Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2017

Ionic Industries Limited
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Corporate directory
30 June 2017

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 Audit Pty Ltd The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
Website	www.ionicindustries.com.au
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2017.

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)
Mr Merlin Allan (Non-Executive Director) (appointed 22 July 2016)
Mr Peter Armitage (Non-Executive Director)
Mr Mark Muzzin (CEO and Managing Director) (resigned 15 July 2016)
Dr Anne-Marie Grisogono (Non-Executive Director) (resigned 13 July 2016)

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 $557,433 (30 June 2016: $496,374).

The net assets of the company increased by $474,951 to $328,038 as at 30 June 2017 (2016: $146,913 net liabilities)

Working capital, being current assets less current liabilities, increased by $478,283 to $306,939 (30 June 2016: deficit $171,344). The company had negative cash flows from operating activities for the period of $440,732 (30 June 2016: $228,642). The total net cash increase during the financial year amounted to $292,250 (30 June 2016: $131,066) due to the company undertaking seed capital raisings during the year.

Significant changes in the state of affairs

During the financial year, the company issued 6,825,831 shares at an issue price of $0.0291 per share to settle director fees in Feb 2017. And on 30 June 2017, the company issued additional 10,000,000 shares at issue price of $0.01 per share to settle director fees and supplier liabilities.

On 27 April 2017, the Company lodged an Offer Information Statement (OIS) with the Australian Securities and Investments Commission, in relation to a Non-renounceable Rights Issue (Rights Issue) offer to eligible shareholders. In accordance with the Rights Issue Offer, the Company offered eligible shareholders the ability to apply for 1 new share for every 2 shares held at the record date at an issue price of $0.01 (1 cent) per share with 1 free attaching option proposed to be issued for each new share applied for. The options were to be issued with an exercise price of $0.02 (2 cents) per option and an expiry date of 30 June 2020. If fully subscribed, the Rights Issue would have raised $2,299,761.

The Company also proposed to offer a general offer in accordance with the OIS to raise an additional $500,000 through a general offer.

In late June 2017,following the receipt of valid acceptances from shareholders and applicants through the general offer, the company issued 73,375,202 ordinary shares at an issue prices of $0.01(1 cent) per share , the share issue raised a total of $733,752 (before costs) and 73,375,202 unlisted options. .

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

On 9 October 2017, the company issued 28,950,805 shares at an issue price of $0.01 (1 cent) per share, raising $289,508.05 and issued 28,950,805 free attaching options exercisable at $0.02 (2 cents) per option on or before 30 June 2020.

On 9 October 2017 the Company issued 157,000 fully paid ordinary shares upon the exercise of 157,000 options at an issue price of $0.02 (2 cents) per option. The Company also issued 1,000,000 fully paid ordinary shares in order to satisfy outstanding liabilities amounting to $10,000.

No other matter or circumstance has arisen since 30 June 2017 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 and consider an Initial Price Offering (IPO) and list on the Australian Stock Exchange in order to fund 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
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 , UCMS and Zetta Group Pty Ltd. 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
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 and non-listed entities Peako Limited (ASX: PKO) and Enegex Limited (appointed 11 April 2017) and was director of Strategic Energy Resources (ASX: SER) until 10 October 2017.

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) till March 2016.

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.

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 (appointed 15 August 2015)

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 8 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 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Mark Muzzin	2	2
Mr Simon Savage	10	10
Mr Peter Armitage	10	10
Mr Merlin Allan	8	8

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

Shares under option
Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
26/06/2017	30/06/2020	$0.02	73,218,204
09/10/2017	30/06/2020	$0.02	28,950,805
			102,169,009

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of the company were issued on 9 of October 2017 on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
26/06/2017	$0.02	157,000

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.

Ionic Industries Limited
Directors' report
30 June 2017

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

30 October 2017

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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 2017, 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

A R J Nathanielsz
Partner - Audit & Assurance

Melbourne, 30 October 2017

Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Other income			
Research & development tax concession	4	197,686	428,235
Other - Technology Licence Grant		20,000	-
Interest Received		24	-
		217,710	428,235
Expenses			
Corporate expenses		(246,306)	(223,726)
Employee benefits expense		(199,170)	(354,646)
Depreciation expense		(4,054)	(483)
Other expenses		(36,164)	(80,067)
Finance costs		(772)	(13,107)
Research and development costs		(288,677)	(252,580)
Loss before income tax expense		(557,433)	(496,374)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(557,433)	(496,374)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Ionic Industries Limited		(557,433)	(496,374)

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 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	6	423,328	131,078
Trade and other receivables	7	227,387	274,672
Total current assets		650,715	405,750
Non-current assets			
Plant and equipment	8	21,630	25,684
Total non-current assets		21,630	25,684
Total assets		672,345	431,434
Liabilities			
Current liabilities			
Trade and other payables	9	334,318	554,732
Employee benefits		9,458	22,362
Total current liabilities		343,776	577,094
Non-current liabilities			
Employee benefits		531	1,253
Total non-current liabilities		531	1,253
Total liabilities		344,307	578,347
Net assets/(liabilities)		328,038	(146,913)
Equity			
Issued capital	10	1,716,692	684,308
Accumulated losses		(1,388,654)	(831,221)
Total equity/(deficiency)		328,038	(146,913)

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 2017

	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 10)	684,296	-	684,296
Balance at 30 June 2016	684,308	(831,221)	(146,913)

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2016	684,308	(831,221)	(146,913)
Loss after income tax expense for the year	-	(557,433)	(557,433)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(557,433)	(557,433)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 10)	1,032,384	-	1,032,384
Balance at 30 June 2017	1,716,692	(1,388,654)	328,038

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 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from research and development tax concession		254,668	206,567
Receipts from Licence Grant		20,000	-
Payments to suppliers and employees (inclusive of GST)		(715,400)	(435,209)
Net cash used in operating activities		(440,732)	(228,642)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	10	733,752	703,470
Proceeds from borrowings		-	381,244
Repayment of borrowings		-	(703,101)
Financing expenses		(770)	(21,905)
Net cash from financing activities		732,982	359,708
Net increase in cash and cash equivalents		292,250	131,066
Cash and cash equivalents at the beginning of the financial year		131,078	12
Cash and cash equivalents at the end of the financial year	6	423,328	131,078

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 30 October 2017. 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 either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the new or amended 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 2017, the company incurred a loss after tax of $557,433 (2016: $496,374) and had net cash outflows from operating activities of $440,732 (2016: $228,642). At 30 June 2017 the company had net assets of $328,038 (30 June 2016: $146,913 net liabilities). The cash balance as at 30 June 2017 was $423,328 (30 June 2016: $131,078).

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 Public Offering (IPO);
- Receiving a Research & development tax concession refund for the 2017 financial year.
- Commercialization of proprietary of technology.

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 director’s fees. These initiatives will be adequate to ensure enough cash resources are available to continue to fund operating costs.

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 Company 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.

Note 2. Significant accounting policies (continued)

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.

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').

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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 2017. 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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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 2016 R&D refund pertains to R&D expenses incurred in the 2015 and 2016 financial year.

	2017	2016
R&D refund	197,686	428,235

Note 5. Income tax expense

	2017 $	2016 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(557,433)	(496,374)
Tax at the statutory tax rate of 27.5% (2016: 28.5%)	(153,294)	(141,467)
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	134,763	101,735
Net tax impact from non-deductible R&D expenses and non-assessable R&D rebate	25,023	39,242
Other non-assessable items	-	2,513
Change in brought forward tax losses and temporary differences due to change in Australian tax rate	(4,371)	1,406
	2,121	-
Prior year tax losses not recognised now recouped	(2,121)	-
Income tax expense	-	-

	2017 $	2016 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,356,428	92,649
Potential tax benefit @ 27.5% (2016: 28.5%)	373,018	26,405

Note 5. Income tax expense (continued)

The company has elected to apply the small business concessional income tax rate of 27.5% 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 company 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.

	2017 $	2016 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	373,018	26,405
Temporary differences	95,015	124,565
Total deferred tax assets not recognised	468,033	150,970

Note 6. Current assets - cash and cash equivalents

	2017 $	2016 $
Cash at bank	423,328	131,078

Accounting policy for 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.

Note 7. Current assets - trade and other receivables

	2017 $	2016 $
Prepayments	10,240	8,883
R&D tax incentive receivable	197,686	254,668
GST receivable	19,461	11,121
	227,387	274,672

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 Company has financial risk management policies in place to ensure that all receivable are received within the credit timeframe.

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

Note 8. Non-current assets - plant and equipment

	2017 $	2016 $
Plant and equipment - at cost	25,000	25,000
Less: Accumulated depreciation	(3,571)	-
	21,429	25,000
Computer equipment - at cost	1,207	1,207
Less: Accumulated depreciation	(1,006)	(523)
	201	684
	21,630	25,684

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

	Plant & equipment $	Computer equipment $	Total $
Balance at 1 July 2015	25,000	1,167	26,167
Depreciation expense	-	(483)	(483)
Balance at 30 June 2016	25,000	684	25,684
Depreciation expense	(3,571)	(483)	(4,054)
Balance at 30 June 2017	21,429	201	21,630

Accounting policy for 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.

Note 9. Current liabilities - trade and other payables

	2017 $	2016 $
Trade payables	155,451	166,046
Other payables	178,867	388,686
	334,318	554,732

Refer to note 12 for further information on financial instruments.

Note 9. Current liabilities - trade and other payables (continued)

Included in other payables is $157,796 owing to current Directors of the company accrued Directors fees to 30 June 2017. 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.

Accounting policy for 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.

Note 10. Equity - issued capital

	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares - fully paid	550,153,388	459,952,355	1,716,692	684,308

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 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
Fully paid ordinary shares	21 February 2017	63,001	$0.0291	1,833
Fully paid ordinary shares	21 February 2017	343,643	$0.0291	10,000
Fully paid ordinary shares	28 February 2017	6,419,187	$0.0291	186,799
Fully paid ordinary shares	30 June 2017	83,375,202	$0.01	833,752
Balance	30 June 2017	550,153,388		1,716,692

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 10. Equity - issued capital (continued)

Accounting policy for issued capital
Ordinary shares are classified as equity.

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

Note 11. Equity - dividends

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

Note 12. 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.

Market risk

Foreign currency risk
The Company is not exposed to foreign currency risk.

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

Interest rate risk
The Company 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.

Note 12. Financial instruments (continued)

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.

2017	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	-	334,318	-	-	-	334,318
Total non-derivatives		334,318	-	-	-	334,318

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

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 13. 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	
Dr Anne-Marie Grisogono	(Resigned 13 July 2016)
Executive Directors	
Mr Simon Savage	
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:

	2017 $	**2016 $**
Short-term employee benefits	239,597	326,203
Post-employment benefits	6,507	4,827
	246,104	331,030

Note 13. Key management personnel disclosures (continued)

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

Of amounts in the summary above, $157,796 have been accrued as at 30 June 2017(2016:$123,465). 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 14. 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:

	2017 $	2016 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	32,500	10,000

Note 15. Contingent liabilities

There were no contingent liabilities at 30 June 2016 and 30 June 2017.

Note 16. 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 13.

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 2017 a total of $157,796 (2016:$123,465) 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
There were no loans to or from related parties at the current and previous reporting date.

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

Note 17. Events after the reporting period

On 9 October 2017, the company issued 28,950,805 shares at an issue price of $0.01 (1 cent) per share, raising $289,508 and issued 28,950,805 free attaching options exercisable at $0.02 (2 cents) per option on or before 30 June 2020.

On 9 October 2017 the Company issued 157,000 fully paid ordinary shares upon the exercise of 157,000 options at an issue price of $0.02 (2 cents) per option. The Company also issued 1,000,000 fully paid ordinary shares in order to satisfy outstanding liabilities amounting to $10,000.

No other matter or circumstance has arisen since 30 June 2017 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 2017

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 2017 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

30 October 2017

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Independent Auditor's Report
to the Members of Ionic Industries Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Ionic Industries Limited (the "Company"), which comprises the statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of $557,433 during the year ended 30 June 2017, and as of that date, and the cash balance was $423,328. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A R J Nathanielsz
Partner - Audit & Assurance

Melbourne, 30 October 2017