

30 July 2020

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2020

HIGHLIGHTS

- **Activities resume at Makuutu Rare Earths Project after shutdown due to COVID-19**
 - **Mineral Resource Estimate increased by 53% to 78.6 Million tonnes @ 840 ppm Total Rare Earth Oxide (TREO), at a cut-off grade of 300 ppm TREO-Ce₂O₃**
 - **Optimisation of metallurgical test has resulted in a several fold increase in Rare Earth Element (REE) recovery from some of the lessor performing areas**
 - **Recovery of the high-value Critical Rare Earth Elements (CREE) and Heavy Rare Earth Elements (HREE) continues to be favoured over the lower value Light Rare Earth Elements (LREE)**
 - **Closed a A\$3.5 million capital raising after quarter end**
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Ionic Rare Earths Limited (ASX: IXR) (“IonicRE” or “the Company”) is pleased to provide its Quarterly Report for the period ending **30 June 2020**.

Activities this quarter were hampered as a result of the COVID-19 pandemic, however IonicRE was able to make significant advances on several fronts. The Mineral Resource Estimate for the Makuutu Rare Earths Project (**Makuutu**) was increased by some 53%, important results were obtained from optimisation of metallurgical test-work and further high-grade results were obtained from the short drilling program that started in March.

Makuutu comprises three licences covering approximately 132 km² located some 40 km east of the regional centre of Jinja and 120 km east of the capital city of Kampala (Figures 1 and 2). The area has excellent infrastructure and cell-phone coverage. Tarred (sealed) roads, rail, power and water are all nearby; The area is also readily accessible throughout the year irrespective of weather conditions.

Project geology is similar to the ionic clay-type deposits of southern China where the world’s cheapest and most readily accessible sources of Heavy Rare Earth Oxides (**HREO**) are extracted by rudimentary mining and processing methods.

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



Figure 1. Makuutu Rare Earths Project Location.

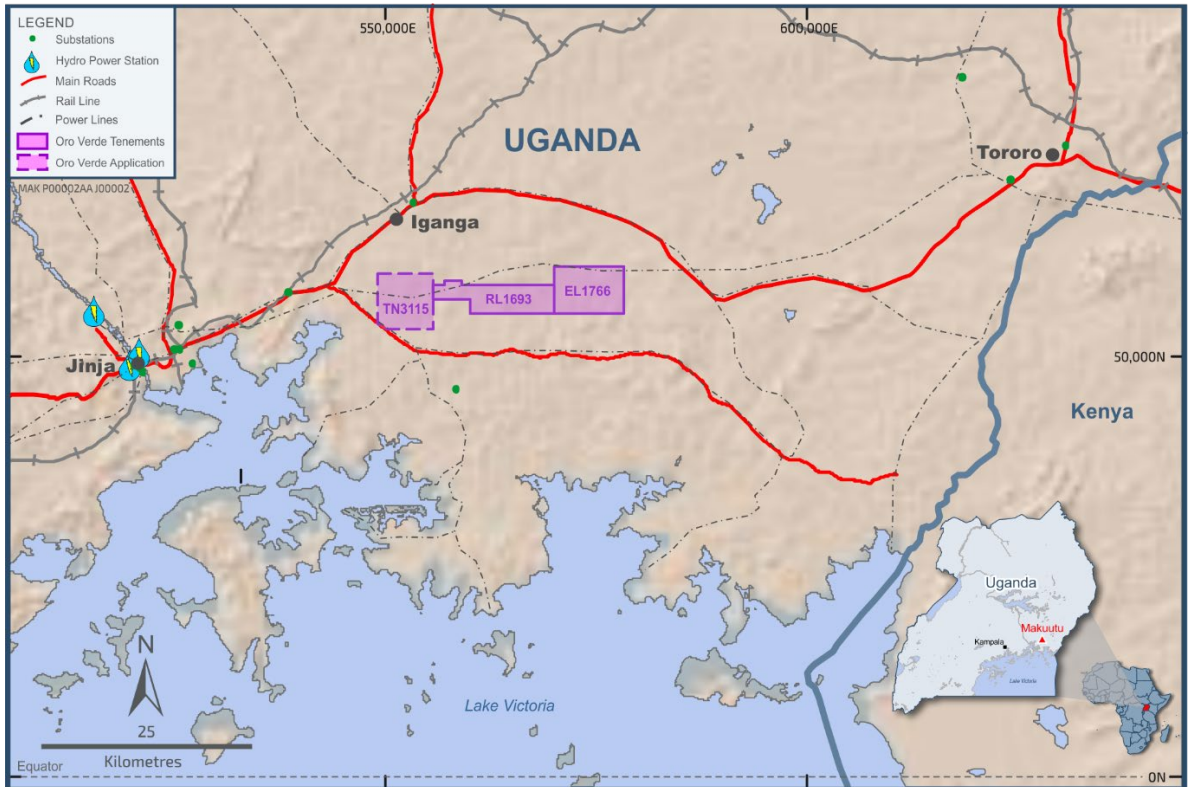


Figure 2. Makuutu Rare Earths Project Tenements and Major Infrastructure.

UPDATED MINERAL RESOURCE ESTIMATE

On 23 June 2020 the Company advised of a significant increase to the Makuutu Rare Earths Project reported Mineral Resource Estimate (MRE) and the initial component of Indicated Resource, being:

Table 1: Makuutu Resource Estimate above 300ppm TREO-Ce₂O₃ Cut-off Grade

Resource Classification	Tonnes (millions)	TREO (ppm)	TREO-Ce ₂ O ₃ (ppm)	LREO (ppm)	HREO (ppm)	CREO (ppm)
Indicated Resource	9.5	750	520	550	200	280
Inferred Resource	69.1	860	620	640	210	320
Total Resource	78.6	840	610	630	210	310

Rounding has been applied to 0.1Mt and 10ppm which may influence grade average calculations. All REO are tabulated in Appendix 1 with formulas defining composition of LREO, HREO and CREO. TREO = Total Rare Earth Oxide

The reported Mineral Resources include only clay and saprolite regolith types with surface hardcap excluded while processing alternatives are tested for this material.

The reported Mineral Resources have been assessed against a resource limiting optimisation shell using appropriate marginal cost, metallurgical recovery, and price assumptions. The shell is contiguous across most of the modelled resource and limited primarily by the extent of the model. Figure 4 is an oblique view looking north west of the clay and saprolite grade model with the limiting shell constraint coloured brown.

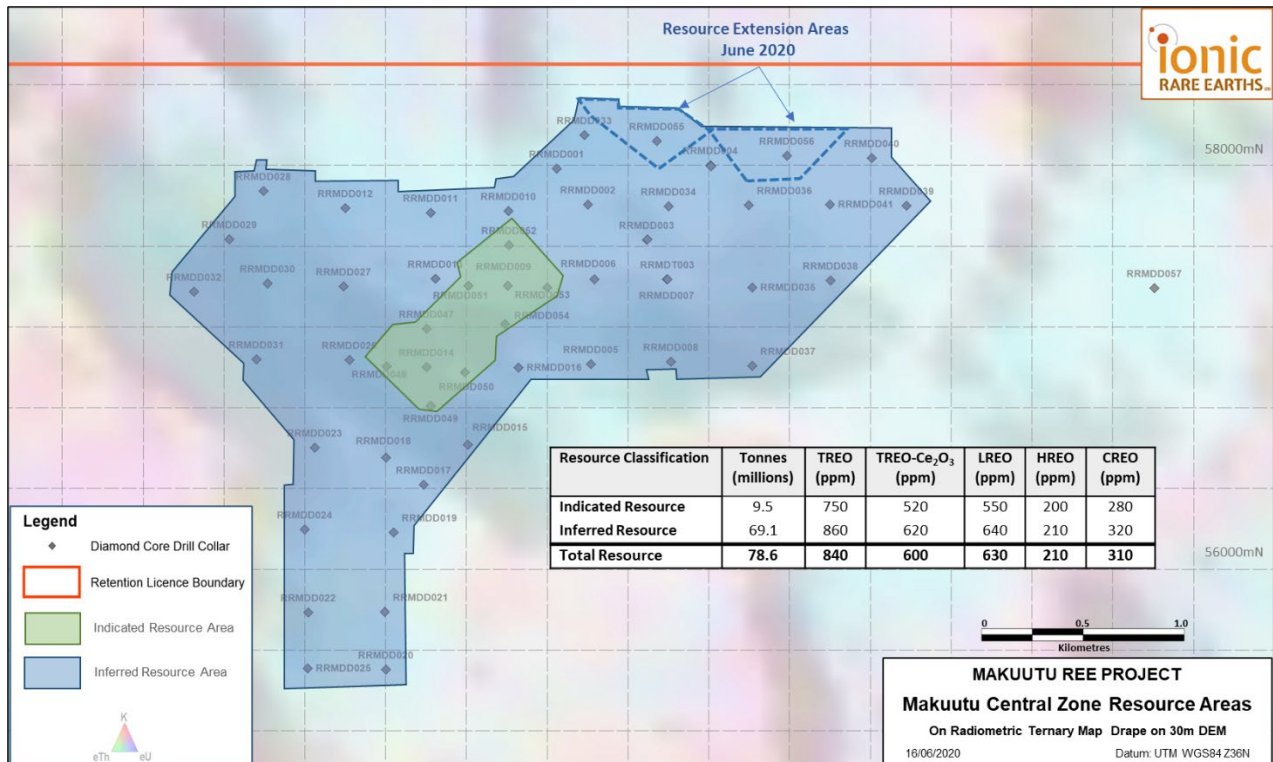


Figure 3: Makuutu Central Zone Plan – Mineral Resource Estimate Areas June 2020.

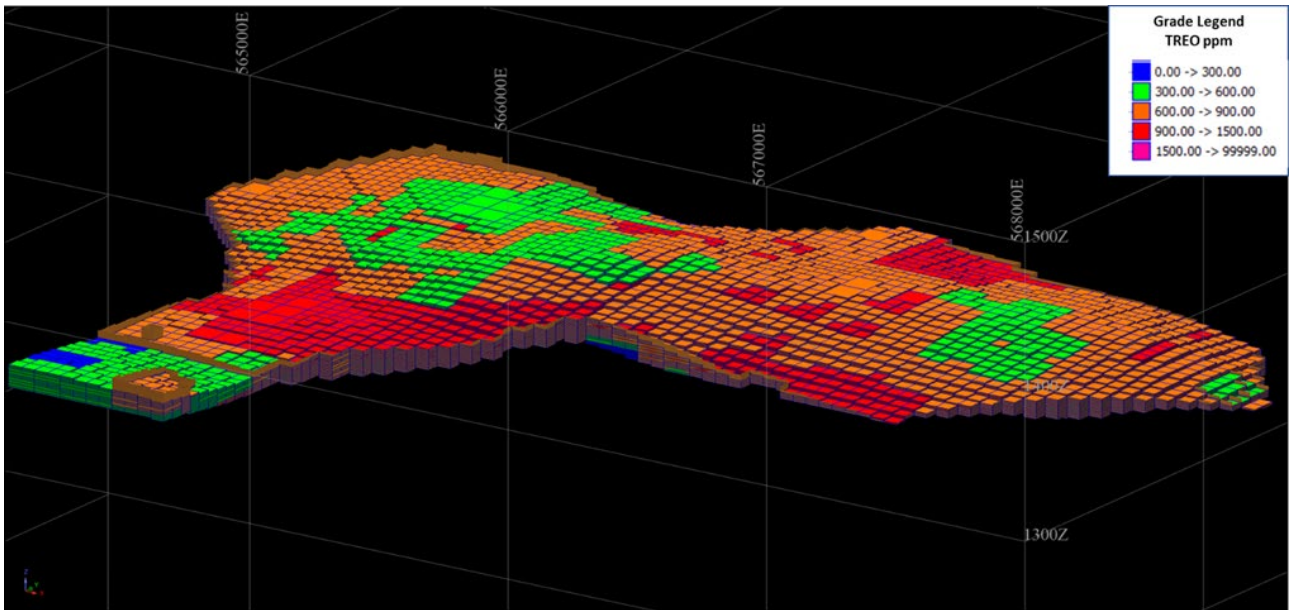


Figure 4: Oblique View Looking North West of Makuutu Resource Model Coloured by TREO ppm with Limiting Shell (Brown).

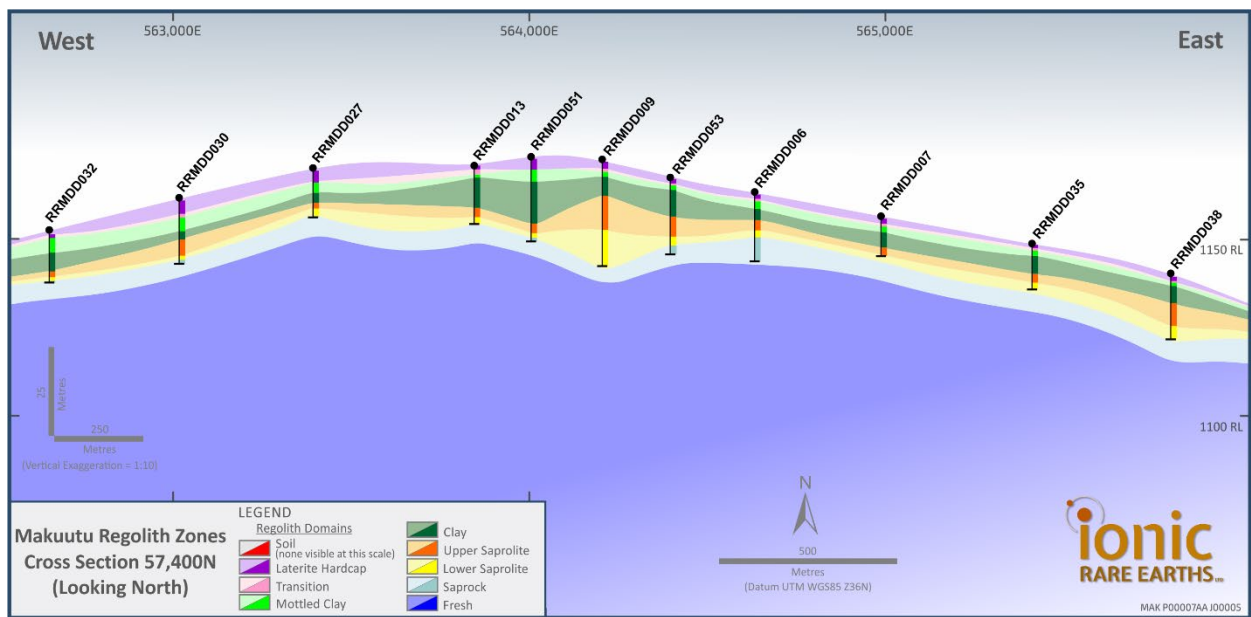


Figure 5: Makuutu Rare Earths Project; Cross Section of Regolith Zones.

DRILLING RESULTS

Prior to the suspension of activities due to the COVID-19 pandemic the Company had completed the drilling of 11 core (diamond) drill holes at Makuutu with results announced to ASX on 28 May 2020.

Of the 11 core holes drilled, eight (8) were infill holes drilled to increase the confidence and classification of the mineral resource and to provide additional metallurgical testwork samples. Three (3) holes were drilled as exploration step outs to validate for extensions to the existing.

Three resource extension holes were completed in the Makuutu Central Zone. The locations are shown in Figure 6.

Holes RRMDD055 and RRMDD056 were drilled several hundred metres to the north of the area defined by the previous mineral resource estimate. Both holes were successful and intercepted good thicknesses of high grade Rare Earth Elements (REE)-bearing mineralised clays which supported resource extension and highlighted potential for further resource growth.

Drill hole RRMDD057 was particularly encouraging by providing a significant clay intercept in an area approximately one (1) kilometre east of the current resource limit.

- RRMDD055: 3.7 metres @ 1,477 ppm TREO from 6.8 metres
- RRMDD056: 9.3 metres @ 753 ppm TREO from 2.6 metres
- RRMDD057: 8.0 metres @ 1,077 ppm TREO from 4.5 metres

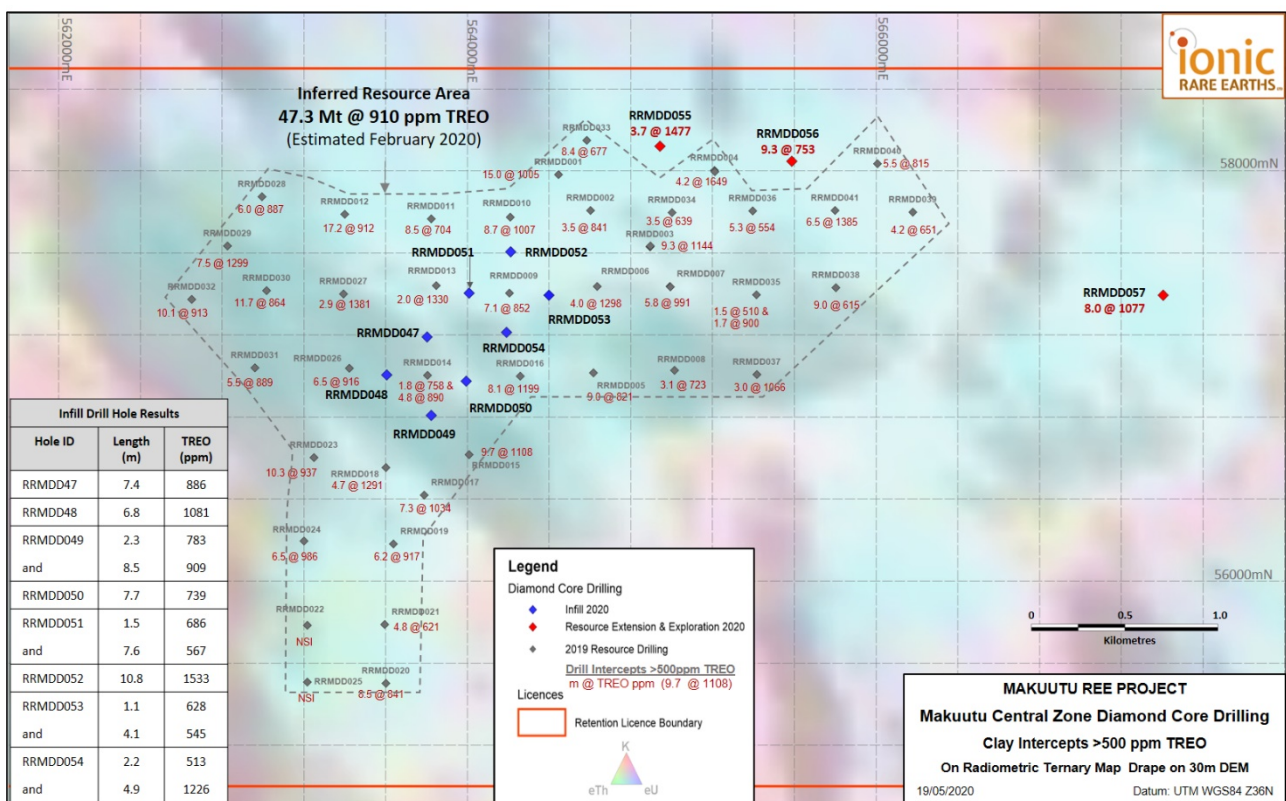


Figure 6: Drilling Location Plan Makuutu REE Project Makuutu Central Zone showing Drill Holes Clay Intercepts >500ppm TREO.

Infill drilling was conducted on the central portion of the previous resource with the aim of providing data on a closer spacing than the existing 400 metre grid. The eight (8) drill holes were centred around, and spaced 200 metres from, holes drilled in 2019.

The clay intersections above 500ppm TREO are summarised below and shown in Figure 6;

- RRMDD047: 7.4 metres @ 886 ppm TREO from 6.30 metres
- RRMDD048: 6.8 metres @ 1,081 ppm TREO from 9.7 metres
- RRMDD049: 2.3 metres @ 783 ppm TREO from 4.60 metres
- RRMDD049: 8.5 metres @ 909 ppm TREO from 6.90 metres
- RRMDD050: 7.7 metres @ 739 ppm TREO from 3.8 metres
- RRMDD051: 1.5 metres @ 686 ppm TREO from 7.7 metres
- RRMDD051: 7.6 metres @ 567 ppm TREO from 12.0 metres
- RRMDD052: 10.8 metres @ 1,533 ppm TREO from 3.6 metres
- RRMDD053: 1.1 metres @ 628 ppm TREO from 4.6 metres
- RRMDD053: 4.1 metres @ 545 ppm TREO from 7.2 metres
- RRMDD054: 2.2 metres @ 513 ppm TREO from 2.4 metres
- RRMDD054: 4.9 metres @ 1,226 ppm TREO from 9.1 metres

METALLURGICAL OPTIMISATION PROGRAM

After an initial metallurgical variability testing program (results announced to ASX on 18 February 2020) the Company commenced an optimisation program to understand the variability in mineralogy and metallurgy across the project mineralisation, and to ultimately drive towards higher recoveries, particularly for poorer performing areas.

Of particular interest was the testing of a composite sample of mineralisation that initially produced low recoveries, uncharacteristic of the broader Makuutu mineralisation. It was found that by lowering the pH of the lixiviant (leaching liquor) and prolonging the extraction time to 14 days – as is applicable to commercial-scale static leach processing operations – the recovery of Rare Earths increased dramatically, with a particular enhancement of the Critical and Heavy Rare Earth recoveries. Figure 7 illustrates the general effect of pH on the dissolution of rare earths in Makuutu Mineralisation.

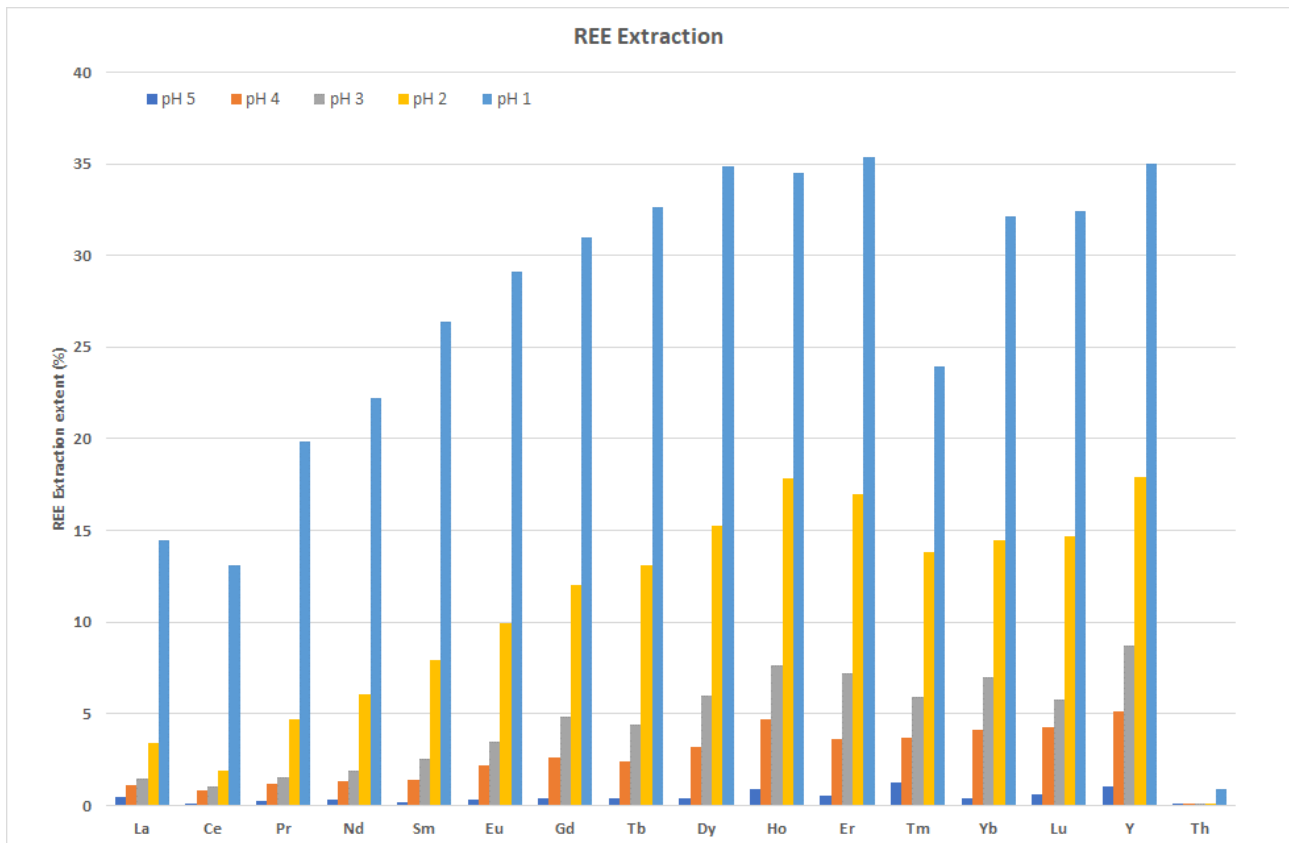


Figure 7: Effect of Lowering Extraction pH on Rare Earth Extraction plus Thorium.

The colloidal REE sediment, formed during the weathering process, exists as an undissolved oxide or hydroxide phase in the ore, that when contacted with acidic conditions, solubilises and releases the REE into the liquor phase.

The key outcomes and results from the optimisation program were:

- In some areas of the Makuutu deposit, a substantive portion of the REE exist in colloidal sediment form (oxides or hydroxides), which has likely resulted from natural weathering processes. Amending the testing procedure so that it is more akin to commercial operations demonstrates that the Rare Earths in the colloidal portion are also recoverable using a slightly more acidified process scheme, together with the easily water-soluble and salt-desorbed ionic form Rare Earths.
- The recovery of high-value REE (Critical and Heavy Rare Earths, ~ 30% recovery) is markedly higher than the low-value Rare Earths (Lanthanum-La and Cerium-Ce, with ~14% recovery). This is favorable both for processing and also for the potential value of the mixed Rare Earth carbonate which will be the nominal product form.
- The leach liquor composition indicates a REE solution composition with > 51% Critical Rare Earth Elements and > 47% Heavy Rare Earth Elements, indicating the potential to produce a very high value mixed Rare Earth product. Figures 8 and 9 show the constituency of REE in the mineralised sample (head) and also in the leach liquor (which is representative of product).

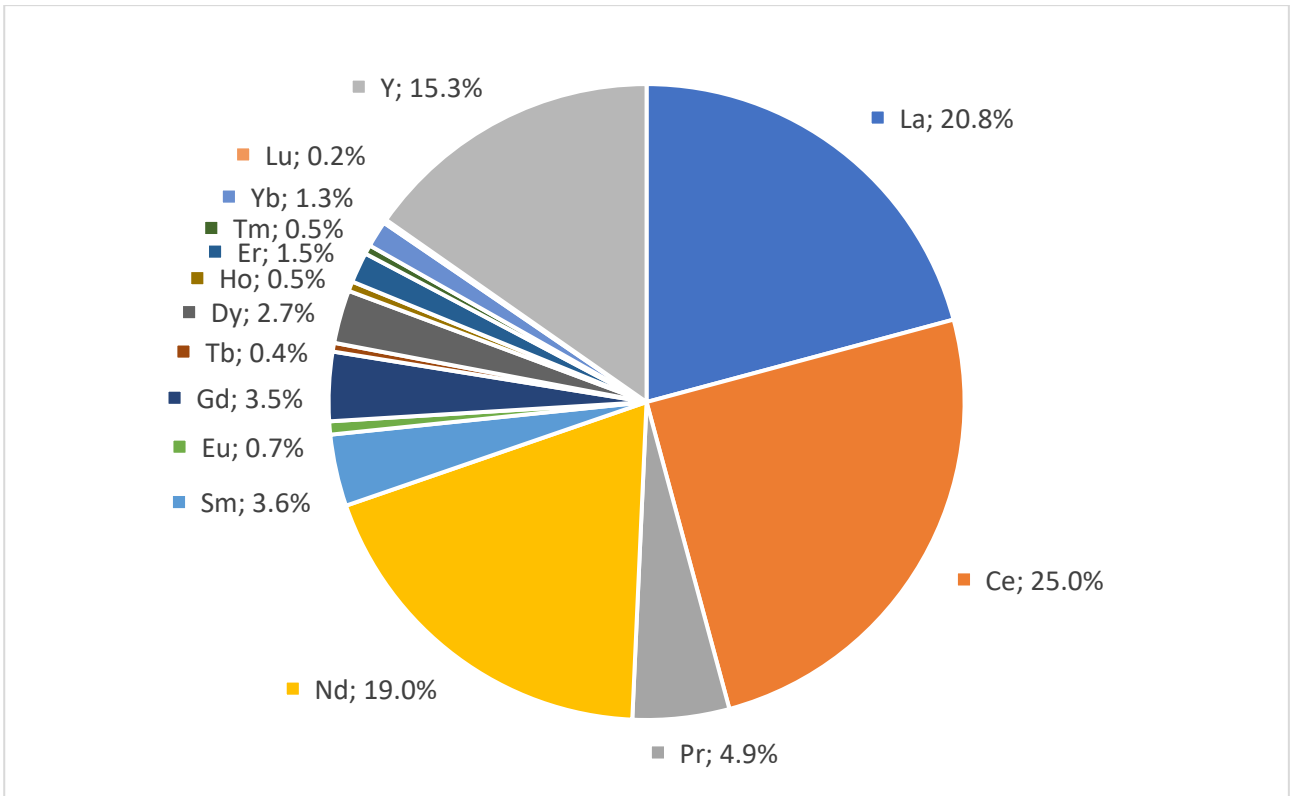


Figure 8: Makuutu testwork Composite head REE distribution.

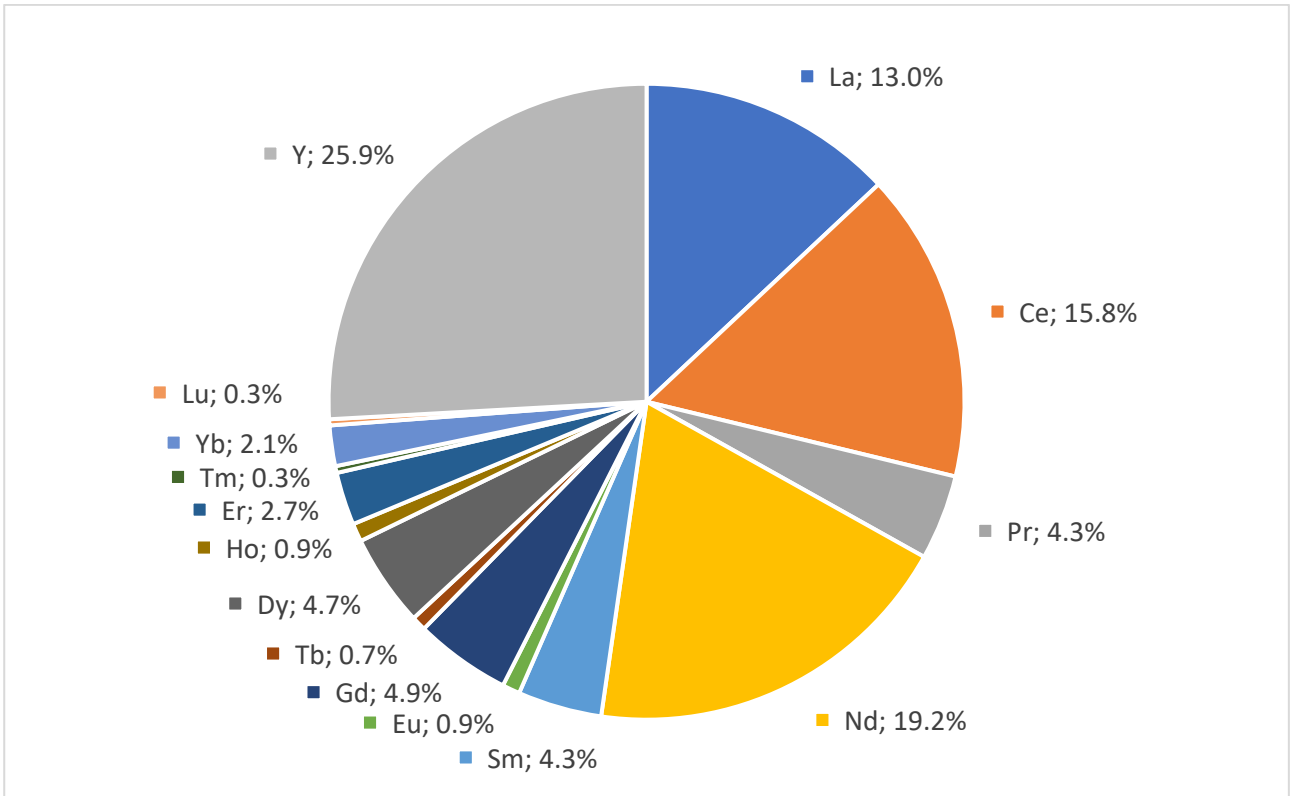


Figure 9: Leach liquor showing extracted REE distribution.

CURRENT PROGRAM

The Company has resumed drilling with two rigs in July following the suspension due to COVID-19 in late March 2020. The drilling will look to further define the Makuutu Rare Earths Project via the following:

- Extension the Makuutu Central Zone resource area initially to the east of the existing resource area;
- Further infill drilling within the area of the current Mineral Resource (on tenement RL 1693) to assess short range REE grade variability for application to resource grade estimation confidence;
- Completion of resource extension / exploration drilling to test the full 26-kilometre mineralisation corridor from Makuutu Eastern Zone to Makuutu Western Zones; and
- Provide samples for metallurgical test-work over a broader area of the Project.

The drilling program, which represents over 3,700 metres of diamond core drilling, will add to the 990 metres of diamond core drilling at Makuutu to date and will cover an area more than three times larger than the current Mineral Resource Estimate area.

Additionally, metallurgical optimisation testwork continues along with activities supporting the Makuutu Rare Earths Scoping Study which the company intends to complete in the December 2020 quarter.

Furthermore, the Company continues to advance discussions with global parties regarding the Makuutu Rare Earths Project, given its strategic importance as a potential low cost source of critical and heavy rare earths.

CORPORATE

After quarter end, on 3 July 2020, the Company issued 312,500,000 shares at \$0.008 each to raise \$2,500,000. The shares were issued to professional and sophisticated investors with Canaccord Genuity (Australia) Limited and Sixty Two Capital Pty Ltd acting as joint lead managers.

At the same time as the announcement of the share placement the Company also announced a Share Purchase Plan (**SPP**) to enable shareholders to purchase shares in the Company at the same price as the shares that had been placed with sophisticated and professional investors. The SPP which sought to raise A\$0.5 million closed over-subscribed on 22 July 2020 with valid applications for A\$1.28 million received. The Company has accepted applications totaling **A\$1.0 million** with SPP applicants being scaled back to this level. As a result, the Company will issue 125,000,036 new shares at A\$0.008 each.

During the quarter the company expensed some \$247,000 on the exploration activities reported above. No mining or exploration concessions were acquired or relinquished during the quarter.

Payments to related parties of the entity and their associates totaled \$63,000 and consisted of \$23,000 Director fees and \$40,000 Executive Service fees.

***** ENDS *****

Authorised for release by Brett Dickson, Company Secretary.

For enquiries, contact: Brett Dickson
Company Secretary
+61 8 9481 2555

Competent Person Statements

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. Oro Verde 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 23 June 2020 and is available to view on www.asx.com.au. Oro Verde 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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

IONIC RARE EARTHS LIMITED

ABN

84 083 646 477

Quarter ended ("current quarter")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(247)	(1,464)
(b) development	-	-
(c) production	-	-
(d) staff costs	(62)	(318)
(e) administration and corporate costs	(115)	(439)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(424)	(2,220)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(148)
2.6	Net cash from / (used in) investing activities	-	(148)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,456
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(159)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other-Advance payment on July issue of securities	210	210
3.10	Net cash from / (used in) financing activities	210	2507
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,044	691
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(424)	(2,220)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(148)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	210	2,507
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	830	830

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	797	1,011
5.2 Call deposits	33	33
5.3 Bank overdrafts		-
5.4 Other (provide details)		-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	830	1,044

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	63
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(424)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(424)
8.4 Cash and cash equivalents at quarter end (item 4.6)	830
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	830
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.95
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes, \$3.5 million raised in July via a share placement (\$2.5M) and an SPP (\$1.0M)	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes, fund raising undertaken in July	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2020

Authorised by: Brett Dickson – Company Secretary
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.