



Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2022

Ionic Industries Limited

Contents

30 June 2022

Corporate directory	2
Directors' report	3
Auditor's independence declaration	8
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	33
Independent auditor's report to the members of Ionic Industries Limited	34

Ionic Industries Limited
Corporate directory
30 June 2022

Directors	Mr Peter Armitage (Executive Chairman) Mr Simon Savage (CEO and Managing Director) Mr Neil Wilson (Non-Executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 21, 459 Collins Street Melbourne VIC 3000 Ph: +61 3 8630 3321
Principal place of business	Unit 2/247 Ferntree Gully Road Mt Waverly VIC 3149
Auditor	William Buck Level 20, 181 William Street Melbourne Victoria 3000 Telephone: +61 3 9824 8555
Website	www.ionicindustries.com.au
Share register	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Phone No. (03) 9415 5000

Ionic Industries Limited
Directors' report
30 June 2022

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 2022.

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 Managing 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: graphene supercapacitors and graphene conductive coating for sensing applications.

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 three 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 and at Ionic's new research facility in M Waverley and in collaboration with the Monash research team.

The conductive coatings work has been focused on progressing the work that was previously undertaken by Imagine Intelligent Materials, which was acquired by Ionic under a deed of company arrangements in January 2022. This work has involved several distinct streams:

- (1) Recommissioning plant and equipment for large scale production of graphene materials used in the X3 product
- (2) Reestablishing relationships with various partners and customers of the conductive coatings products
- (3) Progressing product development for products in different target markets, including: leak detection with smart geotextile products, smart floorings and sensing conveyor belts.

This work has been undertaken at the company's new manufacturing facility in Mt Waverley.

On 13 January 2022 the Company entered into a Deed of Company Arrangement (DOCA) to acquire Imagine Intelligent Materials Limited (**Imagine**). The Company paid \$574,339 to acquire 95.81% of the issued capital in Imagine.

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 \$985,886, for the year ended 30 June 2022 (30 June 2021: loss of \$254,333).

The net assets of the company increased by \$225,187 to a surplus of \$2,908,005 as at 30 June 2022 (30 June 2021: \$2,682,818).

Ionic Industries Limited
Directors' report
30 June 2022

Working capital, being current assets less current liabilities, decreased by \$798,997 to a surplus of \$455,305 (30 June 2021: \$1,254,302).

The company had net cash outflows from operating activities for the period of \$1,170,123 (30 June 2021: \$506,537).

The total cash and cash equivalents as at 30 June 2022 was \$103,788 (30 June 2021: \$1,232,781).

Ionic has managed to achieve strong advancement of its technologies while also preserving its financial position in several ways:

- Raised capital from issue of new shares
- Leveraged government grant funding through the Advanced Manufacturing Growth Centre
- Leveraged consideration in the form of shares from the sale of its stake in the NematiQ joint venture to Cleantech Holdings
- Maximising tax benefits from the government's R&D incentives

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. Our formal collaborative relationship with CapXX, announced in March 2022, was the culmination of 2 years of informal collaboration and engagement and represents a major milestone in Ionic's commercialisation of its supercapacitor technologies.

On 13 January 2022 the Company entered into a Deed of Company Arrangement (DOCA) to acquire 95.81% of the issued capital of Imagine Intelligent Materials Limited (**Imagine**). The Company paid \$574,339 to acquire 95.81% of the issued capital in Imagine and its subsidiaries, a graphene application and research and development group. The acquisition has been accounted for as a Business Combination in accordance with AASB 3 Business Combinations.

Post acquisition of the Company's 95.81% interest in Imagine, the Company also agreed to issue 41,644,325 fully paid ordinary shares, with an issue price \$0.02 (2 cents) per share, to settle deferred creditors which remained in the accounts of Imagine following completion of the DOCA process, representing \$832,887.

Significant changes in the state of affairs

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).

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.

On 13 January 2022 the Company entered into a Deed of Company Arrangement (DOCA) to acquire 95.81% of the issued capital of Imagine Intelligent Materials Limited (**Imagine**). The Company paid \$574,339 to acquire 95.81% of the issued capital in Imagine and its subsidiaries, a graphene application and research and development group. The acquisition has been accounted for as a Business Combination in accordance with AASB 3 Business Combinations.

During the full year ended 30 June 2022, the company sold 400,000 Sunrise Energy Metals shares to fund general working capital for the company. Receipts from the sale of shares were approximately \$754,741 (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

On 12 October 2022 the Company agreed to issue 1,051,885 fully paid ordinary shares, with an issue price of \$0.05 (5 cents) per share, to settle \$525,941 worth of deferred creditors in Imagine. This followed an offer made by the Company to settle 10% of the deferred creditor balance in return for the deferred creditors agreeing to extinguish 100% of their debt owed by Imagine.

Ionic Industries Limited
Directors' report
30 June 2022

Subsequent to the end of the financial year, the Company made an offer to the remaining shareholding of Imagine Intelligence for cash consideration of \$0.021 (2.1 cents) per share which was completed in October 2022 with the Company acquiring the remaining 4.19% of the shares in Imagine.

No other matter or circumstance has arisen since 30 June 2022 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.

In the coming year the Company will progress plans for an initial public offering on a public stock 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.

Ionic Industries Limited
Directors' report
30 June 2022

Company secretary

Mr Justin Mouchacca, CA FGIA (appointed 1 August 2022)

Mr Mouchacca is a Chartered Accountant and Fellow of the Governance Institute of Australia with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies.

Ms Melanie Leydin CA (resigned 1 August 2022)

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 2022, 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)	-	-

(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	30/06/2025	\$0.02	113,123,610
26/11/2018	26/11/2023	\$0.06	<u>6,000,000</u>
			<u><u>119,123,610</u></u>

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

There were no ordinary shares of Ionic Industries Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Date options exercised	Exercise price	Number of shares issued
14 July 2021	\$0.02	700,000

Ionic Industries Limited
Directors' report
30 June 2022

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 Audit (Vic) 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

8 December 2022

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 2022 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

A. A. Finnis
Director
Melbourne, 8th December 2022

Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 30 June 2022 \$	30 June 2021 \$
Other income			
Research & development tax concession		356,322	213,022
Patents Income		15,007	13,324
ATO Cashflow boost		-	10,000
AMCG grant income		134,000	12,375
Interest revenue		1,299	1,101
		<u>506,628</u>	<u>249,822</u>
Expenses			
Research and development costs		(325,346)	(137,517)
Corporate expenses		(449,978)	(213,965)
Employee benefits expense		(512,048)	(320,810)
Depreciation expense		(45,939)	(13,456)
Reversal of prior period impairment of investments	7	-	340,000
Acquisition costs		(73,956)	-
Share based payments expense	29	-	(147,853)
Other expenses		(75,537)	(7,285)
Finance costs		(9,710)	(3,269)
		<u>(985,886)</u>	<u>(254,333)</u>
Loss before income tax expense		(985,886)	(254,333)
Income tax expense		-	-
		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(985,886)	(254,333)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		349,186	985,926
		<u>349,186</u>	<u>985,926</u>
Other comprehensive income for the year, net of tax		349,186	985,926
		<u>349,186</u>	<u>985,926</u>
Total comprehensive income/(loss) for the year attributable to the owners of Ionic Industries Limited		<u>(636,700)</u>	<u>731,593</u>

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

Ionic Industries Limited
Statement of financial position
As at 30 June 2022

		Consolidated	
	Note	30 June 2022	30 June 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		103,788	1,232,781
Trade and other receivables	4	521,507	213,490
Financial assets at fair value through other comprehensive income	5	920,371	-
Other current assets	6	211,566	1,489
Total current assets		<u>1,757,232</u>	<u>1,447,760</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	7	-	1,325,926
Plant and equipment	8	216,429	117,428
Right-of-use assets	9	135,605	-
Intangibles	10	2,438,026	-
Total non-current assets		<u>2,790,060</u>	<u>1,443,354</u>
Total assets		<u>4,547,292</u>	<u>2,891,114</u>
Liabilities			
Current liabilities			
Trade and other payables	11	1,182,514	136,001
Lease liabilities	12	56,216	-
Employee benefits		63,197	57,457
Total current liabilities		<u>1,301,927</u>	<u>193,458</u>
Non-current liabilities			
Borrowings	13	217,460	-
Lease liabilities	14	100,422	-
Employee benefits		19,478	14,838
Total non-current liabilities		<u>337,360</u>	<u>14,838</u>
Total liabilities		<u>1,639,287</u>	<u>208,296</u>
Net assets		<u>2,908,005</u>	<u>2,682,818</u>
Equity			
Issued capital	15	7,299,105	6,437,218
Reserves	16	1,082,725	1,164,246
Accumulated losses		<u>(5,473,825)</u>	<u>(4,918,646)</u>
Total equity		<u>2,908,005</u>	<u>2,682,818</u>

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

Ionic Industries Limited
Statement of changes in equity
For the year ended 30 June 2022

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
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	1,931,705	-	-	-	1,931,705
Share-based payments (note 29)	147,847	-	(96,000)	96,000	147,847
Balance at 30 June 2021	<u>6,437,218</u>	<u>985,926</u>	<u>178,320</u>	<u>(4,918,646)</u>	<u>2,682,818</u>
Consolidated	Issued capital \$	Revaluation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	6,437,218	985,926	178,320	(4,918,646)	2,682,818
Loss after income tax expense for the year	-	-	-	(985,886)	(985,886)
Other comprehensive income for the year, net of tax	-	349,186	-	-	349,186
Total comprehensive income/(loss) for the year	-	349,186	-	(985,886)	(636,700)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	861,887	-	-	-	861,887
Transfer to accumulated losses due to expiry, cancellation or forfeiture of options	-	-	(42,273)	42,273	-
Transfer to accumulated losses due to shares sold related to revaluation reserve	-	(388,434)	-	388,434	-
Balance at 30 June 2022	<u>7,299,105</u>	<u>946,678</u>	<u>136,047</u>	<u>(5,473,825)</u>	<u>2,908,005</u>

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

Ionic Industries Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated	Consolidated
		30 June 2022	30 June 2021
		\$	\$
Cash flows from operating activities			
Receipts from research and development tax concession		163,173	145,560
Receipts from government grants		134,000	22,375
Payments to suppliers and employees (inclusive of GST)		(1,468,957)	(688,536)
Receipts from customers		-	13,324
Interest received		1,661	740
		<u> </u>	<u> </u>
Net cash used in operating activities	28	<u>(1,170,123)</u>	<u>(506,537)</u>
Cash flows from investing activities			
Payments for plant and equipment		(63,613)	(110,329)
Payments for security deposits		(43,850)	-
Payments for leasehold improvements		(24,609)	-
Payments for acquisition of Imagine Intelligent Materials		(574,339)	-
Proceeds from disposal of investments		754,741	-
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		<u>48,330</u>	<u>(110,329)</u>
Cash flows from financing activities			
Proceeds from exercise of share options	15	14,000	2,053,725
Share issue transaction costs		-	(119,566)
Repayment of borrowings		-	(102,696)
Repayment of lease liabilities		(21,200)	-
Financing expenses		-	(3,269)
		<u> </u>	<u> </u>
Net cash from/(used in) financing activities		<u>(7,200)</u>	<u>1,828,194</u>
Net (decrease)/increase in cash and cash equivalents		(1,128,993)	1,211,328
Cash and cash equivalents at the beginning of the financial year		<u>1,232,781</u>	<u>21,453</u>
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year		<u><u>103,788</u></u>	<u><u>1,232,781</u></u>

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

Note 1. General information

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

Registered office	Principal place of business
Level 21, 459 Collins Street Melbourne, Victoria, 3000	Unit 2/247 Ferntree Gully Road Mt Waverly, VIC 3149

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 8 December 2022. 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.

Going concern

The consolidated financial statements have 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 2022, the company incurred a loss after tax of \$985,886 (30 June 2021: loss of \$254,333) and had net cash outflows from operating activities of \$1,170,123 (30 June 2021: cash outflows of \$506,537).

At 30 June 2022, the company had net asset surplus of \$2,908,005 (30 June 2021: \$2,682,818). The cash balance as at 30 June 2022 was \$103,788 (30 June 2021: \$1,232,781). The working capital surplus amounted to \$455,305 at 30 June 2022 (30 June 2021 surplus: \$1,254,302). The reduction in working capital during the year was a result of the acquisition of Imagine Intelligent Materials Limited which included deferred creditors amounting to \$884,600, who have all agreed in writing to defer their amounts owed until May 2023.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Note 2. Significant accounting policies (continued)

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, such as through an initial public offering (IPO) or other funding processes;
- 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 incentive refund for the 2022 financial year;
- Commercialisation of proprietary technology; and
- The group has the ability to defer any uncommitted research and development costs if required.

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.

Other development expenditure is recognised in the profit or loss as an expense as incurred.

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 24.

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 2022 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.

Note 2. Significant accounting policies (continued)

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 and grants

Subsidies and grants 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.

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, its 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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

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

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.

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.

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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.

The company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claim lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may only occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

Note 4. Current assets - trade and other receivables

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Trade receivables	100,670	-
Other receivables	-	362
R&D tax incentive receivable	397,361	204,212
GST receivable	23,476	8,916
	<u>521,507</u>	<u>213,490</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 4. Current assets - trade and other receivables (continued)

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

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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 5. Current assets - financial assets at fair value through other comprehensive income

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Ordinary shares in Sunrise Energy Metals Ltd (ASX: SRL)	766,667	-
Ordinary shares in Clean TeQ Water Ltd (ASX:CNQ)	153,704	-
	<u>920,371</u>	<u>-</u>

Reconciliation

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

Opening fair value	-	-
Transfer from non-current assets	1,325,926	-
Disposals	(754,741)	-
Revaluation increments	349,186	-
Closing fair value	<u>920,371</u>	<u>-</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 6. Current assets - Other current assets

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Prepayments	16,382	1,489
Security deposits	5,000	-
Other deposits	34,980	-
Other current assets	155,204	-
	<u>211,566</u>	<u>1,489</u>

Other current assets of \$151,334 relate to equity share plan transaction which was subsequently received in FY23 by the Company.

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

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Ordinary shares in Sunrise Energy Metals Ltd (ASX: SRL)	<u>-</u>	<u>1,325,926</u>

Reconciliation

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

Opening fair value	1,325,926	-
Transfer to current assets	(1,325,926)	-
Revaluation increments	-	985,926
Reversal of impairment	-	340,000
Closing fair value	<u>-</u>	<u>1,325,926</u>

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.

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 8. Non-current assets - plant and equipment

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Leasehold improvements - at cost	49,685	-
Plant and equipment - at cost	157,632	157,632
Less: Accumulated depreciation	<u>(50,087)</u>	<u>(40,811)</u>
	<u>107,545</u>	<u>116,821</u>
Laboratory and computer equipment - at cost	65,294	1,681
Less: Accumulated depreciation	<u>(6,095)</u>	<u>(1,074)</u>
	<u>59,199</u>	<u>607</u>
	<u><u>216,429</u></u>	<u><u>117,428</u></u>

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 \$	Laboratory and computer equipment \$	Leasehold improvements \$	Total \$
Balance at 1 July 2020	19,387	1,167	-	20,554
Additions	110,329	-	-	110,329
Depreciation expense	<u>(12,895)</u>	<u>(560)</u>	-	<u>(13,455)</u>
Balance at 30 June 2021	116,821	607	-	117,428
Additions	-	63,613	49,685	113,298
Depreciation expense	<u>(9,276)</u>	<u>(5,021)</u>	-	<u>(14,297)</u>
Balance at 30 June 2022	<u><u>107,545</u></u>	<u><u>59,199</u></u>	<u><u>49,685</u></u>	<u><u>216,429</u></u>

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
Laboratory and computer equipment	3-5 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.

Laboratory and computer equipment includes the purchase of equipment used for research and development purposes.

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 9. Non-current assets - right-of-use assets

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Land and buildings - right-of-use	<u>135,605</u>	<u>-</u>

Reconciliations

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

Consolidated	Right-of-use asset
	\$
Balance at 1 July 2020	-
Balance at 30 June 2021	-
Additions	167,246
Depreciation expense	<u>(31,641)</u>
Balance at 30 June 2022	<u>135,605</u>

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 10. Non-current assets - intangibles

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Goodwill - Imagine Intelligence Systems	<u>2,438,026</u>	<u>-</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 10. Non-current assets - intangibles (continued)

Goodwill - Imagine Intelligence Systems Intellectual Property

During the financial year, the Company entered into a Deed of Company Arrangement with Imagine Intelligent Materials Limited (**Imagine**) and its creditors to acquire up to 100% of the issued capital of Imagine by agreeing to settle the debts of Imagine, which had entered into Administration.

The Company paid \$574,339 to acquire 95.81% of the issued capital in the Company. The Company also agreed to issue 41,644,325 fully paid ordinary shares, with an issue price \$0.02 (2 cents) per share, to settle deferred creditors which remained in the accounts of Imagine following completion of the DOCA process, representing \$832,887.

Subsequent to the end of the financial year, the Company agreed to issue 1,051,885 fully paid ordinary shares, with an issue price of \$0.05 (5 cents) per share, to settle \$525,941 worth of deferred creditors. This followed an offer made by the Company to settle their outstanding deferred creditor balance owed by Imagine.

Refer to Note 25 - Business Combinations for further information relating to the acquisition.

Note 11. Current liabilities - trade and other payables

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Trade payables	178,980	41,383
Other payables	118,934	94,618
Deferred creditors - Imagine Intelligent Materials	884,600	-
	<u>1,182,514</u>	<u>136,001</u>

Refer to note 19 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.

During the year and as part of the acquisition of Imagine Intelligent Materials Limited, the Company acquired deferred creditors amounting to \$884,600, who have all agreed in writing to defer their amounts owed until May 2023.

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 - lease liabilities

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Lease liability	<u>56,216</u>	<u>-</u>

Note 13. Non-current liabilities - borrowings

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Business Finland loan	<u>217,460</u>	<u>-</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 13. Non-current liabilities - borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Business Finland loan	<u>217,460</u>	<u>-</u>

The loan referred to above relates to a loan entered into by one of the subsidiaries of Imagine Intelligent Materials Limited. This loan is a Business Finland loan which is denominated in Euros and is repayable over 4 years after an initial three-year payment-free period. The applicable interest rate is set at 3% lower than the current base interest set by the Ministry of Finance in Finland. The euro amount is €152,750 and was drawn down during the financial year ended 30 June 2020.

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 14. Non-current liabilities - lease liabilities

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Lease liability	<u>100,422</u>	<u>-</u>

Refer to note 19 for further information on financial instruments.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 15. Equity - issued capital

	Consolidated			
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,366,467,791</u>	<u>1,323,373,466</u>	<u>7,299,105</u>	<u>6,437,218</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 15. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 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	\$0.007	2,033,725
Corporate advisory fees settled by shares	11 December 2020	40,685,000	\$0.007	305,138
Share issued	2 February 2021	2,666,667	\$0.007	20,000
Director fees and consulting fees settled with shares	14 May 2021	6,422,917	\$0.007	48,172
Capital raising costs		-	-	(427,158)
Balance	30 June 2021	1,323,373,466		6,437,218
Options exercised	14 July 2021	700,000	\$0.02	14,000
Settlement of Director fees	30 June 2022	750,000	\$0.02	15,000
Consideration for Imagine acquisition	30 June 2022	41,644,325	\$0.02	832,887
Balance	30 June 2022	<u>1,366,467,791</u>		<u>7,299,105</u>

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.

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 16. Equity - Reserves

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Financial assets at fair value through other comprehensive income reserve	946,678	985,926
Share-based payments reserve	136,047	178,320
	<u>1,082,725</u>	<u>1,164,246</u>

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	01/07/2021	129,841,110	178,320
Options expired during the year	31/12/2021	-	(42,273)
Balance at the end of the year		<u>129,841,110</u>	<u>136,047</u>

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

Note 17. Equity - non-controlling interest

As at 30 June 2022, there was a non-controlling interest amounting to 4.19% in relation to the Company's ownership of Imaging Intelligent Materials Limited and the relevant loss for this interest was not significant. Subsequent to the end of the financial year, the Company acquired the remaining 4.19% through a compulsory acquisition.

Note 18. Equity - dividends

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

Note 19. 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 19. 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. 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 20. 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 2022	30 June 2021
	\$	\$
Short-term employee benefits	378,060	297,030
Post-employment benefits	23,636	17,123
Long-term benefits	4,640	6,657
Share-based payments	13,636	129,708
	<u>419,972</u>	<u>450,518</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the company:

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
<i>Audit services - William Buck Audit (Vic) Pty Ltd</i>		
Audit of the financial statements	23,750	19,000
Review of the financial statements	10,000	10,000
	<u>33,750</u>	<u>29,000</u>

Note 22. Contingent liabilities

There were no contingent liabilities at 30 June 2021 or 30 June 2022.

Note 23. Related party transactions

Parent entity

Ionic Industries Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

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 2022 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 24. 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 2022	30 June 2021
	\$	\$
Loss after income tax	<u>(985,886)</u>	<u>(254,333)</u>
Total comprehensive loss	<u>(985,886)</u>	<u>(254,333)</u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 24. Parent entity information (continued)

Statement of financial position

	Parent	
	30 June 2022	30 June 2021
	\$	\$
Total current assets	1,716,168	1,447,760
Total assets	3,445,232	2,891,114
Total current liabilities	417,327	193,458
Total liabilities	537,227	208,296
Equity		
Issued capital	7,299,105	6,437,218
Financial assets at fair value through other comprehensive income reserve	946,678	985,926
Share-based payments reserve	136,047	178,320
Accumulated losses	(5,473,825)	(4,918,646)
Total equity	<u>2,908,005</u>	<u>2,682,818</u>

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 2022 (June 2021: NIL).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 (June 2021: NIL).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 (June 2021: 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 25. Business combinations

On 13 January 2022 the Company entered into a Deed of Company Arrangement (DOCA) to acquire Imagine Intelligent Materials Limited (**Imagine**). The Company paid \$574,339 to acquire 95.81% of the issued capital in the Company. The acquisition has been accounted for as a Business Combination in accordance with AASB 3 Business Combinations.

The Company also agreed to issue 41,644,325 fully paid ordinary shares, with an issue price \$0.02 (2 cents) per share, to settle deferred creditors which remained in the accounts of Imagine following completion of the DOCA process, representing \$832,887 of deferred creditors. Subsequent to the end of the financial year, the Company agreed to issue 1,051,885 fully paid ordinary shares, with an issue price of \$0.05 (5 cents) per share, to settle \$525,941 worth of deferred creditors. This followed an offer made by the Company to settle 10% of the deferred creditor balance in return for the deferred creditors agreeing to extinguish 90% of their debt owed by Imagine.

Note 25. Business combinations (continued)

Imagine is a graphene applications company. It is focused on developing conductive coatings and sensing technologies that deliver valuable data from large surface areas in buildings, infrastructure and logistics and can be manufactured at scale. The Company was incorporated in Australia on 8 September 2014. The Company has developed turnkey graphene products and has attempted to secure licensing partners within the global graphene applications industry to further develop and market its intellectual property but was unable to fully achieve this. The company entered into voluntary administration on 12 October 2021.

This business combinations has been initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Due to the nature of the acquisition of Imagine via a DOCA, it was not possible to estimate the contribution of the financial performance post acquisition for the period to 30 June 2022.

The fair value of the identifiable net assets acquired are noted below:

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	16,489
Trade receivables	20,705
Other receivables	3,870
Trade payables	(1,102,061)
Deferred creditors - paid by Ionic	<u>(825,976)</u>
Acquisition-date fair value of the net liabilities acquired	<u><u>(1,886,973)</u></u>
Acquisition costs expensed to profit or loss	<u><u>73,956</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	574,339
Net cash used	<u><u>574,339</u></u>

Goodwill

Goodwill amounting to \$2,438,026 has resulted from the acquisition of Imagine Intelligent Materials Limited based on the fair value of net liabilities acquired and cash paid for the acquisition.

	\$
Consideration paid	574,339
Net liabilities acquired	<u>1,863,687</u>
Provisional goodwill acquired	<u><u>2,438,026</u></u>

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 26. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2022 %	30 June 2021 %
KAP Energy Pty Ltd	Australia	100.00%	100.00%
Imagine Intelligence Materials Limited*	Australia	95.81%	-

* This interest was acquired during the financial year.

Note 27. Events after the reporting period

On 12 October 2022 the Company agreed to issue 1,051,885 fully paid ordinary shares, with an issue price of \$0.05 (5 cents) per share, to settle \$525,941 worth of deferred creditors in Imagine. This followed an offer made by the Company to settle 10% of the deferred creditor balance in return for the deferred creditors agreeing to extinguish 100% of their debt owed by Imagine.

Subsequent to the end of the financial year, the Company made an offer to the remaining shareholding of Imagine Intelligence for cash consideration of \$0.021 (2.1 cents) per share which was completed in October 2022 with the Company acquiring the remaining 4.19% of the shares in Imagine.

No other matter or circumstance has arisen since 30 June 2022 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 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2022 \$	30 June 2021 \$
Loss after income tax expense for the year	(985,886)	(254,333)
Adjustments for:		
Depreciation and amortisation	45,939	13,456
Impairment of investments	-	(340,000)
Share-based payments	-	147,853
Finance cost	-	3,271
Change in operating assets and liabilities:		
Increase in trade and other receivables	(423,287)	(64,861)
Increase in prepayments	(14,893)	(97)
Increase/(decrease) in trade and other payables	195,965	(141,602)
Increase in employee benefits	12,039	19,777
Increase in other liabilities	-	109,999
Net cash used in operating activities	<u>(1,170,123)</u>	<u>(506,537)</u>

Note 29. Share-based payments

Share based payments for the period ended 30 June 2022 amounted to \$28,636.

Ionic Industries Limited
Notes to the financial statements
30 June 2022

Note 29. Share-based payments (continued)

30 June 2022

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	\$0.04	10,000,000	-	-	(10,000,000)	-
26/11/2018	26/11/2023	\$0.06	6,000,000	-	-	-	6,000,000
			<u>16,000,000</u>	<u>-</u>	<u>-</u>	<u>(10,000,000)</u>	<u>6,000,000</u>

* 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 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	\$0.04	10,000,000	-	-	-	10,000,000
26/11/2018	26/11/2023	\$0.06	6,000,000	-	-	-	6,000,000
			<u>16,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000,000</u>

* 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 2022 Number	30 June 2021 Number
27/11/2017	29/12/2021	-	10,000,000
26/11/2018	26/11/2023	6,000,000	6,000,000
		<u>6,000,000</u>	<u>16,000,000</u>

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.

Note 29. Share-based payments (continued)

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.


Ionic Industries Limited
Directors' declaration
30 June 2022

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 2022 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

8 December 2022

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 2022, the consolidated statement of profit or loss and 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 2022 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 (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 of the financial statements which indicates that the Group during the year ended 30 June 2022 incurred a net loss after income tax of \$985,886 and net operating cash outflows of \$1,170,123. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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 2022 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

Alan Finnis

A. A. Finnis
Director

Melbourne, 8th December 2022