

Ionic Industries Limited

ACN 168 143 324

Interim Report - 31 December 2018

Ionic Industries Limited**Contents****31 December 2018**

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Ionic Industries Limited
Corporate directory
31 December 2018

Directors	Mr Peter Armitage (Non-Executive Chairman) Mr Simon Savage (CEO and Executive Director) Mr Christopher Gilbey (Non-Executive Director) Mr David DeTata (Non-Executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 +61 3 9692 7222
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Website	www.ionicindustries.com.au
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474

Ionic Industries Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2018.

Directors

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

Mr Peter Armitage (Non-Executive Chairman)
Mr Simon Savage (CEO and Executive Director)
Mr Christopher Gilbey (Non-Executive Director) (Appointed on 25 July 2018)
Mr David DeTata (Non-Executive Director) (Appointed on 1 October 2018)
Mr Merlin Allan (Non-Executive Director) (Resigned on 25 July 2018)

Principal activities

During the period the principal continuing activities of the Company consisted of research and development on graphene materials. The company has continued development work on energy storage and water treatment technologies and filed patents on methods for production of graphene with low environmental impact. The company also explored potential applications of graphene technologies with its research partners in the fields of health science and industrial additives.

Review of operations

The loss for the company after providing for income tax amounted to \$992,644 (31 December 2017: \$531,367).

Non-cash share based payments expense of \$686,236 (31 December 2017: \$138,273) largely relates to options which vested immediately and therefore was expensed in full during the period.

The net assets of the Company decreased by \$264,996 to \$117,276 as at 31 December 2018 (30 June 2018: \$382,272).

Working capital, being current assets less current liabilities, decreased by \$263,645 to \$104,086 (30 June 2018: \$367,731). The Company had negative cash flows from operating activities for the period of \$103,478 (31 December 2017: \$515,785 negative cash flow). The total net cash decrease during the period amounted to \$62,067 (31 December 2017: \$201,595 decrease).

Significant changes in the state of affairs

On 30 September 2018, the Company completed a share placement issuing 1,035,279 fully paid shares at an issue price of \$0.04 (4 cents) per share raising \$41,411 (before costs). Also on this date the Company issued 150,000 fully paid ordinary shares in exchange for services provided.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2018 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.

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.

Ionic Industries Limited
Directors' report
31 December 2018

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke.

Mr Simon Savage
CEO & Executive Director

14 March 2019

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 review of Ionic Industries Limited for the half-year ended 31 December 2018. 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Tim Jackman
Partner – Audit & Assurance

Melbourne, 14 March 2019

Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		\$	\$
Other income			
Research & development tax concession		145,000	191,943
Expenses			
Corporate expenses		(94,354)	(109,104)
Employee benefits expense		(156,791)	(127,005)
Depreciation expense		(1,786)	(1,987)
Share based payments	10	(686,236)	(138,273)
Other expenses		(21,468)	(16,172)
Finance costs		-	(794)
Research and development costs		(177,009)	(329,975)
Loss before income tax expense		(992,644)	(531,367)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Ionic Industries Limited		(992,644)	(531,367)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Ionic Industries Limited		<u>(992,644)</u>	<u>(531,367)</u>

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 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
Assets			
Current assets			
Cash and cash equivalents		128,246	190,313
Trade and other receivables	3	171,027	329,863
Total current assets		<u>299,273</u>	<u>520,176</u>
Non-current assets			
Plant and equipment		16,071	17,857
Total non-current assets		<u>16,071</u>	<u>17,857</u>
Total assets		<u>315,344</u>	<u>538,033</u>
Liabilities			
Current liabilities			
Trade and other payables		168,472	126,305
Employee benefits		26,715	26,140
Total current liabilities		<u>195,187</u>	<u>152,445</u>
Non-current liabilities			
Employee benefits		2,881	3,316
Total non-current liabilities		<u>2,881</u>	<u>3,316</u>
Total liabilities		<u>198,068</u>	<u>155,761</u>
Net assets		<u>117,276</u>	<u>382,272</u>
Equity			
Issued capital	4	2,398,291	2,350,880
Reserves	5	818,509	138,273
Accumulated losses		(3,099,524)	(2,106,881)
Total equity		<u>117,276</u>	<u>382,272</u>

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 half-year ended 31 December 2018

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	1,716,692	-	(1,388,654)	328,038
Loss after income tax expense for the half-year	-	-	(531,367)	(531,367)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(531,367)	(531,367)
Contribution of equity, net of transaction costs (note 4)	321,650	-	-	321,650
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 10)	-	138,273	-	138,273
Balance at 31 December 2017	<u>2,038,342</u>	<u>138,273</u>	<u>(1,920,021)</u>	<u>256,594</u>
	Issued capital \$	Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	2,350,880	138,273	(2,106,880)	382,273
Loss after income tax expense for the half-year	-	-	(992,644)	(992,644)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(992,644)	(992,644)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 4)	41,411	-	-	41,411
Share-based payments (note 10)	6,000	680,236	-	686,236
Balance at 31 December 2018	<u>2,398,291</u>	<u>818,509</u>	<u>(3,099,524)</u>	<u>117,276</u>

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 half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Receipts from research and development tax concession		312,271	-
Payments to suppliers and employees (inclusive of GST)		(415,749)	(515,785)
Net cash used in operating activities		(103,478)	(515,785)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	4	41,411	314,984
Financing expenses		-	(794)
Net cash from financing activities		41,411	314,190
Net decrease in cash and cash equivalents		(62,067)	(201,595)
Cash and cash equivalents at the beginning of the financial half-year		190,313	423,328
Cash and cash equivalents at the end of the financial half-year		<u>128,246</u>	<u>221,733</u>

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 14 March 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 9 Financial Instruments

The Company has adopted AASB 9 from 1 July 2018. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments resulted in changes in accounting policies. There were no changes to the classification of financial instruments in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated. The Company applies the modified retrospective approach and there is no impact on the groups opening retained earnings as at 1 July 2018. There has been no material impact on the Company following the adoption of AASB 9.

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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.

Note 2. Significant accounting policies (continued)

During the financial half-year ended 31 December 2018, the company incurred a loss after tax of \$992,644 (2017: \$531,367) and had net cash outflows from operating activities of \$103,478 (2017: \$515,785). At 31 December 2018 the company had net assets of \$117,276 (30 June 2018: \$382,272). The cash balance as at 31 December 2018 was \$128,246 (30 June 2018: \$190,313).

These conditions indicate that a material uncertainty exists for the Company's ability to continue as a going concern.

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 Research & development tax concession refunds;
- Commercialisation of proprietary 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 directors fees. These initiatives will be adequate to ensure enough cash resources are available to continue to fund operating costs.

Note 3. Current assets - trade and other receivables

	31 December 2018 \$	30 June 2018 \$
Prepayments	1,696	4,449
Other receivables	477	-
	<u>2,173</u>	<u>4,449</u>
R&D tax incentive receivable	145,000	312,271
GST receivable	23,854	13,143
	<u>171,027</u>	<u>329,863</u>

Note 4. Equity - issued capital

	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 \$	30 June 2018 \$
Ordinary shares - fully paid	<u>591,859,231</u>	<u>590,673,952</u>	<u>2,398,291</u>	<u>2,350,880</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	590,673,952		2,350,880
Share placement	30 September 2018	1,035,279	\$0.04	41,411
Consulting fees settled with shares	30 September 2018	150,000	\$0.04	6,000
Balance	31 December 2018	<u>591,859,231</u>		<u>2,398,291</u>

Ionic Industries Limited
Notes to the financial statements
31 December 2018

Note 4. Equity - issued capital (continued)

Movements in Options

Details	Date	Options	\$
Balance	1 July 2018	30,000,000	138,273
Options issued to Directors*	26 November 2018	<u>30,000,000</u>	<u>680,236</u>
Balance	31 December 2018	<u>60,000,000</u>	<u>818,509</u>

*The options approved by shareholders at the Company's 2018 Annual General Meeting were issued following the end of the period.

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.

Note 5. Equity - reserves

	31 December 2018 \$	30 June 2018 \$
Share based payments reserve	<u>818,509</u>	<u>138,273</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Share based payments reserve \$
Balance at 1 July 2018	138,273
Options granted to Directors	<u>680,236</u>
Balance at 31 December 2018	<u>818,509</u>

Note 6. Equity - dividends

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

Note 7. Contingent liabilities

There were no contingent liabilities at 31 December 2018 and 30 June 2018.

Note 8. Commitments

In relation to the Joint Venture with CleanTeQ in which the Company has a 25% interest in, the Company has total commitments of \$182,750 to the Joint Venture within the next 12 months with further commitments to be determined by the Joint Venture entity. It was noted that \$25,000 of the commitment above was expended subsequent to the end of the period.

Note 9. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 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.

Note 10. Share-based payments

On 30 September 2018, the Company issued 150,000 fully paid ordinary shares in exchange for services provided at an issue price of \$0.04 (4 cents) per share.

On 26 November 2018, the company granted 30,000,000 unlisted options to Directors with an exercise price of \$0.06 (6 cents) expiring five years from the date of issue following shareholder approval granted at the Company's Annual General Meeting. The options were issued following the end of the period. Share based payments of \$680,236 were recognised in the statement of Profit and Loss and Other comprehensive income for the half year ended on 31 December 2018.

Set out below are summaries of options granted :

31 December
2018

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2017	29/12/2021	\$0.04	30,000,000	-	-	-	30,000,000
26/11/2018	26/11/2023	\$0.06	-	30,000,000	-	-	30,000,000
			30,000,000	30,000,000	-	-	60,000,000

31 December
2017

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2017	29/12/2021	\$0.04	-	30,000,000	-	-	30,000,000
			-	30,000,000	-	-	30,000,000

Ionic Industries Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the financial half-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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Simon Savage
CEO & Executive Director

14 March 2019

Independent Auditor's Review Report

To the Members of Ionic Industries Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Ionic Industries Limited (the Company), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Ionic Industries Limited does not give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net loss of \$992,644 and had net cash outflows from operating activities of \$103,478 during the half year ended 31 December 2018. At 31 December 2018 the Company's cash balance was \$128,246. 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 significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ionic Industries Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit

conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



Tim Jackman
Partner – Audit & Assurance

Melbourne, 14 March 2019