 2021	24 months	Independent
N Tyagi – Non-executive director	1 July 2023	-	Independent

Recommendation 2.4

The Board has 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 Company has not appointed a Chair.

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 2022 and the full-year ended 30 June 2023, 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. Ionic Rare Earths 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 26. 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.

ASX Additional Information

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 18 September 2023.

Statement of shareholdings

			Ordinary Shares Fully paid	
Range	**Names of 20 largest shareholders**	**No of holders**	**No. of shares held**	**% held**
100,001 or more	BNP Paribas Pty Ltd <DRP>		179,564,926	4.54
	Mr Bilal Ahmad		123,800,000	3.13
	Citicorp Nominees Pty Limited		116,653,865	2.95
	JGM Property Investments Pty Ltd		105,650,000	2.67
	Mr Sufian Ahmad		100,010,000	2.53
	BNP Paribas Noms Pty Ltd <IB AU NOMS Retailclient DRP>		91,081,033	2.30
	Markovic Family No 2 Pty Ltd		53,350,000	1.35
	Compusure Superannuation Pty Ltd <staff>		25,000,000	0.63
	HSBC Custody Nominees (Australia) Limited		24,810,961	0.63
	Dr Wolf Gerhard Martinick		22,000,000	0.56
	Reco Holdings Pty Ltd <Reco Super Fund A/C>		21,850,000	0.55
	Upsky Equity Pty Ltd		20,750,000	0.52
	Timel Holdings Pty Ltd <TMH Holdings A/C>		20,000,000	0.51
	Mr Russell Phillip Quinn <RPQ A/C>		19,000,000	0.48
	Mr Sufian Ahmad <Sixty Two Capital> A/C		18,800,000	0.48
	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>		18,590,877	0.47
	Mr Torbjoern Smooth Fredriksen <Tightlines Investment A/C>		18,000,000	0.45
	Mr Torbjoern Smooth Fredriksen + Ms Emi Ono		17,984,497	0.45
	Mr Gary Temple		17,949,570	0.45
	Kinetic Wealth Advisors Pty Ltd		17,017,732	0.43
		20	1,031,863,461	
	Various	3,928	2,660,050,725	
	Sub-total	3,948	3,691,914,186	
10,001 - 100,000	Various	5,853	257,283,731	6.50
5,001 – 10,000	Various	727	6,207,811	0.16
1,001 – 5000	Various	226	586,676	0.01
1 – 1,000	Various	330	112,516	0.00
Total		**11,084**	**3,956,104,920**	**100.00**
	Holding an unmarketable parcel of 19,231 shares	2,567	25,479,946	

The Company has the following unquoted securities on issue.

Security	Number
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

Restricted Securities

There are no restricted securities,

Voting Rights

All ordinary shares carry one vote per share without restriction.

Substantial Shareholders

As at 18 September 2023 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/TN03834	Uganda	Retention Licence	60%
	RL00007	Uganda	Retention Licence	60%
	RL00234	Uganda	Retention Licence	60%
	EL00147	Uganda	Exploration	60%
	EL00148	Uganda	Exploration	60%
	EL00257	Uganda	Exploration	60%

Rounding has been applied to 1Mt and 10ppm which may influence averaging calculation. All REO are tabulated in MRE announcement dated 3 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).

Mineral Resources Estimation Governance Statement

Governance of Ionic Rare Earths's mineral resources is a responsibility of the Executive Management of the Company.

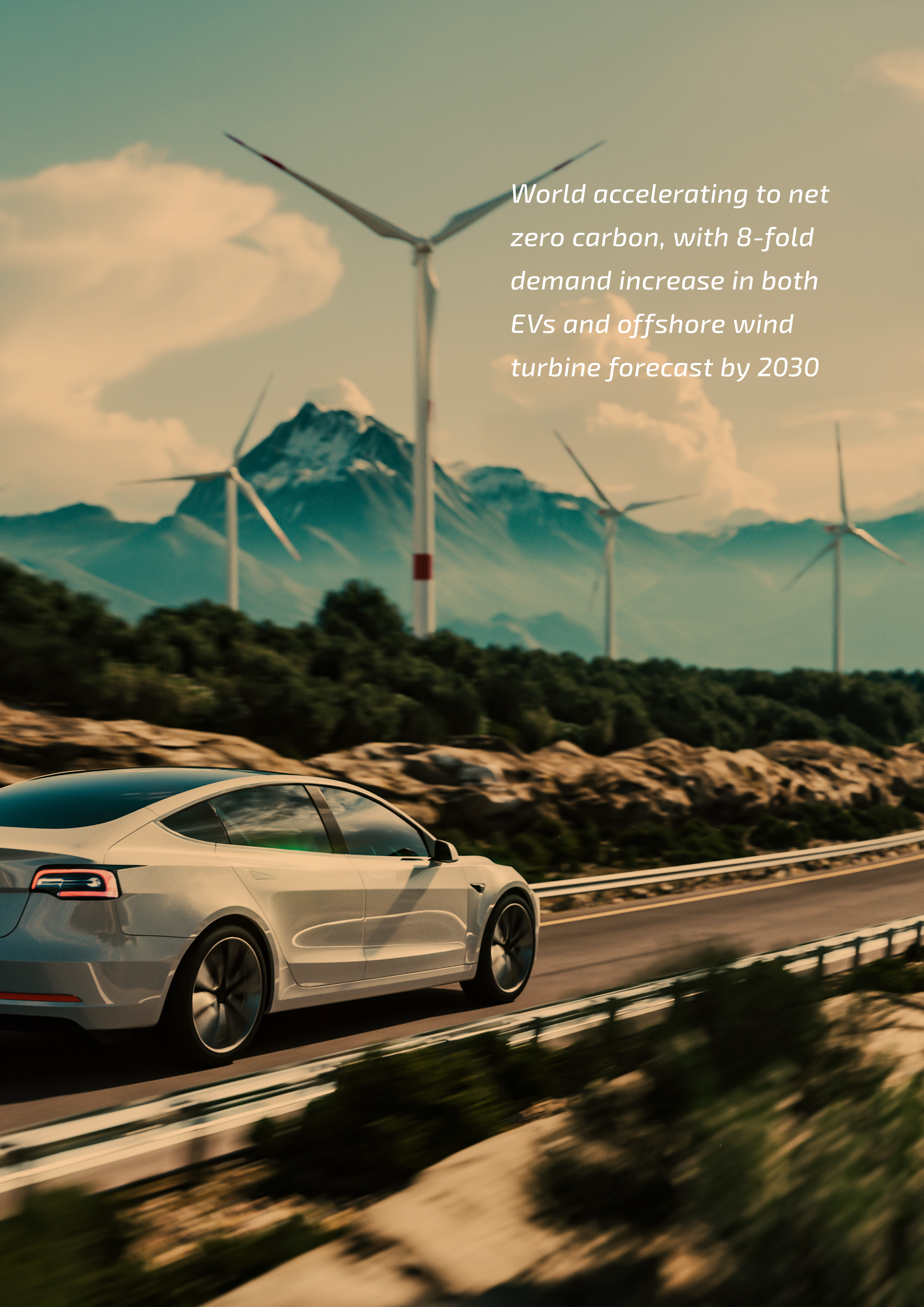
The Makuutu mineral resource was first estimated in March 2020 and has been updated several times, the last on 3 May 2022.

Ionic Rare Earths 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 Ionic Rare Earths 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: 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**



World accelerating to net zero carbon, with 8-fold demand increase in both EVs and offshore wind turbine forecast by 2030

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