Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2020

Contents

30 June 2020

Directors	Mr Peter Armitage (Executive Chairman) Mr Simon Savage (CEO and Executive Director) Mr Neil Wilson (Non-Executive Director) Mr Zhongming Hong (Non-Executive Director)
Company secretary	Ms Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205
Auditor	Grant Thornton Audit Pty Ltd Tower 5, Collins Square 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
Tax Advisor	A&A Tax Legal Consulting Level 4 34 Queen Street Melbourne VIC 3000
Research and Development Tax Advisor	Grant Thornton Ltd Tower 5, Collins Square 727 Collins Street Melbourne VIC 3008

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Ionic Industries Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

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

Mr Peter Armitage (Executive Chairman) (appointed Executive Chairman effective 1 July 2019)
Mr Simon Savage (CEO and Executive Director)
Mr Neil Wilson (Non-Executive Director) (appointed 4 October 2019)
Mr Zhongming Hong (Non-Executive Director) (appointed 1 January 2020)
Mr Christopher Gilbey (Non-Executive Director) (appointed 25 July 2018, resigned 4 October 2019)

Principal activities
During the financial year the principal continuing activities of the company consisted of graphene research and development.

There were two primary streams of activity: water treatment and supercapacitors.

The water treatment work consisted of finishing the partially government-funded CRC-P project on graphene oxide materials for water and wastewater treatment and establishing a jointly held business (“NematiQ”)for the ongoing commercialisation of the technology with CleanTeQ Pty Ltd.

The supercapacitor work involved further development of commercial prototype devices to demonstrate the value and potential for graphene materials to be used in supercapacitors. The company also carried out a review of other potential graphene technologies with its research partners including graphene membranes for gas separation and graphene oxide barrier coatings.

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,843,986 (30 June 2019: loss of $1,353,635). Excluding share based payments of $1,031,266 (30 June 2019: $698,847) this amounts to a loss of $812,720 (30 June 2019: loss of $654,788)

The net assets of the company decreased by $389,597 to a deficiency of $128,327 as at 30 June 2020 (30 June 2019: net assets of $261,270)

Working capital, being current assets less current liabilities, decreased by $237,996 to a deficiency of $140,700 (30 June 2019:surplus of $97,296).

The company had negative cash flows from operating activities for the period of $377,593 (30 June 2019: $351,666).

The total net cash decrease during the financial year amounted to $255,282 (30 June 2019: $86,422 increase) due to lower research and development tax incentive cash receipts, partially offset by lower corporate and research and development costs.

The COVID-19 crisis has posed a number of challenges for Ionic but we have been able to modify our working methods and actually made some progress in a few areas.

Ionic has focused on preservation of its financial position in several ways:

- Received some further investment from existing shareholders :
- Negotiate with Monash University to defer some payments;
- All of our people (Directors, employees and contractors) have all been taking a proportion of their pay in shares;
- Leveraged our R&D expenditure in advance; and
- Received a grant from the Advanced Manufacturing Growth Centre.

Due to COVID restrictions, access to the Monash University laboratories has been severely impacted for a significant portion of the year. Nevertheless , we have managed some progress on the materials development and we have made significant progress in the planning the next phases of our super-capacitor program; specifically feasibility analysis and planning for the scaled production of our electrode materials. We have also progressed on the preparation of scientific data for use in patent applications and peer-reviewed articles, which will demonstrate further value in Ionic's work as we move further toward commercialisation of the technology.

Our various commercialization partners remain actively engaged and, during this period, have assisted us in gaining a deeper understanding of how our technologies will fit into the market landscape for supercapacitor and energy storage technologies. This support has been forthcoming despite their own COVID-related challenges. We are in the process of exploring a range of further partnership opportunities in Australia, Europe and the United States which will improve our resilience in the face of turbulent global market conditions.

Overall, we have minimised the company's risk during this turbulent time and achieved satisfactory progress despite a number of significant challenges. We are confident that we are well-placed to make further significant progress once the logistical challenges associated with the current COVID conditions are lifted.

Significant changes in the state of affairs

On 30 September 2019, the Company completed a share placement issuing 110,000,000 fully paid shares at an issue price of $0.005 (0.5 cents) per share raising $550,000 (before costs).

On 31 October 2019, the Company issued 40,000,000 shares at an issue price of $0.005 (0.5 cents) per share in settlement of liabilities amounting to $200,000 (before costs).

On 31 October 2019, the Company repaid the R&D loan of $127,882.

On 23 December 2019, the Company completed a share placement issuing 137,181,935 fully paid shares at a range of an issue prices from $0.005 (0.05 cents) to $0.02 (2 cents). The Company issued 133,181,935 shares at an issue price of $0.005 (0.5 cents) per share in relation to remuneration, and 4,025,000 shares per share raising $20,500 (before costs).

On 16 April 2020, the Company issued 1,300,000 shares at an issue price of $0.005 (0.5 cents) per share in settlement of liabilities amounting to $6,500 (before costs).

On 15 May 2020, the Company issued 4,000,000 shares at an issue price of $0.005 (0.5 cents) per share in settlement of liabilities amounting to $20,000 (before costs), and 236,500 shares at an issue price of $0.02 (2 cents) per share in settlement of liabilities amounting to $4,730 (before costs).

On 30 June 2020, the Company completed a share placement issuing 41,418,853 fully paid shares at a range of an issue prices from $0.005 (0.05 cents) to $0.02 (2 cents). The Company issued 26,491,669 shares at an issue price of $0.005 (0.5 cents) per share in relation to remuneration, and 11,500,000 shares per share raising $57,850 (before costs).

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and while it has been financially negative for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the State and Federal Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity'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 Securities Exchange in order to fund its current planned activities.

Environmental regulation
The consolidated entity 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 Peter Armitage
Title:	Executive Chairman (appointed Executive Chairman effective 1 July 2019)
Qualifications:	FCA FAICD
Experience and expertise:	Peter 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 a directorship in ASX listed entity Enegex Limited (ASX:ENX).

Name:	Mr Neil Wilson
Title:	Non Executive Director (appointed 4 October 2019)
Qualifications:	B.E(Hons). FIEAust CPEng Eng. Exec Chartered Engineer
Experience and expertise:	Neil has 50 years of manufacturing, Management and Research experience, Chairman of Romar Engineering which holds several patents and two placements in Australian technology showcase. Neil is a member of UOW Centre of Excellence for Electromaterial Science, CSIRO and Lab 22, RMIT / SWINBOURNE SEAM ARC, AIG, Institution of Engineers.

Name:	Mr Zhongming Hong
Title:	Non-Executive Director (appointed 1 January 2020)
Experience and expertise:	Zhongming has decades of business and financial experiences in startup and public companies. He is responsible for engaging potential business partners and investors to accelerate the commercialisation of Ionic's advanced graphene technologies to a range of markets. Dennis' long experience in commercialisation of emerging technologies, including telecommunications technology, is a key component of Ionic's commercialisation strategy, particularly as it relates to Chinese markets.

Company secretary

Ms Melanie Leydin (appointed 13 July 2019)
Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia 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 Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She 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 2020, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Simon Savage	5	5
Mr Peter Armitage	5	5
Mr Neil Wilson	3	3
Mr Zhongming Hong	3	3
Mr Christopher Gilbey	2	2

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

Shares under option

Unissued ordinary shares of Ionic Industries Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
26/06/2017 – 31/10/2017	30/06/2022	$0.020	113,841,110
26/11/2018	26/11/2023	$0.060	6,000,000
27/11/2017	29/12/2021	$0.040	10,000,000
			129,841,110

The options with an exercise price of $0.02 (2 cents) per option previously had an expiry date of 30 June 2020 however were subsequently extended for a period of two years and now have an expiry date of 30 June 2022.

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 the exercise of options during the year ended 30 June 2020 and up to the date of this report:

Date options exercised	Exercise price	Number of shares issued
12 May 2020	$0.020	236,500
30 June 2020	$0.020	17,500
		254,000

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.

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.

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

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Mr Peter Armitage
Executive Chairman

27 October 2020

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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 Ionic Industries Limited for the year ended 30 June 2020, 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 Audit Pty Ltd
Chartered Accountants

T S Jackman
Partner – Audit & Assurance

Melbourne, 27 October 2020

Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Other income			
Research & development tax concession		136,845	236,012
Other income	4	122,500	-
Expenses			
Research and development costs		(164,250)	(273,253)
Corporate expenses		(339,832)	(234,523)
Employee benefits expense		(182,006)	(323,820)
Depreciation expense		(11,519)	(9,766)
Impairment of investments	5	(340,000)	-
Share based payments	26	(1,031,266)	(698,847)
Other expenses		(24,547)	(45,788)
Finance costs		(9,911)	(3,650)
Loss before income tax expense		(1,843,986)	(1,353,635)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(1,843,986)	(1,353,635)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Ionic Industries Limited		(1,843,986)	(1,353,635)

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 2020

	Note	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents	7	21,453	276,735
Trade and other receivables	8	277,528	294,433
Total current assets		298,981	571,168
Non-current assets			
Other receivables	9	-	137,500
Plant and equipment	10	20,554	30,393
Total non-current assets		20,554	167,893
Total assets		319,535	739,061
Liabilities			
Current liabilities			
Trade and other payables	11	292,648	311,739
Borrowings	12	102,696	127,881
Employee benefits		44,337	34,252
Total current liabilities		439,681	473,872
Non-current liabilities			
Employee benefits		8,181	3,919
Total non-current liabilities		8,181	3,919
Total liabilities		447,862	477,791
Net assets/(liabilities)		(128,327)	261,270
Equity			
Issued capital	13	4,357,666	2,903,277
Options reserves	14	274,320	818,509
Accumulated losses		(4,760,313)	(3,460,516)
Total equity/(deficiency)		(128,327)	261,270

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 2020

Consolidated	Issued capital $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	2,350,880	138,273	(2,106,881)	382,272
Loss after income tax expense for the year	-	-	(1,353,635)	(1,353,635)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,353,635)	(1,353,635)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	552,397	-	-	552,397
Share-based payments (note 26)	-	680,236	-	680,236
Balance at 30 June 2019	2,903,277	818,509	(3,460,516)	261,270

Consolidated	Issued capital $	Options reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2019	2,903,277	818,509	(3,460,516)	261,270
Loss after income tax expense for the year	-	-	(1,843,986)	(1,843,986)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,843,986)	(1,843,986)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	423,123	-	-	423,123
Share-based payments (note 26)	1,031,266	-	-	1,031,266
Transfer to accumulated losses upon expiry of options	-	(544,189)	544,189	-
Balance at 30 June 2020	4,357,666	274,320	(4,760,313)	(128,327)

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 2020

	Note	Consolidated 30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Receipts from research and development tax concession		236,106	287,271
Receipts from government grants		192,550	-
Payments to suppliers and employees (inclusive of GST)		(806,249)	(638,937)
Net cash used in operating activities	25	(377,593)	(351,666)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,682)	(22,302)
Payments for shareholder loan with investment	9	(202,500)	(137,500)
Net cash used in investing activities		(204,182)	(159,802)
Cash flows from financing activities			
Proceeds from issue of shares	13	476,125	482,059
Share issue transaction costs		(37,025)	(8,400)
Proceeds from / repayment of borrowings		(102,696)	127,881
Financing expenses		(9,911)	(3,650)
Net cash from financing activities		326,493	597,890
Net increase/(decrease) in cash and cash equivalents		(255,282)	86,422
Cash and cash equivalents at the beginning of the financial year		276,735	190,313
Cash and cash equivalents at the end of the financial year	7	21,453	276,735

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 consolidated entity'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 27 October 2020. 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 consolidated entity 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 amended 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 consolidated entity.

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

AASB 16 - Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.
The company adopted this standard from 1 July 2019 however there was no impact upon adoption as the company was not party to any leases.

Note 2. Significant accounting policies (continued)

AASB Interpretation 23 Uncertainty over Income Tax Treatments
Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.
The company has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty).

There has been no impact from the adoption of Interpretation 23 in this reporting period.

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 2020, the company incurred a loss after tax of $1,843,986 (30 June 2019: $1,353,635) and had net cash outflows from operating activities of $377,593 (30 June 2019: $351,666).

At 30 June 2020, the company had net asset deficiency of $128,327 (30 June 2019: net assets of $261,270). The cash balance as at 30 June 2020 was $21,453 (including the $132,458 of cash received for shares settled on 1 July, cash on hand amounts to $153,911) (30 June 2019: $276,735), The working capital deficiency amounts to $140,700 at 30 June 2020 (30 June 2019: working capital of $97,296).

These conditions indicate that a material uncertainty exists as the Company's ability to continue as a going concern.
There is also uncertainty, outside the Company's control, associated with COVID-19, in terms of both the economic impact this may have on the company, and the timing of Government imposed restrictions, which are currently impacting the efficient conduct of the business.

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);
- Agreed upon deferral of amounts due to directors and other creditors;
- Settlement via share issue of director fees and other liabilities;
- Receiving a Research & development tax concession refund for the 2020 financial year; and
- Commercialisation of proprietary technology.

The directors believe that these initiatives will be adequate to ensure enough cash resources are available to continue to fund operating costs for the forthcoming 12 months from signing date

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.

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 financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 consolidated entity'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.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ionic Industries Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Ionic Industries Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 2. Significant accounting policies (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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 measurable. As the estimate is reliably measurable, the R&D tax incentive has measured on an accruals basis.

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 consolidated entity'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 consolidated entity'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.

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.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity 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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Income tax
The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

	Consolidated	
	30 June 2020	**30 June 2019**
	$	**$**
Director fee income	42,500	-
ATO Cashflow boost	10,000	-
AMCG grant income	70,000	-
Other income	122,500	-

Note 5. Impairment expense

	Consolidated	
	30 June 2020	**30 June 2019**
	$	**$**
Impairment expense	340,000	-

As a result of global market uncertainty caused by COVID-19, as well as delays in research and commercialising the underlying technology held by NematiQ, the directors have determined it is prudent at this time to recognise a provision for the entire $340,000 shareholder loan held with NematiQ.
The directors of Ionic remain confident in the future potential of the graphene water treatment technology, and will monitor this provision as NematiQ develops.

Note 6. Income tax

	Consolidated	
	30 June 2020	**30 June 2019**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,843,986)	(1,353,635)
Tax at the statutory tax rate of 27.5%	(507,096)	(372,250)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Current year temporary differences not recognised	97,653	585
Share-based payments	283,598	192,183
Non-deductible R&D expenses	92,021	149,202
Non-assessable R&D rebate	(37,632)	(64,903)
Non-assessable Government incentive	(2,750)	-
	(74,206)	(95,183)
Current year tax losses not recognised	74,206	95,183
Income tax expense	-	-

	Consolidated	
	30 June 2020	**30 June 2019**
	$	**$**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,793,316	1,514,693
Potential tax benefit @ 27.5%	493,162	416,541

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.

Note 6. Income tax (continued)

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.

	Consolidated	
	30 June 2020	30 June 2019
	$	$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Temporary differences	121,082	23,429
Total deferred tax assets not recognised	121,082	23,429

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Accounting policy for 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 7. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2020	30 June 2019
	$	$
Cash at bank	21,453	276,735

Cash on deposit: Payment for deposit for facilitation of capital raise repaid shortly after year end.

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 8. Current assets - trade and other receivables

	Consolidated	
	30 June 2020	30 June 2019
	$	$
Prepayments	1,392	6,516
Other receivables	132,458	25,000
R&D tax incentive receivable	131,800	236,012
GST receivable	11,878	26,905
	277,528	294,433

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 receivables are received within the credit timeframe.

The other receivables noted above relate to funds in transit for the settlement of shares at period end. These were received subsequent to year end on 1 July 2020.

Accounting policy for trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

Note 9. Non-current assets - Other receivables

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Other receivables - Nematiq	340,000	137,500
Provision for expected credit loss	(340,000)	-
	-	137,500

As a result of global market uncertainty caused by COVID-19, as well as delays in researching and commercialising the underlying technology held by NematiQ, the directors have determined it is prudent at this time to recognise an provision for expected credit loss for the entire $340,000 shareholder loan held with NematiQ.

The directors of Ionic remain assured in the underlying promise of the graphene water treatment technology, as well its future potential, and will endeavour to reverse or update this provision as NematiQ grows and develops.

The consolidated entity has a 25% holding in Nematiq.

The loan is repayable once Nematiq has sufficient cashflows available, and interest on the loan may accrue at 5% per annum.

This balance was written down to nil in the 30 June 2020 year, refer to note 5 for more details.

Note 10. Non-current assets - plant and equipment

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Plant and equipment - at cost	47,302	47,302
Less: Accumulated depreciation	(27,915)	(16,909)
	19,387	30,393
Computer equipment - at cost	1,167	-
	20,554	30,393

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

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 consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 11. Current liabilities - trade and other payables

	Consolidated	
	30 June 2020 $	30 June 2019 $
Trade payables	193,092	172,532
Other payables	99,556	139,207
	292,648	311,739

Refer to note 16 for further information on financial instruments.

Included in other payables is $77,796 owing to a previous Director of the company for accrued Directors fees to July 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.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity 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 12. Current liabilities - borrowings

	Consolidated	
	30 June 2020 $	30 June 2019 $
Loan	102,696	127,881

Refer to note 16 for further information on financial instruments.

The loan referred to above relates to an loan agreement entered into by the entity during the year, which is secured over the expected proceeds of the 2019 R&D rebate.

Accounting policy for 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.

Note 13. Equity - issued capital

	Consolidated			
	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 $	30 June 2019 $
Ordinary shares - fully paid	982,500,465	684,854,691	4,357,666	2,903,277

Note 13. Equity - issued capital (continued)

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	967,098	$0.040	38,684
Consulting fees settled with shares	30 September 2018	218,181	$0.040	8,727
Consulting fees settled with shares	1 January 2019	150,000	$0.040	6,000
Share placement	18 March 2019	1,190,268	$0.040	47,611
Share placement	12 April 2019	2,400,000	$0.050	120,000
Share placement	26 June 2019	100,000	$0.020	2,000
Share placement	26 June 2019	40,000,000	$0.005	200,000
Consulting fees settled with shares	28 June 2019	7,802,224	$0.005	39,010
Share placement	28 June 2019	19,752,968	$0.005	98,765
Share placement*	28 June 2019	21,600,000	$0.000	-
Capital raising costs		-	$0.000	(8,400)
Balance	30 June 2019	684,854,691		2,903,277
Share placement	14 October 2019	110,000,000	$0.005	550,000
Consulting fees settled with shares	25 October 2019	40,000,000	$0.005	200,000
Share placement	23 December 2019	4,000,000	$0.005	20,000
Share placement	23 December 2019	25,000	$0.020	500
Liabilities settled with shares	23 December 2019	133,156,935	$0.005	665,785
Share buyback	20 January 2020	(38,491,514)	$0.000	(193,455)
Share placement	16 April 2020	1,300,000	$0.005	6,500
Exercise of options	12 May 2020	236,500	$0.020	4,730
Share placement	15 May 2020	4,000,000	$0.005	20,000
Liabilities settled with shares	25 May 2020	2,000,000	$0.005	10,000
Share placement	30 June 2020	11,500,000	$0.005	57,500
Consulting fees settled with shares	30 June 2020	26,491,669	$0.005	132,458
Exercise of options	30 June 2020	17,500	$0.020	350
Consulting fees settled with shares	30 June 2020	3,409,684	$0.005	17,048
Capital raising costs		-	$0.000	(37,027)
Balance	30 June 2020	982,500,465		4,357,666

* Share placement on 28 June 2019 includes 21,600,000 shares issued for no consideration as a part of anti-dilution measures related to earlier investors.

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 consolidated entity'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 consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 13. Equity - issued capital (continued)

The consolidated entity 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.

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 14. Equity - Options reserves

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Options reserve	274,320	818,509

Options 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 options

Details	Date	Options	$
Balance at the start of the year	01/07/2019	129,841,110	818,509
Options cancelled*	31/12/2019	-	(544,189)
Balance at the end of the year		129,841,110	274,320

*Options cancelled were held by directors and cancelled as a part of a board resolution.

Note 15. Equity - dividends

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

Note 16. 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 consolidated entity is not exposed to foreign currency risk.

Note 16. Financial instruments (continued)

Price risk
The consolidated entity is not exposed to any significant price risk.

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

Credit risk
The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity 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 consolidated entity 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 consolidated entity'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.

Consolidated - 30 June 2019	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	-	311,739	-	-	-	311,739
Borrowings	15.00%	127,881	-	-	-	127,881
Total non-derivatives		439,620	-	-	-	439,620

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 17. Key management personnel disclosures

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

Non-Executive Directors

Note 17. Key management personnel disclosures (continued)

Mr Neil Wilson (appointed 4 October 2019)
Mr David DeTata (appointed 1 October 2018, resigned 3 April 2019)
Mr Zhongming Hong (appointed 1 January 2020)
Mr Christopher Gilbey (appointed 25 July 2018, resigned 4 October 2019)

Executive Directors
Mr Simon Savage
Mr Peter Armitage (appointed Executive Chairman 1 July 2019)

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

	Consolidated	
	30 June 2020 $	30 June 2019 $
Short-term employee benefits	144,942	304,998
Post-employment benefits	24,174	18,822
Share-based payments	232,243	698,847
	401,359	1,022,667

Note 18. 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, and its network firms:

	Consolidated	
	30 June 2020 $	30 June 2019 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	33,500	24,000
Review of the financial statements	11,500	8,500
	45,000	32,500
Other services - Grant Thornton Audit Pty Ltd		
R&D tax rebate claim preparation	9,500	13,700

Note 19. Contingent liabilities

There were no contingent liabilities at 30 June 2019 or 30 June 2020.

Note 20. Commitments

The consolidated entity has commitments to fund its joint venture in Nematiq Pty Ltd cash for working capital purposes as and when required by the operation.
If these commitments are not paid, the consolidated entity’s investment in the joint venture may be subject to dilution as a result of funds raised from other parties by Nematiq Pty Ltd.

Note 21. Related party transactions

Parent entity
Ionic Industries Limited is the parent entity.

Note 21. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 17.

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 2020 a total of $77,796 (2019: $104,750) of accrued fees for former directors has been included in other payables.

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 22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2020 $	30 June 2019 $
Loss after income tax	(1,843,986)	(1,353,635)
Total comprehensive loss	(1,843,986)	(1,353,635)

Statement of financial position

	Parent	
	30 June 2020 $	30 June 2019 $
Total current assets	298,981	571,168
Total assets	319,535	739,061
Total current liabilities	439,681	473,872
Total liabilities	447,862	477,791
Equity		
Issued capital	4,357,666	2,903,277
Options reserve	274,320	818,509
Accumulated losses	(4,760,313)	(3,460,516)
Total equity/(deficiency)	(128,327)	261,270

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 (June 2019: NIL).

Note 22. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020(June 2019: NIL).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020(June 2019: NIL).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2020 %	Ownership interest 30 June 2019 %
KAP Energy Pty Ltd*	Australia	100.00%	100.00%

* This company was incorporated on 4 December 2018.

Note 24. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and while it has been financially negative for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the State and Federal Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Loss after income tax expense for the year	(1,843,986)	(1,353,635)
Adjustments for:		
Depreciation and amortisation	11,519	9,766
Impairment of investments	340,000	-
Share-based payments	1,031,266	698,847
Finance cost	9,911	3,650
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(18,168)	62,497
Decrease/(increase) in prepayments	5,124	(2,067)
Increase/(decrease) in trade and other payables	(4,950)	220,561
Increase in employee benefits	14,347	8,715
Increase in other liabilities	77,344	-
Net cash used in operating activities	(377,593)	(351,666)

Note 26. Share-based payments

Share based payments for the period ended 30 June 2020 amounted to $1,031,266. This was made up of $218,000 related to capital advisory fees settled by shares, $785,243 director fees settled by shares, $28,023 consulting fee settled by shares.

Set out below are summaries of options granted during the financial year relating to share based payments (note excludes all free attaching options issued as part of shares issues):

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2017	29/12/2021	$0.000	10,000,000	-	-	-	10,000,000
26/11/2018	26/11/2023	$0.000	6,000,000	-	-	-	6,000,000
			16,000,000	-	-	-	16,000,000

* Options granted on 27/11/2017 were issued to directors as approved by shareholders at the 2017 Annual General Meeting.

** Options granted on 26/11/2018 were issued to directors as approved by shareholders at the 2018 Annual General Meeting.

30 June 2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2017	29/12/2021	$0.040	30,000,000	-	-	(20,000,000)	10,000,000
26/11/2018	26/11/2023	$0.060	-	30,000,000	-	(24,000,000)	6,000,000
			30,000,000	30,000,000	-	(44,000,000)	16,000,000
Weighted average exercise price			$0.040	$0.060	$0.000	$0.050	$0.050

Note 26. Share-based payments (continued)

* Options granted on 27/11/2017 were issued to directors as approved by shareholders at the 2017 Annual General Meeting.
** Options granted on 26/11/2018 were issued to directors as approved by shareholders at the 2018 Annual General Meeting.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	30 June 2020 Number	30 June 2019 Number
26/06/2017	30/06/2022	83,218,204	83,218,204
09/10/2017	30/06/2022	28,750,805	28,750,805
31/10/2017	30/06/2022	2,233,601	2,233,601
27/11/2017	29/12/2021	10,000,000	10,000,000
26/11/2018	26/11/2023	6,000,000	6,000,000
		130,202,610	130,202,610

* The options listed above excluding the 30,000,000 options granted to directors do not relate to share based payments. These options were issued as free attaching options to shareholders who subscribed to share issues as an incentive offer.
** The options with an exercise price of $0.02 (2 cents) per option previously had an expiry date of 30 June 2020 however were subsequently extended for a period of two years and now have an expiry date of 30 June 2022.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
26/11/2018	26/11/2023	$0.040	$0.060	79.00%	-	2.29%	$0.022

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 26. Share-based payments (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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 consolidated entity's financial position as at 30 June 2020 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 Peter Armitage
Executive Chairman

27 October 2020

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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 2020, 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 2020 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 (including Independence Standards)* (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 $1,843,986 and had net cash outflows used in operating activities of $377,593 during the year ended 30 June 2020. The cash balance at 30 June 2020 is $21,453. 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 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 2020, 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 accordingly 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*. 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.

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 intend to liquidate the Company or to cease operations, or have 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

T S Jackman
Partner – Audit & Assurance

Melbourne, 27 October 2020