Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2021

Ionic Industries Limited
Contents
30 June 2021

Directors	Mr Peter Armitage (Executive Chairman) Mr Simon Savage (CEO and Executive Director) Mr Neil Wilson (Non-Executive Director)
Company secretary	Ms Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: +61 3 9692 7222
Auditor	William Buck Level 20, 181 William Street Melbourne Victoria 3000 Telephone: +61 3 9824 8555
Website	www.ionicindustries.com.au
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474

The directors present their report, together with the financial statements, on the 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 2021.

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)
Mr Simon Savage (CEO and Executive Director)
Mr Neil Wilson (Non-Executive Director)
Mr Zhongming Hong (Non-Executive Director) (resigned on 8 July 2021)

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 was significantly reduced compared with the previous year and the majority of work consisted of supporting NematiQ in the final stages of development work.

The supercapacitor stream involves further development of commercial prototype devices to demonstrate the value and potential for graphene materials to be used in supercapacitors. The supercapacitor program has split into several distinct streams of research and development work:

(1) Ongoing materials research, exploring and refining the nature of our materials for optimum use in energy storage applications. This work has been conducted largely at Monash University in the laboratory, under contract to Ionic.
(2) Related to the ongoing research work, we have had significant engagement with external parties and industry players in order to understand the target specifications and characteristic that will be most important to a commercially viable product.
(3) Scaling up the manufacturing methods for production of the active materials and large scale coating of ink materials onto the current collector substrate. This work has been conducted by consulting engineers working at off-site facilities and in collaboration with the Monash research team.

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 coating, graphene oxide sensors and other energy storage applications using our reduced graphene oxide electrode materials.

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 $254,333 for the year ended 30 June 2021 (30 June 2020: loss of $1,843,986). Excluding share based payments of $147,853 (30 June 2020: $1,031,266), the consolidated entity incurred a loss of $106,480 before or after tax (30 June 2020: loss of $812,720).

The net assets of the company increased by $2,554,491 to a surplus of $2,682,818 as at 30 June 2021 (30 June 2020: net deficits of $128,327).

Working capital, being current assets less current liabilities, increased by $1,113,602 to a surplus of $1,254,302 (30 June 2020: deficiency of $140,700).

The company had net cash outflows from operating activities for the period of $506,537 (30 June 2020: $377,593).

The total increase in cash and cash equivalents during the financial year amounted to $1,211,328 (30 June 2020: $255,282 decrease) due primarily to the capital raising of approximately $2,000,000, net of capital raising costs, completed during the year.

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:

- Capital raising from existing shareholders :
- Negotiation with Monash University on the management of payment obligations;
- Utilising a salary sacrifice scheme whereby all Directors, employees and contractors have been taking a proportion of their pay in shares;
- Leveraging our R&D expenditure in advance; and
- Obtaining 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 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 further demonstrate the value in Ionic's work as we move toward commercialisation of our 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 11 November 2020, the Company issued 19,935,085 fully paid shares at an issue price of $0.005 (0.5 cents) per share as settlement of consulting fees amounting to $99,675 (before costs).

On 11 December 2020, the Company issued 271,163,332 fully paid shares at an issue price of $0.0075 (0.75 cents) per share raising $2,033,725 (before costs).

On 11 December 2020, the Company issued 40,685,000 fully paid shares at an issue price of $0.0075 (0.75 cents) per share as settlement of corporate advisor's fees.

On 21 January 2021, the Company announced that William Buck Audit (Vic) Pty Ltd had been appointed as the auditor of the Company following the resignation of Grant Thornton Audit Pty Ltd, and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001.

On 2 February 2021, the Company issued 2,666,667 fully paid shares at an issue price of $0.0075 (0.75 cents) per share raising $20,000 (before costs).

On 11 May 2021, Ionic entered an arrangement with Sunrise Energy Metals Ltd (ASX: SRL) (formerly CleanTeQ) for an asset swap for a stake in the consolidated entity's graphene water treatment business, NematiQ Pty Ltd. Under the terms of the agreement, Ionic has sold a 16.8% (116,667 fully paid ordinary shares) in NematiQ to SRL, inclusive of the $340,000 loan owed by NematiQ to Ionic. As a result of the asset swap, Ionic in exchange obtained 125,926 fully paid ordinary shares in SRL having a market value of $340,000 and 614,815 fully paid ordinary shares of Sunrise Energy Metals Ltd having a market value of $1,660,000 at the time of the agreement. Ionic has reversed the $340,000 impairment previously recognised on the loan to NematiQ and recognised the value of its shareholding in SRL at fair value through other comprehensive income (FVOCI) at the director's election.

On 14 May 2021, the Company issued 6,422,917 fully paid shares at an issue price of $0.0075 (0.75 cents) per share as settlement of director's fees and consulting fees amounting to $48,172 (before costs).

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 2021, 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.

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

On 1 July 2021, Ionic received 370,370 shares in CleanTeQ Water Limited (ASX: CNQ) as a result of its demerger from Sunrise Energy Metals Limited(ASX: SRL). The eligible shareholders will receive one Clean TeQ Water share for every two SRL shared held on 24 June 2021.

On 8 July 2021, Mr Zhongming Hong tendered resignation as Non-Executive Director of the Company, effective immediately.

On 14 July 2021, the company issued 700,000 fully paid ordinary shares at an issue price of $0.002 (0.2 cents) per share upon the exercise of options, raising $14,000.

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 2021, 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 2021 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 operations through its ongoing relationship with Monash University and through joint venture arrangements, the objective of which is to commercialise the technologies through 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
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
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.

Company secretary
Ms Melanie Leydin
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 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Simon Savage	4	4
Mr Peter Armitage	4	4
Mr Neil Wilson	4	4
Mr Zhongming Hong (1)	4	4

(1) Mr Zhongming Hong resigned as a Non-Executive Director on 8 July 2021.

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	113,123,610
26/11/2018	26/11/2023	$0.060	6,000,000
27/11/2017	29/12/2021	$0.040	10,000,000
			129,123,610

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 2021 and up to the date of this report:

Date options exercised	Exercise price	Number of shares issued
14 July 2021	$0.002	700,000

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
William Buck Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

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

On behalf of the directors

Mr Peter Armitage
Executive Chairman

27 October 2021

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF IONIC INDUSTRIES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A. A. Finnis
Director

Melbourne, 27 October 2021

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Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 30 June 2021 $	30 June 2020 $
Other income			
Research & development tax concession		213,022	136,845
Patents Income		13,324	-
Director fee income		-	42,500
ATO Cashflow boost		10,000	10,000
AMCG grant income		12,375	70,000
Interest revenue		1,101	-
		249,822	259,345
Expenses			
Research and development costs		(137,517)	(164,250)
Corporate expenses		(213,965)	(339,832)
Employee benefits expense		(320,810)	(182,006)
Depreciation expense		(13,456)	(11,519)
Impairment of investments	7	340,000	(340,000)
Share based payments expense	22	(147,853)	(1,031,266)
Other expenses		(7,285)	(24,547)
Finance costs		(3,269)	(9,911)
Loss before income tax expense		(254,333)	(1,843,986)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(254,333)	(1,843,986)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		985,926	-
Other comprehensive income for the year, net of tax		985,926	-
Total comprehensive income/(loss) for the year attributable to the owners of Ionic Industries Limited		731,593	(1,843,986)

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 2021

	Note	Consolidated 30 June 2021 $	30 June 2020 $
Assets			
Current assets			
Cash and cash equivalents	5	1,232,781	21,453
Trade and other receivables	6	214,979	277,528
Total current assets		1,447,760	298,981
Non-current assets			
Financial assets at fair value through other comprehensive income	7	1,325,926	-
Plant and equipment	8	117,428	20,554
Total non-current assets		1,443,354	20,554
Total assets		2,891,114	319,535
Liabilities			
Current liabilities			
Trade and other payables	9	136,001	292,648
Borrowings		-	102,696
Employee benefits		57,457	44,337
Total current liabilities		193,458	439,681
Non-current liabilities			
Employee benefits		14,838	8,181
Total non-current liabilities		14,838	8,181
Total liabilities		208,296	447,862
Net assets/(liabilities)		2,682,818	(128,327)
Equity			
Issued capital	10	6,437,218	4,357,666
Reserves	11	1,164,246	274,320
Accumulated losses		(4,918,646)	(4,760,313)
Total equity/(deficiency)		2,682,818	(128,327)

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 2021

Consolidated	Issued capital $	Revaluation reserve $	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 10)	423,123	-	-	-	423,123
Share-based payments (note 22)	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)

Consolidated	Issued capital $	Revaluation reserve $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	4,357,666	-	274,320	(4,760,313)	(128,327)
Loss after income tax expense for the year	-	-	-	(254,333)	(254,333)
Other comprehensive income for the year, net of tax	-	985,926	-	-	985,926
Total comprehensive income/(loss) for the year	-	985,926	-	(254,333)	731,593
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 10)	1,931,705	-	-	-	1,931,705
Share-based payments (note 22)	147,847	-	(96,000)	96,000	147,847
Balance at 30 June 2021	6,437,218	985,926	178,320	(4,918,646)	2,682,818

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 2021

	Note	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Cash flows from operating activities			
Receipts from research and development tax concession		145,560	236,106
Receipts from government grants		22,375	192,550
Payments to suppliers and employees (inclusive of GST)		(688,536)	(806,249)
Receipts from customers		13,324	-
		(507,277)	(377,593)
Interest received		740	-
Net cash used in operating activities	21	(506,537)	(377,593)
Cash flows from investing activities			
Payments for plant and equipment		(110,329)	(1,682)
Payments for shareholder loan with investment		-	(202,500)
Net cash used in investing activities		(110,329)	(204,182)
Cash flows from financing activities			
Proceeds from issue of shares	10	2,053,725	476,125
Share issue transaction costs		(119,566)	(37,025)
Repayment of borrowings		(102,696)	(102,696)
Financing expenses		(3,269)	(9,911)
Net cash from financing activities		1,828,194	326,493
Net increase/(decrease) in cash and cash equivalents		1,211,328	(255,282)
Cash and cash equivalents at the beginning of the financial year		21,453	276,735
Cash and cash equivalents at the end of the financial year	5	1,232,781	21,453

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 consolidated financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 October 2021.
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 consolidated 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:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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.

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

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of 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 18.

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 2021 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.

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.

Other income
The consolidated entity recognises revenue as follows:

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.

Note 2. Significant accounting policies (continued)

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.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2021. 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.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

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

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. Income tax

	Consolidated	
	30 June 2021 $	30 June 2020 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(254,333)	(1,843,986)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(66,127)	(507,096)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Current year temporary differences not recognised	(89,568)	97,653
Share-based payments	38,442	283,598
Non-deductible R&D expenses	107,715	92,021
Non-assessable R&D rebate	(55,386)	(37,632)
Non-assessable Government incentive	(2,600)	(2,750)
	(67,524)	(74,206)
Current year tax income/losses not recognised	67,524	74,206
Income tax expense	-	-

	Consolidated	
	30 June 2021 $	30 June 2020 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,729,496	1,793,316
Potential tax benefit @ 26% (2020: 27.5%)	538,550	466,262

The company has elected to apply the small business concessional income tax rate of 26% in determining the amount of deferred tax assets not recognised.

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

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

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

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

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

Note 4. Income tax (continued)

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Temporary differences	23,950	121,082
Total deferred tax assets not recognised	23,950	121,082

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 5. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Cash at bank	1,232,781	21,453

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 6. Current assets - trade and other receivables

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Prepayments	1,489	1,392
Other receivables	362	132,458
R&D tax incentive receivable	204,212	131,800
GST receivable	8,916	11,878
	214,979	277,528

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.

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 7. Non-current assets - financial assets at fair value through other comprehensive income

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Ordinary shares in Sunrise Energy Metals Ltd (ASX: SRL)	1,325,926	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	30 June 2021	30 June 2020
Opening fair value	-	-
Revaluation increments	985,926	-
Reversal of impairment	340,000	-
Closing fair value	1,325,926	-

Note 7. Non-current assets - financial assets at fair value through other comprehensive income (continued)

On 11 May 2021, Ionic entered an arrangement with Sunrise Energy Metals Ltd (ASX: SRL) (formerly CleanTeQ) for an asset swap for a stake in the consolidated entity's graphene water treatment business, NematiQ Pty Ltd. Under the terms of the agreement, Ionic has sold a 16.8% (116,667 fully paid ordinary shares) in NematiQ to SRL, inclusive of the $340,000 loan owed by NematiQ to Ionic. As a result of the asset swap, Ionic in exchange obtained 125,926 fully paid ordinary shares in SRL having a market value of $340,000 and 614,815 fully paid ordinary shares of Sunrise Energy Metals Ltd having a market value of $1,660,000 at the time of the agreement. Ionic has reversed the $340,000 impairment previously recognised on the loan to NematiQ and recognised the value of its shareholding in SRL at fair value through other comprehensive income (FVOCI) at the director's election.

Financial assets at fair value through other comprehensive income relate to Sunrise Energy Metals Ltd which is ordinary shares in a listed company. These have been valued at the quoted prices at accordance with AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Note 8. Non-current assets - plant and equipment

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Plant and equipment - at cost	157,632	47,302
Less: Accumulated depreciation	(40,811)	(27,915)
	116,821	19,387
Computer equipment - at cost	1,681	1,167
Less: Accumulated depreciation	(1,074)	-
	607	1,167
	117,428	20,554

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

Consolidated	Plant and equipment $	Computer equipment $	Total $
Balance at 1 July 2019	47,302	-	47,302
Additions	-	1,681	1,681
Depreciation expense	(27,915)	(514)	(28,429)
Balance at 30 June 2020	19,387	1,167	20,554
Additions	110,329	-	110,329
Depreciation expense	(12,895)	(560)	(13,455)
Balance at 30 June 2021	116,821	607	117,428

Accounting policy for 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
Computer equipment	3 years

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

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 9. Current liabilities - trade and other payables

	Consolidated	
	30 June 2021 $	30 June 2020 $
Trade payables	41,383	193,092
Other payables	94,618	99,556
	136,001	292,648

Refer to note 13 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 settlement of these fees is at the discretion of the company and is currently intended to be settled at the earlier of when sufficient funds are available or through the issue of shares in lieu of a cash settlement.

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 10. Equity - issued capital

	Consolidated			
	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 $	30 June 2020 $
Ordinary shares - fully paid	1,323,373,466	982,500,465	6,437,218	4,357,666

Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 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		-		(37,027)
Balance	30 June 2020	982,500,465		4,357,666
Director fees and consulting fees settled with shares	24 November 2020	19,935,085	$0.005	99,675
Capital raising	11 December 2020	271,163,332	$0.0075	2,033,725
Corporate advisory fees settled by shares	11 December 2020	40,685,000	$0.0075	305,138
Share issued	2 February 2021	2,666,667	$0.0075	20,000
Director fees and consulting fees settled with shares	14 May 2021	6,422,917	$0.0075	48,172
Capital raising costs		-		(427,158)
Balance	30 June 2021	1,323,373,466		6,437,218

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.

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 11. Equity - Reserves

	Consolidated 30 June 2021 $	30 June 2020 $
Financial assets at fair value through other comprehensive income reserve	985,926	-
Share-based payments reserve	178,320	274,320
	1,164,246	274,320

Financial assets at fair value through other comprehensive income reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

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	01/07/2020	129,841,110	274,320
Options cancelled*	31/12/2020	-	(96,000)
Balance at the end of the year		129,841,110	178,320

Note 12. Equity - dividends

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

Note 13. Financial instruments

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

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

Market risk

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

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.

Note 13. Financial instruments (continued)

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. All financial liabilities will be settled with in 6 months.

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

Note 14. Key management personnel disclosures

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

Non-Executive Directors

Mr Neil Wilson
Mr Zhongming Hong (resigned on 8 July 2021)

Executive Directors
Mr Simon Savage
Mr Peter Armitage

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

	Consolidated	
	30 June 2021	**30 June 2020**
	$	**$**
Short-term employee benefits	297,030	144,942
Post-employment benefits	17,123	24,174
Long-term benefits	6,657	-
Share-based payments	129,708	232,243
	450,518	401,359

Note 15. Remuneration of auditors

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

	Consolidated	
	30 June 2021 $	30 June 2020 $
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit of the financial statements	19,000	-
Review of the financial statements	10,000	-
	29,000	-
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	-	33,500
Review of the financial statements	-	11,500
	-	45,000
Other services - Grant Thornton Audit Pty Ltd		
R&D tax rebate claim preparation	9,500	9,500

Note 16. Contingent liabilities

There were no contingent liabilities at 30 June 2020 or 30 June 2021.

Note 17. Related party transactions

Parent entity
Ionic Industries Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 19.

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

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

Receivable from and payable to related parties
At 30 June 2021 a total of $77,796 (2020: $77,796) of accrued fees due to former directors is recognised 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 18. 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 2021 $	Parent 30 June 2020 $
Loss after income tax	(254,333)	(1,843,986)
Total comprehensive loss	(254,333)	(1,843,986)

Statement of financial position

	Parent 30 June 2021 $	Parent 30 June 2020 $
Total current assets	1,447,760	298,981
Total assets	2,891,114	319,535
Total current liabilities	193,458	439,681
Total liabilities	208,296	447,862
Equity		
Issued capital	6,437,218	4,357,666
Financial assets at fair value through other comprehensive income reserve	985,926	-
Share-based payments reserve	178,320	274,320
Accumulated losses	(4,918,646)	(4,760,313)
Total equity/(deficiency)	2,682,818	(128,327)

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 2021 (June 2020: NIL).

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 (June 2020: NIL).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 (June 2020: 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 19. 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 2021 %	Ownership interest 30 June 2020 %
KAP Energy Pty Ltd*	Australia	100.00%	100.00%

* This company was incorporated on 4 December 2018.

Note 20. Events after the reporting period

On 1 July 2021, Ionic received 370,370 shares in CleanTeQ Water Limited (ASX: CNQ) as a result of its demerger from Sunrise Energy Metals Limited(ASX: SRL). The eligible shareholders will receive one Clean TeQ Water share for every two SRL shared held on 24 June 2021.

On 8 July 2021, Mr Zhongming Hong tendered resignation as Non-Executive Director of the Company, effective immediately.

On 14 July 2021, the company issued 700,000 fully paid ordinary shares at an issue price of $0.002 (0.2 cents) per share upon the exercise of options, raising $14,000.

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 2021, 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 2021 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 21. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 30 June 2021 $	Consolidated 30 June 2020 $
Loss after income tax expense for the year	(254,333)	(1,843,986)
Adjustments for:		
Depreciation and amortisation	13,456	11,519
Impairment of investments	(340,000)	340,000
Share-based payments	147,853	1,031,266
Finance cost	3,271	9,911
Change in operating assets and liabilities:		
Increase in trade and other receivables	(64,861)	(18,168)
Decrease/(increase) in prepayments	(97)	5,124
Decrease in trade and other payables	(141,602)	(4,950)
Increase in employee benefits	19,777	14,347
Increase in other liabilities	109,999	77,344
Net cash used in operating activities	(506,537)	(377,593)

Note 22. Share-based payments

Share based payments for the period ended 30 June 2021 amounted to $147,853, including $129,713 of director fees and $18,140 consulting fees settled through the issue of the company's fully paid ordinary shares.

30 June 2021

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	10,000,000	-	-	-	10,000,000
26/11/2018	26/11/2023	$0.060	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 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	$0.040	10,000,000	-	-	-	10,000,000
26/11/2018	26/11/2023	$0.060	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.

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

Grant date	Expiry date	30 June 2021 Number	30 June 2020 Number
27/11/2017	29/12/2021	10,000,000	10,000,000
26/11/2018	26/11/2023	6,000,000	6,000,000
		16,000,000	16,000,000

* The options listed above excluding all options granted to directors or shareholders not issued as SBP. These options were issued as free attaching options to shareholders who subscribed to share issues as an incentive offer.

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.

Note 22. Share-based payments (continued)

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.

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 2021 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 2021

William Buck

Ionic Industries Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ionic Industries Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
(ii) 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

ACCOUNTANTS & ADVISORS
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Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN: 59 116 151 136

A.F. Finnis

Melbourne, 27 October 2021