Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2016

Ionic Industries Limited
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30 June 2016

Directors	Mr Simon Savage (CEO and Executive Director) Mr Merlin Allan (Non-Executive Director) Mr Peter Armitage (Non-Executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205
Auditor	Grant Thornton The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
Share register	Link Market Services Limited Level 1, 333 Collins Street Melbourne, VIC 3000 Ph: 1300 554 474

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2016.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Simon Savage (CEO and Executive Director) (appointed 29 April 2016)
Mr Merlin Allan (Non-Executive Director) (appointed 22 July 2016)
Mr Peter Armitage (Non-Executive Director) (appointed 20 June 2016)
Mr Mark Muzzin (CEO and Managing Director) (resigned 15 July 2016)
Dr Anne-Marie Grisogono (Non-Executive Director) (resigned 13 July 2016)
Dr Mainak Majumder (Non-Executive Director) (resigned 29 April 2016)
Mr Robert Riebolge (Non-Executive Chairman) (resigned 29 October 2015)

Principal activities
During the financial year the principal continuing activities of the company consisted of Graphene research and development, conducted a scoping study for the production of graphene oxide with SuperSand as an optional process stream. The company also carried out a review of other potential graphene technologies with its research partners.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the company after providing for income tax amounted to $496,374 (30 June 2015: $334,847).

The net liabilities of the company decreased by $187,922 to $146,913 as at 30 June 2016 (2015: $334,835)

Working capital, being current assets less current liabilities, which is in deficit decreased by $189,658 to $171,344 (30 June 2015: $361,002). The company had negative cash flows from operating activities for the period of $228,642 (30 June 2015: Nil). The total net cash increase during the financial year amounted to $131,066 (30 June 2015: $12) due to the company undertaking seed capital raisings during the year.

Significant changes in the state of affairs
On 30 December 2015, the company issued 5,218,214 fully paid ordinary shares at an issue price of $0.0291 (2.91 cents) raising a total of $151,850 before costs.

On 24 March 2016, the company issued 9,408,249 fully paid ordinary shares at an issue price of $0.0291 (2.91 cents) raising a total of $273,780 before costs.

On 5 April 2016, the company issued 9,547,766 fully paid ordinary shares at an issue price of $0.0291 (2.91 cents) raising a total of $277,840 before costs.

There were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations
The company will continue to pursue its Graphene research and development through its ongoing relationship with Monash University, and through joint venture arrangements to commercialise the technologies with external industry partnerships.

The company's focus for the coming year will be to complete capital raisings or Initial Price Offering (IPO) and list on the Australian Stock Exchange in order to funds its current planned activities.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr Simon Savage
Title:	CEO and Executive Director (appointed 29 April 2016)
Experience and expertise:	Simon has been a key contributor at Ionic over a number of years, supporting the company's strategic planning and partnership initiatives. Simon's experience in business and project management, strategic planning and stakeholder engagement will be critical in focusing Ionic's research efforts, prioritising the commercialisation of our most advanced technologies and concluding partnership agreements.

Name:	Mr Merlin Allan
Title:	Non-Executive Director (appointed 22 July 2016)
Experience and expertise:	Merlin has long experience with technology start-ups, founding several himself and serving as executive and non-executive director in a number of listed and unlisted companies including SMS Management & Technology (ASX:SMX), YourCall Communications and UCMS. He has extensive experience commercialising early-stage technologies, working with universities, driving strategy and managing mergers and acquisitions. Merlin's experience, particularly in commercialising University-born technology, will be of enormous benefit to us.

Name:	Mr Peter Armitage
Title:	Non-Executive Director (appointed 20 June 2016)
Qualifications:	FCA FAICD
Experience and expertise:	Peter Armitage began his professional career over 40 years ago with an international accounting firm, specialising in start-ups and work-outs. After qualification he was invited into partnership of a national firm that he maintained until he set up his own practice in 1978, of which he remains principal. Since the early 1980's he has been a Director of a number of listed exploration companies in both Australia and New Zealand concentrating on fiscal aspects of project modelling and procurement of capital. Recently he has been responsible for a number of successful IPOs supervising Due Diligence and Corporate Governance matters as well as attending to all compliance matters. Mr Armitage has also been involved in various consulting assignments in Peoples Republic of China, Canada, USA, Hong Kong, and UK for Fortune 500 companies. Mr Armitage also holds directorships in ASX listed entities including Strategic Energy Resources (ASX: SER) and Peako Limited (ASX: PKO).

Name:	Mr Mark Muzzin
Title:	CEO and Managing Director (resigned 15 July 2016)
Experience and expertise:	Mr Mark Muzzin has had more than 20 years of commercial experience working with both Australian and international public and private companies. After obtaining a Bachelor of Arts degree from La Trobe University in Melbourne, Australia, he began his career in a London stockbroking firm. Mr Muzzin has consulted for two of the big four Australian banks in the share custodian area, and has been involved in numerous capital raisings for resource companies. He has also acted as consultant to many junior and mid cap energy and minerals companies. Mr Muzzin has served as General Manager for a number of public companies and has held the position of CEO for ASX-listed company Strategic Energy Resources (SER) since December 2008.

Name:	Dr Anne-Marie Grisogono
Title:	Non-Executive Director (resigned 13 July 2016)
Experience and expertise:	Dr Anne-Marie Grisogono is a physicist with over 30 years of experience in applied research and development and research management, including 15 years as a Research Leader in the Defence Science and Technology Organisation (DSTO). She has led scientific support for the Army's acquisition of the Tiger armed reconnaissance helicopter, worked with Army Headquarters to reframe the Army's approach to strategic planning and R&D prioritisation and management, and has held national and international leadership roles within DSTO in the fields of simulation, systems engineering and systems science, human sciences and complexity science. She is currently a member of the Australian Research Council's College of Experts, and now holds a visiting research position in the Melbourne Business School at Melbourne University and an adjunct professorial appointment in the Faculty of Computer Science, Engineering and Mathematics at Flinders University.

Name:	Associate Professor Mainak Majumder
Title:	Non-Executive Director (resigned 29 April 2016)
Experience and expertise:	Associate Professor Mainak Majumder is a Senior Lecturer at the Department of Mechanical and Aerospace Engineering at Monash University and is the Group Leader of the Nanoscale Science and Engineering Laboratory (NSEL). He holds a Master's degree from Institute of Technology-Banaras Hindu University and was a staff scientist at CSIR, India from 2001-03. He obtained his PhD in 2007 from the University of Kentucky, USA and obtained postdoctoral training at Rice University, Texas USA on carbon nanomaterials.

Name:	Mr Robert Riebolge
Title:	Non-Executive Chairman (resigned 29 October 2015)
Experience and expertise:	Mr Riebolge read engineering at Adelaide University gaining a BE (Hons) and continued post graduate studies at the City University, London obtaining an MSc (Distinction) and fulfilling part requirements for a PhD. Mr Riebolge is a Fellow of the Institution of Engineers, Australia, has been a Member of the Academic Board of the Australian Institute of Management, SA Chapter and has been an Adjunct Lecturer in the MBA programmes of the University of Adelaide and the University of South Australia. Mr Riebolge has delivered tailored courses in Project Appraisal, Cost Benefit Analysis, Project Management and Contract Management in Australia, Fiji, Hong Kong, Malaysia, Samoa and Singapore. Mr Riebolge is an international expert in the optimal economic configuration of electricity systems with a large proportion of renewables and storage in their energy mix having undertaken cost benefit studies of hydroelectric schemes in Burundi, Iceland, Indonesia, Rawanda, Surinam, Tanzania and Turkey. Recently, Mr Riebolge completed the documentation of nearly 10 years of trialling the transformation of legacy electricity grids to smart grids and beyond that employs evolving technology, demand side participation methodologies and techniques and distributed generation and storage.

Company secretary

Ms Melanie Leydin (resigned 6 October 2016)
Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bio science and biotechnology sector.

Melanie has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Mr Justin Mouchacca
Mr Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been the principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sectors.

Justin has over 9 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Mark Muzzin	4	4
Ms Anne-Marie Grisogono	4	4
Mr Mainak Majumder	3	3
Mr Robert Riebolge	1	1
Mr Simon Savage	1	1
Mr Peter Armitage	1	1
Mr Merlin Allan	-	-

Held: represents the number of meetings held during the time the director held office.

Shares under option

There were no unissued ordinary shares of Ionic Industries Limited under option outstanding at the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of amounts
Ionic Industries Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Simon Savage
CEO & Executive Director

28 October 2016

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Auditor's Independence Declaration
To the Directors of Ionic Industries Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ionic Industries Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 28 October 2016

Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	2016 $	2015 $
Other income			
Research & development tax concession	4	428,235	33,000
Expenses			
Corporate expenses		(223,726)	(37,715)
Employee benefits expense		(354,646)	(84,173)
Depreciation expense		(483)	(40)
Other expenses		(80,067)	(89,180)
Finance costs		(13,107)	(8,798)
Research and development costs		(252,580)	(147,941)
Loss before income tax expense		(496,374)	(334,847)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(496,374)	(334,847)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Ionic Industries Limited		(496,374)	(334,847)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Ionic Industries Limited
Statement of financial position
As at 30 June 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	6	131,078	12
Trade and other receivables	7	274,672	46,842
Total current assets		405,750	46,854
Non-current assets			
Property, plant and equipment	8	25,684	26,167
Total non-current assets		25,684	26,167
Total assets		431,434	73,021
Liabilities			
Current liabilities			
Trade and other payables	9	554,732	77,200
Borrowings	10	-	330,656
Employee benefits		22,362	-
Total current liabilities		577,094	407,856
Non-current liabilities			
Employee benefits		1,253	-
Total non-current liabilities		1,253	-
Total liabilities		578,347	407,856
Net liabilities		(146,913)	(334,835)
Equity			
Issued capital	11	684,308	12
Accumulated losses		(831,221)	(334,847)
Total deficiency in equity		(146,913)	(334,835)

The above statement of financial position should be read in conjunction with the accompanying notes

Ionic Industries Limited
Statement of changes in equity
For the year ended 30 June 2016

	Issued capital $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2014	12	-	12
Loss after income tax expense for the year	-	(334,847)	(334,847)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(334,847)	(334,847)
Balance at 30 June 2015	12	(334,847)	(334,835)

	Issued capital $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2015	12	(334,847)	(334,835)
Loss after income tax expense for the year	-	(496,374)	(496,374)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(496,374)	(496,374)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 11)	684,296	-	684,296
Balance at 30 June 2016	684,308	(831,221)	(146,913)

The above statement of changes in equity should be read in conjunction with the accompanying notes

Ionic Industries Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from R&D refund		206,567	-
Payments to suppliers and employees (inclusive of GST)		(435,209)	-
Net cash used in operating activities		(228,642)	-
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	11	703,470	-
Proceeds from borrowings		381,244	-
Repayment of borrowings		(703,101)	-
Financing expenses		(21,905)	-
Net cash from financing activities		359,708	-
Net increase in cash and cash equivalents		131,066	-
Cash and cash equivalents at the beginning of the financial year		12	12
Cash and cash equivalents at the end of the financial year	6	131,078	12

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

Ionic Industries Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
South Melbourne
VIC 3205

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 October 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

Going concern

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

During the financial year ended 30 June 2016, the company incurred a loss after tax of $496,374 (2015: $334,847) and had net cash outflows from operating activities of $228,642 (2015: Nil). At 30 June 2016 the company had net liabilities of $146,913 (30 June 2015: $334,835). The cash balance as at 30 June 2016 was $131,078 (30 June 2015: $12).

The company currently does not have a source of income and in order to continue as a going concern is therefore reliant on achieving a combination of the following:

- Securing additional funding through capital or debt raisings;
- Completing an Initial Price Offering (IPO);
- Receiving a Research & development tax concession refund which the company has lodged amounting to $254,668 and is expected to be received in the second quarter of FY17.

The ability of the company to continue as a going concern is dependent upon the continuing financial support of the creditors (including former directors), until such time as the company derives sufficient revenue or successfully raises sufficient capital to discharge the amounts owed. As at the date of signing the financial report, no letter of demand has been received from these creditors.

The directors believe that the company will be able to continue as a going concern on the basis that there is a plan to raise capital through further interim capital raisings or an Initial Public Offering (IPO) and also in conjunction with the directors agreeing not to request payment of the amounts owing to them for directors’ fees. These initiatives will be adequate to ensure enough cash resources are available to continue to fund operating costs.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government subsidies
Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measureable. As the estimate is reliably measurable, the R&D tax incentive has measured on an accruals basis.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 2. Significant accounting policies (continued)

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
Office and computer equipment	3-7 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 2. Significant accounting policies (continued)

Research and development
Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on any development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product is technically feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Note 2. Significant accounting policies (continued)

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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2016. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax
The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Research & Development refund recognition
The company is entitled to a research & development refund and has taken the approach of accruing the expected refund based off what management expects to receive when the claim is submitted at a later date.

Note 4. Other income

During the financial year the following R&D revenues were recognised; the R&D refund pertains to R&D expenses incurred in the 2015 and 2016 financial year.

	2016	2015
R&D refund (2016 expenses incurred)	254,668	-
R&D refund (2015 expenses incurred)	173,567	33,000
Total R&D refund recognised	428,235	33,000

Note 5. Income tax expense

	2016 $	2015 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(496,374)	(334,847)
Tax at the statutory tax rate of 28.5% (2015: 30%)	(141,467)	(100,454)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Prior year tax losses recognised as a benefit	(3,429)	-
Current year temporary differences not recognised	101,735	22,830
Net tax impact from non-deductible R&D expenses and non-assessable R&D rebate	39,242	-
Other non-assessable items	2,513	46,401
Change in brought forward tax losses and temporary differences due to change in Australian tax rate	1,406	-
	-	(31,223)
Income tax losses carried forward not taken up as a benefit	-	31,223
Income tax expense	-	-

	2016 $	2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	92,649	104,077
Potential tax benefit @ 28.5% (2015: 30%)	26,405	31,223

The company has elected to apply the small business concessional income tax rate of 28.5% in determining the amount of deferred tax assets not recognised.

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law, and

(iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

Note 5. Income tax expense (continued)

	2016 $	2015 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	26,405	31,223
Temporary differences	124,565	22,830
Total deferred tax assets not recognised	150,970	54,053

Note 6. Current assets - cash and cash equivalents

	2016 $	2015 $
Cash at bank	131,078	12

Note 7. Current assets - trade and other receivables

	2016 $	2015 $
Prepayments	8,883	-
R&D tax incentive receivable	254,668	33,000
GST receivable	11,121	13,842
	274,672	46,842

Due to the short term nature of the receivables, their carrying value is assumed to be approximately their fair value. No collateral or security is held. The consolidated entity has financial risk management policies in place to ensure that all receivable are received within the credit timeframe.

Note 8. Non-current assets - property, plant and equipment

	2016 $	2015 $
Plant and equipment - at cost	25,000	25,000
Computer equipment - at cost	1,207	1,207
Less: Accumulated depreciation	(523)	(40)
	684	1,167
	25,684	26,167

Note 8. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Property & equipment $	Computer equipment $	Total $
Balance at 1 July 2014	-	-	-
Additions	25,000	1,207	26,207
Depreciation expense	-	(40)	(40)
Balance at 30 June 2015	25,000	1,167	26,167
Depreciation expense	-	(483)	(483)
Balance at 30 June 2016	25,000	684	25,684

Note 9. Current liabilities - trade and other payables

	2016 $	**2015 $**
Trade payables	166,046	29,200
Other payables	388,686	48,000
	554,732	77,200

Refer to note 13 for further information on financial instruments.

Included in other payables is $303,632 owing to current and previous Directors of the company accrued Directors fees to 30 June 2016. The company will not pay these fees until such time where sufficient funds become available or if agreed and approved the company may issue shares in consideration for accrued fees.

Note 10. Current liabilities - borrowings

	2016 $	**2015 $**
Loan from Strategic Energy Resources Limited	-	330,656

Refer to note 13 for further information on financial instruments.

The company had in place a Bridging Loan Agreement with Strategic Energy Resources Limited, of which it demerged from on 22 June 2015. At 30 June 2015 the company had been advanced $330,656 inclusive of accrued interest. The terms of the Bridging Loan Agreement state that the loan is to repaid in full by Ionic Industries Limited on or before 31 December 2015 or such other date as agreed by the two companies and stipulates an interest rate of 7%. This loan was subsequently repaid during the financial year.

Note 11. Equity - issued capital

	2016 Shares	**2015 Shares**	**2016 $**	**2015 $**
Ordinary shares - fully paid	459,952,355	435,778,126	684,308	12

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2014	12		12
Demerger shares issued	22 June 2015	435,778,114	-	-
Balance	30 June 2015	435,778,126		12
Fully paid ordinary shares	30 December 2015	5,218,214	$0.0291	151,850
Fully paid ordinary shares	24 March 2016	9,408,249	$0.0291	273,780
Fully paid ordinary shares	5 April 2016	9,547,766	$0.0291	277,840
Capital raising costs		-	-	(19,174)
Balance	30 June 2016	459,952,355		684,308

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 12. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 13. Financial instruments

Financial risk management objectives
The company's activities expose it to a number of financial risks: market risk (including interest rate risk) and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis for credit risk.

Risk management is carried out by the board of directors as a whole ('the Board'). The Board identifies and analyses the risk exposure of the company and appropriate procedures, controls and risk limits. The Board also identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a monthly basis.

Note 13. Financial instruments (continued)

Market risk

Foreign currency risk
The consolidated entity is not exposed to foreign currency risk.

Price risk
The company is not exposed to any significant price risk.

Interest rate risk
The consolidated entity is not exposed to any significant interest rate risk.

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-	554,732	-	-	-	554,732
Total non-derivatives		554,732	-	-	-	554,732

2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-	77,200	-	-	-	77,200
Borrowings	7.00%	330,656	-	-	-	330,656
Total non-derivatives		407,856	-	-	-	407,856

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 14. Key management personnel disclosures

Directors
The following persons were directors of Ionic Industries Limited during the financial year:

Non-Executive Directors

Mr Merlin Allan	(Appointed 22 July 2016)
Mr Peter Armitage	(Appointed 20 June 2016)
Dr Anne-Marie Grisogono	(Resigned 13 July 2016)
Dr Mainak Majumder	(Resigned 29 April 2016)
Mr Robert Riebolge	(Resigned 29 October 2015)

Executive Directors

Mr Simon Savage	(Appointed 29 April 2016)
Mr Mark Muzzin	(Resigned 15 July 2016)

Compensation
The compensation made to directors and other members of key management personnel of the company is set out below:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Anne-Marie Grisogono	65,000	-	-	-	-	-	65,000
Mainak Majumder	50,000	-	-	-	-	-	50,000
Peter Armitage	1,833	-	-	-	-	-	1,833
Robert Riebolge	13,333	-	-	-	-	-	13,333
Executive Directors:							
Mark Muzzin*	186,037	-	-	4,827	-	-	190,864
Simon Savage	10,000	-	-	-	-	-	10,000
	326,203	-	-	4,827	-	-	331,030

* Amount accrued as at 30 June 2016 equated to $123,465.

Refer to information above regarding the period in which each director was an officer of the company.

All amounts in the summary above, unless otherwise stated, have been accrued as at 30 June 2016. The company will not pay the amounts to current or former Directors until such time as the Company has sufficient funds to do so.

Note 15. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd , the auditor of the company:

	2016 $	2015 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	10,000	8,000

Note 16. Contingent liabilities

There were no contingent liabilities at 30 June 2015 and 30 June 2016.

Note 17. Related party transactions

Parent entity
Ionic Industries Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 14.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
At 30 June 2016 a total of $303,632 of accrued fees for current and former directors has been included in other payables. The directors have agreed the company will not pay these fees until such time where sufficient funds become available. The directors are also considering the settlement of the fees through the issue of shares in the company (subject to shareholder approval) to conserve cash levels.

Loans to/from related parties
The company had in place a Bridging Loan Agreement with Strategic Energy Resources Limited, of which it demerged from on 22 June 2015. At 30 June 2015 the company had been advanced $330,656 inclusive of accrued interest. The terms of the Bridging Loan Agreement state that the loan is to repaid in full by Ionic Industries Limited on or before 31 December 2015 or such other date as agreed by the two companies and stipulates an interest rate of 7%. This loan was subsequently repaid during the financial year.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 18. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Ionic Industries Limited
Directors' declaration
30 June 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Simon Savage
CEO & Executive Director

28 October 2016

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Independent Auditor's Report

To the Members of Ionic Industries Limited

We have audited the accompanying financial report of Ionic Industries Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

Directors' Responsibility 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. The Directors' responsibility also includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a the financial report of Ionic Industries Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the Corporations Regulations 2001.

Emphasis of Matter

Without qualification to the audit opinion expressed above, we draw attention to Note 2 of the financial report, which notes net cash outflows from operating activities of $228,642 and a closing cash balance of $131, 078 as at 30 June 2016. This condition, along with other matters set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 28 October 2016