IONIC RARE EARTHS LIMITED

ABN 84 083 646 477

HALF YEAR FINANCIAL REPORT

31 December 2020

Contents to Financial Report

Corporate Directory

ABN: 84 083 646 477

Directors

T B Benson	Non-Executive Chairman
T J Harrison	Managing Director
B W Marwood	Non-Executive Director

Company Secretary
B D Dickson

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West Perth WA 6005
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Share Registry
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Perth WA 6000
Telephone: (08) 9323 2000
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Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Bank
National Australia Bank
96 High Street
Fremantle WA 6160

Directors' Report

The Directors present their report together with the consolidated financial report for the six months ended 31 December 2020 and the independent review report thereon.

DIRECTORS

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

T B Benson (appointed 31/08/2020)
T J Harrison (appointed 21/12/2020)
B W Marwood (appointed 21/12/2020)
M J Steffens (resigned 31/08/2020)
A P Rovira (resigned 21/12/2020)
B D Dickson (resigned 21/12/2020)

REVIEW OF OPERATIONS

The Makuutu Rare Earths Project is an ionic adsorption clay (IAC) hosted Rare Earth Element (REE) deposit located 120 km east of Kampala in Uganda. The deposit stretches 37 km in length and has demonstrated potential for a long life, low-cost and high-margin source of critical and heavy rare earths. IAC deposits are prevalent in southern China which are the main source of the world's lowest cost critical and heavy REE production, however these deposits are gradually being exhausted and Makuutu represents one of only a handful of such deposits outside of southern China.

IAC hosted rare earth deposits are significantly different from hard rock-hosted rare earth deposits. Typically, rare earths can be recovered from IAC mineralisation using mild salt washing / leaching conditions to produce a high-grade Rare Earth Oxide (REO) chemical precipitate concentrate and generally present practical processing advantages.

The Makuutu deposit is shallow, with less than 3 m of cover over a 12 m thick clay zone which results in low-cost bulk mining methods with low strip ratio. Processing is via simple acidified salt desorption heap leaching which washes the rare earths (in a chemical form) from the ore. The rare earths are precipitated as a mixed rare earth carbonate product, which attracts both a higher payability and achieves a high basket price due to the dominant high value critical and heavy rare earths which make up over 70% of the product basket. The Project has the potential of generating a high-margin product with an operating life exceeding 30 years. The Project is also prospective for a low-cost Scandium co-product.

Figure 1: Makuutu Rare Earths Project location

Ionic Rare Earths Limited (**IonicRE**) has been particularly active during this last reporting period with a number of significant milestones reached, which include:

- IonicRE increasing its ownership in the Makuutu Rare Earths Project to 51%
- The Makuutu Retention Licence 1693 renewed and two (2) additional exploration licences granted (EL00147 and EL00148) extending mineralisation corridor from 26km to 37km in length
- A significant increase in the Exploration Target for Makuutu
- The phase 2 drill program results extending the scale of rare REE hosted IAC mineralisation across tested areas characterised by strong radiometric anomaly
- Post 31 December 2020 the successful raising of $12 million (before expenses of the issue)
- Post 31 December 2020, a substantial increase in the Mineral Resource Estimate reported at Makuutu

With the award of the new Exploration Licences, Makuutu now comprises five licences covering approximately 242km^2 located 40km east of the regional centre of Jinja and 120km east of the capital city of Kampala (Figure 1). The area has excellent infrastructure and cell-phone coverage as illustrated in Figure 2. Tarred (sealed) roads, rail, power and water are all nearby; The area is also readily accessible throughout the year irrespective of weather conditions.

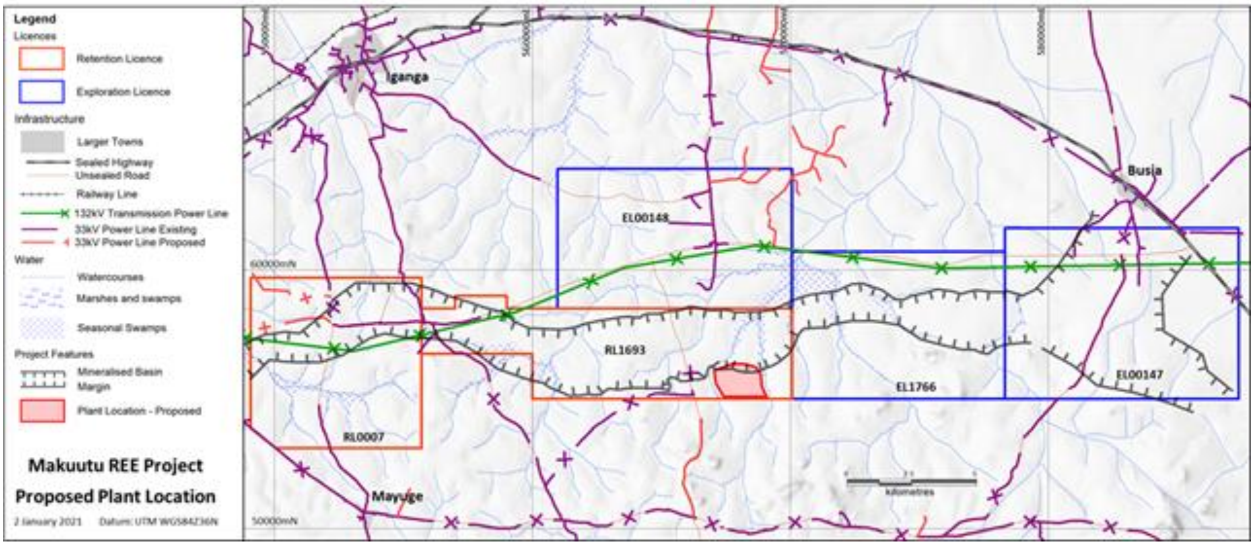

Figure 2: Makuutu Rare Earths Project tenements and local existing infrastructure.

IonicRE increased its ownership of Makuutu to 51% in October 2020 via an earn-in agreement with Rwenzori Rare Metals Limited (RRM), a private Ugandan company that owns 100% of the Makuutu Project. IonicRE has the right to earn up to a minimum of 60% in RRM via the completion of a Bankable Feasibility Study (BFS) and has advised RRM of the intent to proceed.

Positive results from Phase 2 drilling in areas A, B, C, F, G, H, I and J at Makuutu (Figure 3) has provided for a substantial resource upgrade as set out in Table 1. Area J results demonstrated more kaolin clay development visually in the drill core, and supported by geochemical evaluation, which is a positive indicator for enhanced REE extraction, and a consistent zone of HREO that is greater than the existing resource average as a percentage of Total Rare Earth Oxides (TREO).

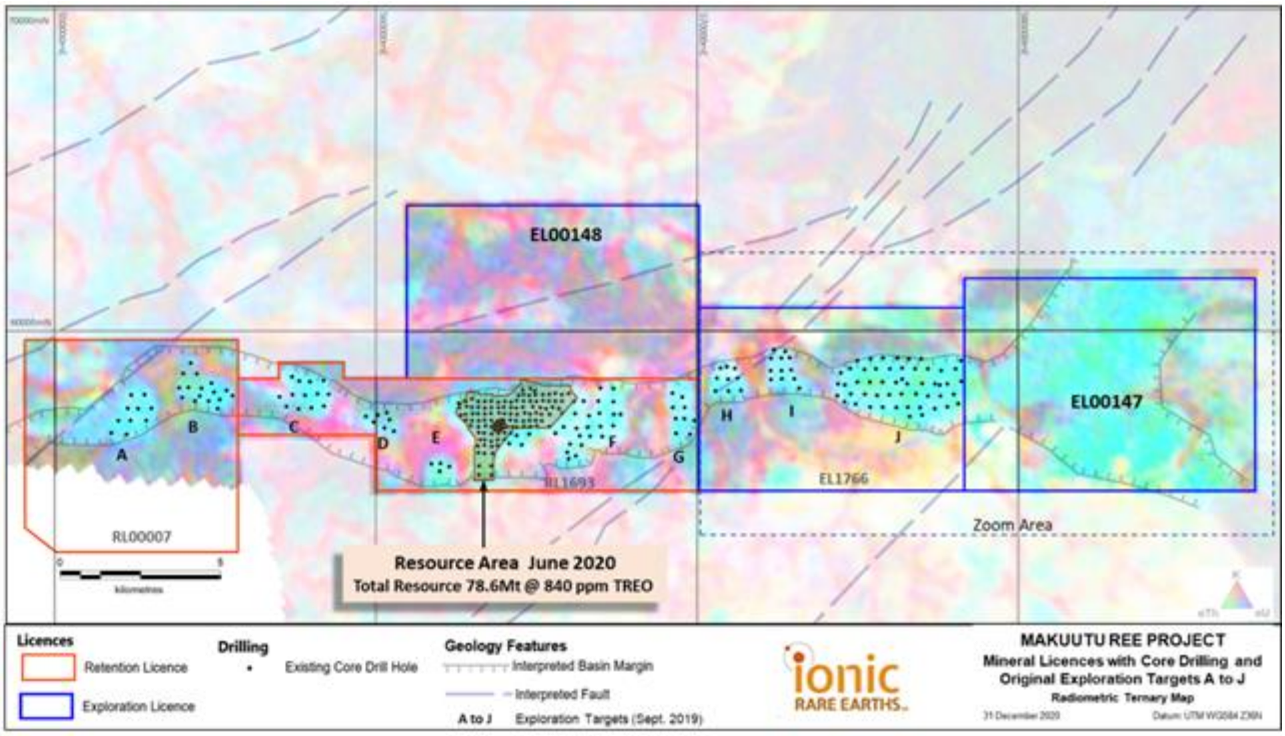

Figure 3: Makuutu Rare Earths Project licences on ternary radiometric map with all diamond core drilling and previous Sept 2019 Exploration Target areas A to J and Phase 2 drill program completed during the quarter.

Table 1: Makuutu Resource above 200ppm TREO-CeO_2 Cut-off Grade

Resource Classification	Tonnes (millions)	TREO (ppm)	TREO-CeO_2 (ppm)	LREO (ppm)	HREO (ppm)	CREO (ppm)	Sc_2O_3 (ppm)
Indicated Resource	66	820	570	590	230	300	30
Inferred Resource	248	610	410	450	160	210	30
Total Resource	**315**	**650**	**440**	**480**	**170**	**230**	**30**

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

In January 2021 the Company was granted two further exploration licences (EL00147 and EL00148). EL00147 covers the eastern extension of the REE mineralised trend as defined by airborne radiometric eU/eTh anomalism and is untested for REE. The exploration target ranges for EL00147, announced 5th January 2021, are:

60 – 270 million tonnes grading 550 – 900 ppm TREO*

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

This Exploration Target and others announced to ASX on 3 March 2021 demonstrate the ability of resources to increase significantly.

Nicaraguan Projects

Due to the increased focus on the Makuutu Rare Earths Project and continued operating difficulties, the Company withdrew from Nicaragua in the period.

CORPORATE

During the period the Company issued 312,500,000 shares at $0.008 each to raise $2,500,000 and closed a Share Purchase Plan (**SPP**) where the Company accepted applications totalling $1.0 million resulting in the issue of 125,000,036 new shares at $0.008 each.

EVENTS AFTER THE REPORTING PERIOD END DATE

Since the end of the financial period the Group has:

1. Placed 300,000,000 shares at $0.04 to raise $12 million before expenses of the issue.
2. Issued 83,600,000 shares at $0.0075 each as a result of the exercise of options.
3. Paid US$750,000 milestone payment on the renewal of Retention Licence 1693 at the Makuutu Rare Earths Project.

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

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2021.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors, BDO Audit (WA) Pty Ltd to provide the Directors with a written independence declaration in relation to their review of the financial report for the half year ended 31 December 2020. The written auditor's independence declaration is attached at page 20 and forms part of this Directors' report.

Signed in accordance with a resolution of directors.

T Benson
Chairman
Perth 12 March 2021

Ionic Rare Earths Mineral Tenement Interests

Common concession name	Location	Nature of Interest	Interest at beginning of Period	Interest at end of Period
RL1693	Uganda	Owned	31%	51%*
EL1766	Uganda	Owned	31%	51%*
RL00007	Uganda	Owned	31%	51%*
EL00147	Uganda	Owned	0%	51%*
EL00148	Uganda	Owned	0%	51%*

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

Competent Person Statement

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

The information in this report that relates to Mineral Resources for the Makuutu Rare Earths deposit was first released to the ASX on 3 March 2021 and is available to view on www.asx.com.au. Ionic Rare Earths Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Forward Looking Statements

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 $	31 December 2019 $
Continuing operations			
Interest income		727	845
Salaries and wages		(147,900)	(137,500)
Directors' fees		(60,555)	(49,275)
Travel and accommodation		(2,075)	(5,956)
Promotion		(37,535)	(941)
Consultants		(43,038)	(18,822)
Insurance		(9,649)	(10,174)
Legal fees		(16,818)	(29,047)
Administration expenses		(171,708)	(126,160)
Share based payments	12	(858,720)	(231,000)
Exploration expenses		-	(917,035)
Loss on deconsolidation of subsidiary	13	(191,623)	-
Profit /(Loss) from continuing operations before Income tax		**(1,538,894)**	**(1,525,065)**
Income tax credit/(expense)		**-**	**-**
Profit /(Loss) from continuing operations after income tax		**(1,538,894)**	**(1,525,065)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences in translating foreign controlled entities		(222,624)	(598)
Other comprehensive income net of tax		(222,624)	(598)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,761,518)**	**(1,525,663)**
Earnings per share for loss attributable to the ordinary equity holder of the parent:			
Basic earnings per share (cents per share)		(0.06)	(0.08)
Diluted earnings per share (cents per share)		(0.06)	(0.08)

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020

	Note	31 December 2020 $	30 June 2020 $
ASSETS			
Current Assets			
Cash and cash equivalents	3	2,253,401	829,933
Receivables		35,130	16,761
Other		34,178	6,541
Total Current Assets		**2,322,709**	**853,235**
Non-current Assets			
Investment in Associate	4	3,669,627	2,461,308
Exploration & evaluation expenditure	5	651,784	525,697
Total Non-current Assets		**4,321,411**	**2,987,005**
TOTAL ASSETS		**6,644,120**	**3,840,240**
LIABILITIES			
Current Liabilities			
Payables		126,756	127,980
Other	6	-	210,000
Total Current Liabilities		**126,756**	**337,980**
TOTAL LIABILITIES		**126,756**	**337,980**
NET ASSETS		**6,517,364**	**3,502,260**
EQUITY			
Issued Capital	7	32,130,226	27,938,424
Reserves		6,481,852	6,119,656
Accumulated losses		(32,094,714)	(30,555,820)
TOTAL EQUITY		**6,517,364**	**3,502,260**

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

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	$	$	$	$	$	$
At 1 July 2020	**27,938,424**	**136,403**	**6,216,857**	**(233,604)**	**(30,555,820)**	**3,502,260**
Loss for the period	-	-	-	-	(1,538,894)	(1,538,894)
Other comprehensive loss	-	-	-	(222,624)	-	(222,624)
Total comprehensive loss for the period	-	-	-	(222,624)	(1,538,894)	(1,761,518)
Transactions with owners in their capacity as owners						
Shares issued for capital raising	3,500,000	-	-	-	-	3,500,000
Exercise of Options	554,500	-	-	-	-	554,500
Vesting of Performance Rights	273,900	-	(273,900)	-	-	-
Shares issued for consulting Fees	50,000	-	-	-	-	50,000
Transaction Costs	(186,598)	-	-	-	-	(186,598)
Share based payments	-	-	858,720	-	-	858,720
At 31 December 2020	**32,130,226**	**136,403**	**6,801,677**	**(456,228)**	**(32,094,714)**	**6,517,364**

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	$	$	$	$	$	$
At 1 July 2019	**24,503,006**	**136,403**	**5,326,197**	**(234,866)**	**(29,069,566)**	**661,174**
Loss for the period	-	-	-	-	(1,525,065)	(1,525,065)
Other comprehensive loss	-	-	-	(598)	-	(598)
Total comprehensive loss for the period	-	-	-	(598)	(1,525,065)	(1,525,663)
Transactions with owners in their capacity as owners						
Shares issued during the period	2,339,756	-	-	-	-	2,339,756
Transaction Costs	(78,379)	-	-	-	-	(78,379)
Share based payments	-	-	556,000	-	-	556,000
At 31 December 2019	**26,764,383**	**136,403**	**5,882,197**	**(235,464)**	**(30,594,631)**	**1,952,888**

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 $	31 December 2019 $
Cash flows from operating activities			
Payments to suppliers and employees		(461,611)	(420,091)
Interest received		727	845
Net cash flows used in operating activities		**(460,884)**	**(419,246)**
Cash flows from investing activities			
Purchase of mineral project facilitation fee		-	(148,035)
Deconsolidation of subsidiary		(11,445)	-
Net proceeds from sale of subsidiary		53,426	-
Capitalised exploration expenditure		(605,484)	(687,863)
Payments for Investments		(1,210,048)	(148)
Net cash flows from investing activities		**(1,773,551)**	**(836,046)**
Cash flows from financing activities			
Proceeds from application for shares, net of transaction costs		3,657,902	1,227,941
Net cash flows from financing activities		**3,657,902**	**1,227,941**
Net increase/(decrease) in cash and cash equivalents		1,423,467	(27,351)
Cash and cash equivalents at beginning of period		829,934	691,153
Effect of exchange rate changes on cash and cash equivalents		-	(141)
Cash and cash equivalents at end of period	3	**2,253,401**	**663,661**

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1 BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 31 December 2020 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134 *Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Ionic Rare Earths Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020 together with any public announcements made during the half year.

(a) Going Concern

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

(b) Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2020, except for the adoption of new standards and interpretations as of 1 July 2020, noted below:

(c) New or amended Accounting Standards and interpretations adopted

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2020, including the following:

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

AASB 2018-6 amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The application of AASB 2018-6 has not materially impacted the financial statements of the Group.

Other amendments and interpretations relevant to the Group include:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*; and
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.

The amendments and interpretations above, all of which apply to the Group as at 1 July 2020 have not had a material impact on the transactions and balances recognised in the financial statements

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1 BASIS OF PREPARATION (Continued)

(d) Significant Judgement – Treatment of Expenditure on the Makuutu Rare Earths Project

Management have applied judgement in the treatment of expenditure incurred on the Makuutu Rare Earths Project in Uganda (see further details on the acquisition in note 4).

Expenditure incurred in order to acquire the project and expenditure incurred to increase that interest to the current 51% interest in an associate (being Rwenzori Rare Metals Limited ('RRM") has been capitalised as an investment in associate.

At 31 December 2020 the Group does not have any board representation on RRM and therefore considers it exercises influence and not control and the investment in RRM is considered an investment in an associate.

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

During the earn in period, all contributed expenditure incurred has been deemed to be exploration and evaluation expenditure, as opposed to contributions towards the associate. In line with the group's accounting policy for exploration and evaluation expenditure, these amounts have been expensed to Profit and Loss as incurred.

2 OPERATING SEGMENT

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

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

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

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

31 Dec 2020	**Australia**	**Nicaragua**	**Uganda**	**Total**
	$	**$**	**$**	**$**
Other income	727	-	-	727
Profit/(Loss)	(1,347,271)	(191,623)	-	(1,538,894)
Non-current assets	-	-	4,321,444	4,321,444
Total assets	2322,676	-	4,321,444	6,644,120
Total liabilities	(126,756)	-	-	(126,756)

31 Dec 2019	**Australia**	**Nicaragua**	**Uganda**	**Total**
	$	**$**	**$**	**$**
Other income	845	-	-	845
Profit/(Loss)	(608,030)	-	(917,035)	(1,525,065)
30 Jun 2020				
Non-current assets	-	-	2,987,005	2,987,005
Total assets	841,780	11,455	2,987,005	3,840,240
Total liabilities	(260,585)	-	(77,395)	(337,980)

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

3 CASH AND CASH EQUIVALENTS

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

	31 December 2020 $	30 June 2020 $
Cash at bank and in hand	2,219,900	796,433
Short-term deposits	33,501	33,501
	2,253,401	**829,934**

4 INVESTMENT IN ASSOCIATE

An amount of $3,669,627 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 Earths Project. This includes the amounts set out below.

	31 December 2020 $	30 June 2020 $
Subscription for initial 20% interest in Rwenzori Rare Metals Limited	148	148
US$100,000 paid to Rare Earth Elements Africa Pty Ltd	148,035	148,035
29,179,517 fully paid shares issued to Rare Earth Elements Africa Pty Ltd	233,436	233,436
100,000,000 fully paid shares issued to Southern Cross Mining Pty Ltd	800,000	800,000
50,000,000 options with an exercise price of $0.005 issued to Southern Cross Mining Limited	325,000	325,000
Expenditure for an additional 11% interest	954,689	954,689
Expenditure for an additional 15% interest	1,166,337	-
Expenditure for an additional 5% interest	498,210	-
Movement in foreign exchange	(456,228)	-
	3,669,627	**2,461,308**

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

The table below summarises the financial information for the associate that are material 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.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

4 INVESTMENT IN ASSOCIATE (Continued)

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

	31 December 2020 $	30 June 2020 $
Current assets		
Cash	23,932	18,346
Non-current assets		
Plant and equipment	8,854	9,690
Right to use asset	2,544	-
Current Liabilities		
Payables	3,009	1,454
Lease obligations	1,265	-
Net assets	**31,056**	**26,582**
Groups share in %	51%	31%
Groups share in $	15,839	8,240
Fair value uplift	3,653,788	2,453,068
Carrying amount	3,669,627	2,461,308

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

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

5. EXPLORATION AND EVALUATION EXPENDITURE

At Cost	651,784	525,697
Impairment of exploration & evaluation expenditure	-	-
Carrying amount at the end of the financial year	651,784	525,697
Carrying amount at the beginning of the financial period	525,697	-
Additions	1,264,936	1,480,386
Transferred to Investment in Associate	(1,138,849)	(954,689)
Exchange differences	-	-
Carrying amount at the end of the financial year	651,784	525,697

Recovery of the capitalised amount is dependent upon:

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

6. OTHER LIABILITIES (Current)

Amounts received in advance of capital raising completed on 3 July 2020	**-**	210,000

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

7 SHARE CAPITAL

	Shares	$
Balance at 1 July 2019	1,555,678,533	24,503,006
Makuutu Facilitation Fee	29,179,517	233,436
Share placement at $0.003	200,000,000	600,000
Consulting Fee on Makuutu	100,000,000	800,000
Share placement at $0.006	117,720,000	706,320
Share issue expenses	-	(78,379)
Balance as at 31 December 2019	**2,002,578,050**	**26,764,383**
Balance at 1 July 2020	2,161,328,050	27,938,424
Share Purchase Plan at $0.008	125,000,036	1,000,000
Share placement at $0.008	312,500,000	2,500,000
Exercise of options at $0.0075	40,600,000	304,500
Exercise of options at $0.005	50,000,000	250,000
Vesting of Performance Rights	66,600,000	273,900
Shares for consulting services	3,571,428	50,000
Share issue expenses	-	(186,598)
Balance as at 31 December 2020	**2,759,599,514**	**32,130,226**

8 RESERVES

Share Option Reserve

	Options	$
Balance at 1 July 2019	485,000,000	5,326,197
Options exercisable at 5 cents, expire 30 Sep. ‘19	(66,000,000)	-
Options exercisable at 5 cents, expire 30 Sep. ‘19	(7,000,000)	-
Makuutu Facilitation Fee	50,000,000	325,000
Director Options	40,000,000	231,000
Balance as at 31 December 2019	**502,000,000**	**5,882,197**
Balance at 1 July 2020	572,000,000	6,216,857
Options exercised	(90,600,000)	-
Options exercisable at 1.3 cents, expire 30 Nov. ’20 – lapsed	(22,000,000)	-
Performance Rights vested	(66,600,000)	(273,900)
Options issued to consultants at 1.8 cents, expire 30 Nov. ‘22	40,000,000	199,120
Options exercisable at 2.15 cents, expire 30 Nov. ’23 – issued	50,000,000	560,250
Options exercisable at 1.8 cents, expire 30 Nov. ’22 – issued	10,000,000	99,350
Balance as at 31 December 2020	**492,800,000**	**6,801,677**

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

9 EVENTS AFTER THE REPORTING PERIOD END DATE

Since the end of the financial period the Group has:

1. Placed 300,000,000 shares at $0.04 to raise $12 million before expenses of the issue.
2. Issued 95,400,000 shares at $0.0075 each as a result of the exercise of options.
3. Issued 33,400,000 shares as a result of the vesting of Performance Rights
4. Paid US$750,000 milestone payment on the renewal of Retention Licence 1693 at the Makuutu Rare Earths Project.

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

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2021.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the group in future financial years.

10 COMMITMENTS AND CONTINGENT LIABILITIES

At the date of this report there have been no changes in Commitments and Contingent Liabilities since the end of the last annual reporting period.

11. RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2020 financial statements. During the period options exercisable at $0.0215 each which expire at 30 November 2023 were issued as follows:

Options Issued		
Issued to	***Number Issued***	***Fair Value of Options***
Anthony Rovira	10,000,000	$112,050
Trevor Benson	10,000,000	$112,050
Tim Harrison	20,000,000	$224,100
Brett Dickson	10,000,000	$112,050

In addition, 10,000,000 options exercisable at $0.018 each which expire on 30 November 2022 were issued to Trevor Benson with a fair value of $99,350.

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2020.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

12. SHARE BASED PAYMENTS

During the period 100 million options were issued as follows:

Director and Consultant Options

During the financial period the following options were issued:

1. Tranche 1 - 10,000,000 exercisable at 1.8 cents on or before 30 November 2022 were issued to a director as part of his long-term incentive remuneration;
2. Tranche 2 - 50,000,000 exercisable at 2.15 cents on or before 30 November 2023 were issued to directors as part of their long-term incentive remuneration; and
3. Tranche 3 - 40,000,000 exercisable at 1.8 cents on or before 30 November 2022 were issued to consultants in lieu of cash fees. The services provided by the consultants were unable to be accurately valued and as such a value was placed on the options issued.

The fair value of these options granted is set out below and was calculated by using the Binomial option valuation methodology and applying the following inputs:

	Tranche 1	**Tranche 2**	**Tranche 3**
Fair Value (cents per option)	0.993	1.121	0.498
Weighted average exercise price (cents)	1.8	2.15	1.8
Weighted average life of options (years)	2.0	3.0	2.3
Weighted average underlying share price (cents)	1.6	1.6	1.1
Expected share price volatility	130%	130%	100%
Risk free interest rate	0.10%	0.12%	0.27%

Total expenses arising from share-based payment transactions recognised during the period were $858,720 (2019: $231,000)

13. DISCONTINUED OPERATIONS

(a) Minera San Cristabal, S.A.

As a result of the acquisition and focus on the Makuutu Rare Earths Project the Company made a decision to cease activities in Nicaragua and on 30 November the Company reached agreement to sell Minera San Cristobal, S.A. for US$50,000.

(b) Financial Performance and cash flow information.

Minera San Cristabal, S.A. had a cash balance of $11,445 as at 30 November 2020. It had no other assets or liabilities at that time. As a result of deconsolidation, IonicRE derecognised cash of $11,445 in the consolidated statements of financial position. The impact is shown as an outflow of cash in the consolidated cashflow statement under investing activities.

(c) Details of the sale

Consideration (US$50,000)	67,007	-
Less: Commission on sale	(13,571)	-
carrying value of net assets/(liabilities) sold	-	-
Gain on sale before income tax and deconsolidation	53,436	-
Income tax expense	-	-
Gain on sale after income tax expense and before deconsolidation	53,436	-
Loss on deconsolidation	(245,059)	
Loss on sale after deconsolidation	(191,623)	

Directors' Declaration

The directors of the company declare that:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

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

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

T Benson
Chairman
Perth, 12 March 2021

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Australia

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

As lead auditor for the review of Ionic Rare Earths Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 12 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ionic Rare Earths Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Ionic Rare Earths Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 12 March 2021