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Offer Information Statement 2023

Ionic Industries Limited

ACN 168 143 324

Offer Information Statement

For an offer of New Shares at a price of $0.025 per New Share under a Share Purchase Plan to raise up to $2,000,000

It is important that potential investors read this Offer Information Statement in its entirety and seek professional investment advice before deciding to apply for New Shares. This Offer Information Statement is not a prospectus and has a lower level of disclosure than a prospectus. It does not contain all information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document. Investors should obtain professional investment advice before accepting the offer made under this document. This Offer Information Statement does not take into account the individual investment objectives, financial situation or particular needs of each Eligible Shareholder.

Contents

Important Information

This Offer Information Statement is dated 8 June 2023 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC takes no responsibility for the contents of this Offer Information Statement or the merits of the investment to which it relates.

It is important that potential investors read this Offer Information Statement in its entirety and seek professional investment advice before deciding to apply for New Shares. The New Shares offered under this Offer Information Statement are illiquid and potential investors are urged to seek independent professional advice in relation to the material contained in this Offer Information Statement.

The expiry date of this Offer Information Statement is the date which is 13 months after the date of this document. No New Shares will be issued on the basis of this Offer Information Statement after the expiry date.

This Offer Information Statement does not constitute an Offer in any place where, or to any person to whom, it would not be lawful to make such an Offer. The distribution of this Offer Information Statement in jurisdictions outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restriction. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

The Offer Information Statement is issued pursuant to section 709(4) of the Corporations Act and is not a prospectus for the purposes of the Corporations Act. The level of disclosure required in this Offer Information Statement is specified in section 715 of the Corporations Act, and those disclosure requirements are lower than those for a prospectus.

This Offer Information Statement neither purports to be exhaustive nor contain all of the information which a prospective investor may require to make an investment decision, and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Offer Information Statement. Any information or representation that is not contained in this Offer Information Statement may not be relied upon as having been authorised by the Company or its Directors.

Capitalised terms have the meaning given to them in Section 8.


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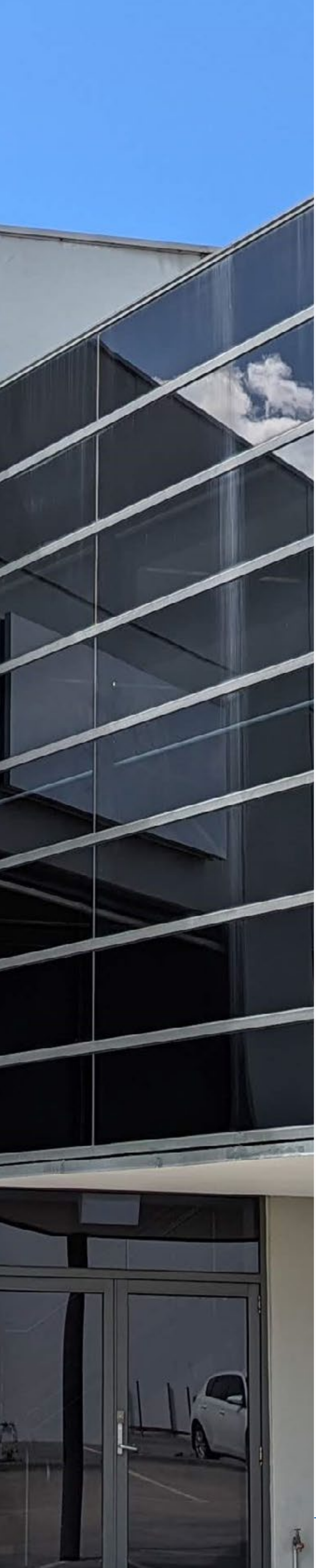
STOP



Message From The Chairman

Dear Shareholder,

On behalf of the Board of Directors of Ionic Industries Limited (**Ionic** or the **Company**) it gives me great pleasure to offer to eligible shareholders the opportunity to participate in the Ionic 2023 Share Purchase Plan (**SPP**).

The SPP allows eligible shareholders to apply for up to $30,000 worth of new fully paid ordinary shares in the Company at a price of $0.025 per share (**New Shares**). Eligible shareholders will also be entitled to apply for additional securities under the shortfall facility that will apply to the SPP. The SPP seeks to raise up to $2 million.

Each of the Directors have indicated that they will participate in the SPP.

Following the Company's recent growth it is seeking to raise further capital to continue the positive development and expansion of the Company. This will include the further development of products, the entry into strategic partnerships and, in conjunction with expanding operations, the possible listing of the Company on the Toronto Stock Exchange (Venture Exchange) (TSXV) or other recognised securities exchange. Your further investment in the Company will assist the Company to pursue this growth and expansion into new markets.

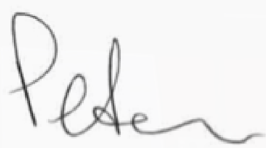
Participation in the SPP is an opportunity to contribute to Ionic's efforts to drive innovation within the materials science sector and continue to bolster its position within market. The Company's experienced management team and strategic partnerships with reputable academic institutions and industry partners positions it for success in what is an evolving materials science sector. The use of funds for the SPP is set out at Section 3.9 of this Offer Information Statement (**OIS**).

Investing in any company carries risk, and Ionic is no exception. You should carefully read the risk factors asset out in Section 5 of this OIS. However, the Company's experienced management team, strategic partnerships, and innovative technologies support Ionic as an exciting investment opportunity for those investing in the materials science sector.

Details of how to accept the offer are provided on the personalised Application Form and in Section 4 of the OIS. The SPP closes at 5.00pm (AEST) on 30 June 2023, unless extended by the Company.

On behalf of the Directors, I invite you to consider this opportunity to engage in the Company's strategy and continued growth, and thank you for your continued support.

For and on behalf of the Board



Peter Armitage
Executive Chairman

8 June 2023

Key Features of The Share Purchase Plan

SUMMARY OF OFFER

OFFER PRICE

$0.025

PER NEW SHARE

NEW SHARES OFFERED UNDER THIS OFFER INFORMATION STATEMENT

80,000,000

SHARES CURRENTLY ON ISSUE

1,400,419,678

TOTAL SHARES ON COMPLETION OF THE SHARE PURCHASE PLAN

1,480,419,678

Key Dates*

Record Date	5.00pm (AEST) 7 June 2023
Lodgement of Offer Information Statement with ASIC	8 June 2023
Offer Opening Date	16 June 2023
Offer Closing Date	30 June 2023
Issue and allotment of New Shares	7 July 2023

* The Company reserves the right, subject to the Corporations Act, and other applicable laws, to vary the dates of the Share Purchase Plan (including extending the Share Purchase Plan or accepting late applications) without notice.

Eligible Shareholders that wish to participate in the Share Purchase Plan are encouraged to subscribe for New Shares as soon as possible after the Opening Date.

1. About Ionic

1. About Ionic

This section is a summary only and not intended to provide full information for investors intending to apply for New Shares offered pursuant to this Offer Information Statement. This Offer Information Statement should be read and considered in its entirety.

1.1 THE IONIC GROUP

Ionic Industries was incorporated on 19 February 2014 and is currently an unlisted public company. Ionic's current operations are as an Australian deep tech company, bringing graphene nanotechnology to markets in the critical global fields of energy storage and sensors.

Ionic has spent the past 9 years growing and building capabilities to develop a technology pathway with real technologies and demonstrated commercial applications. In this regard, the Group has a collaboration-based business model focused on leveraging core materials technologies to share in derived value from end-use applications. Ionic is of the view that it has the people, assets and relationships to support its evolution into the next stages of upscaled production and international expansion.

In 2022, Ionic acquired Imagine Intelligent Materials Limited **(Imagine)**, an Australian developer of graphene-based coatings for industrial textiles and fibres. Similar to Ionic, Imagine was formed in 2014 and was an advanced graphene company, having generated revenue and established a number of commercial partnerships utilising graphene technology.

Ionic was founded to research advanced graphene materials in collaboration with reputable Australian Universities, with approximately $30 million having been invested into private research and development and government funded R&D projects. Ionic has had real-world commercialisation success in water treatment technologies and sensing geotextiles.

1.2 GRAPHENE EXPLAINED

The Group's business is centred around graphene-based technologies. Graphene is a one-atom thick layer of carbon atoms arranged in a hexagonal lattice. It is the building-block of graphite (an abundant material which is used, among others things, in pencil tips). Graphene has several advantageous properties that have repeatedly earned it the title of "wonder material". Graphene is the thinnest compound currently known and approximately 200 times stronger than steel. Graphene is also an excellent conductor of heat and electricity and has light absorption abilities. It is a material that could be used in extensive real-world applications, with potential for integration across broad industries. The Group has been working with, and developing, the technological application of the electrical conductive properties of graphene, which has the potential for numerous applications.

1.3 KEY OPERATIONS

In summary, the Group's operations include the following key elements:

a. Ionic is of the view that it is the world's first producer of graphene electrode materials for commercial supercapacitor applications (and remains one of very few producers globally), delivering smaller, more powerful energy storage solutions and longer life-span for batteries compared to its competitors;

b. maintains a portfolio of technologies including 52 patents awarded and pending (13 patent families) with a focus on the conductive properties of graphene for energy storage and sensing applications;

c. four ongoing collaborative research programs to support a future of innovation and next-generation graphene technologies;

d. newly established manufacturing facility in Mt Waverley, Victoria with production capacity for greater than 10 tonnes per annum of graphene materials;

e. a research team of three full time equivalent engineers, plus a further five post-doctoral and PhD researchers at Monash University operating under the Monash Collaboration Agreement;

f. two commercial laboratories (being laboratories which are larger in scale than University laboratories, which are utilised for bridging the gap between University laboratories and private laboratories operated by private companies) located at the Mt Waverley manufacturing facility;

g. a Commercialisation Agreement with Cap-XX Limited (LON: CPX) **(Cap-XX)** for the production of graphene electrical double layer capacitor (EDLC) supercapacitors;

h. the supply agreement with GeoFabrics Australia Pty Ltd for the supply of sensing geofabrics for mining and infrastructure;

i. the Collaboration Framework Agreement with Mohawk Industries Inc. **(Mohawk Industries)** and Godfrey Hirst for development of smart flooring products, including a live smart flooring demonstrator in Geelong, Victoria; and

j. the joint development project with co-pace GmbH **(Continental AG)**, one of the world's largest automotive and rubber products manufacturers supported by a live demonstration 4m Sankyi smart conveyor belt located at the Mt Waverley facility.

1.4 IONIC APPLICATIONS

Ionic has developed a portfolio of technology applications leveraging the conductive properties of graphene in energy storage and sensing applications. These include the following:

A. GRAPHENE ELECTRODE MATERIALS

Graphene electrode materials for use in next generation energy storage applications, such as:

i. supercapacitors for energy storage applications including electric transport, electronics, medical devices, in particular greatly prolonging the life of li-ion batteries. In this regard, Ionic has entered into a joint venture agreement with Cap-XX and is developing the incorporation of graphene materials into Cap-XX devices; and

ii. future technologies – Ionic is developing the commercialisation of the following:

  a. hybrid battery capacitor devices offering high power and energy, bridging the gap between battery and capacitor technologies; and

  b. micro supercapacitors for microelectronics (on-chip) and sensing applications.

B. SOFTWARE CONFIGURABLE LARGE SURFACE AREA SENSORS

This technology turns almost 100% of a surface into a sensor, or smart surface, with only a marginal increase in cost, resulting in a broad range of applications. Ionic has live demonstrations, or active collaborations, on the following applications:

i. sensing geosynthetics for use in large scale civil engineering projects and mining applications. This technology generated approximately $500,000 between 2016-2021;

ii. smart building materials for use in intelligent flooring. In this regard Ionic has an ongoing collaboration with Mohawk Industries, one of the world's largest flooring companies, to develop and market smart flooring products. Smart flooring can be used for fall detection in aged care, crowd monitoring in high-traffic environments such as airports, conference centres and shopping malls;

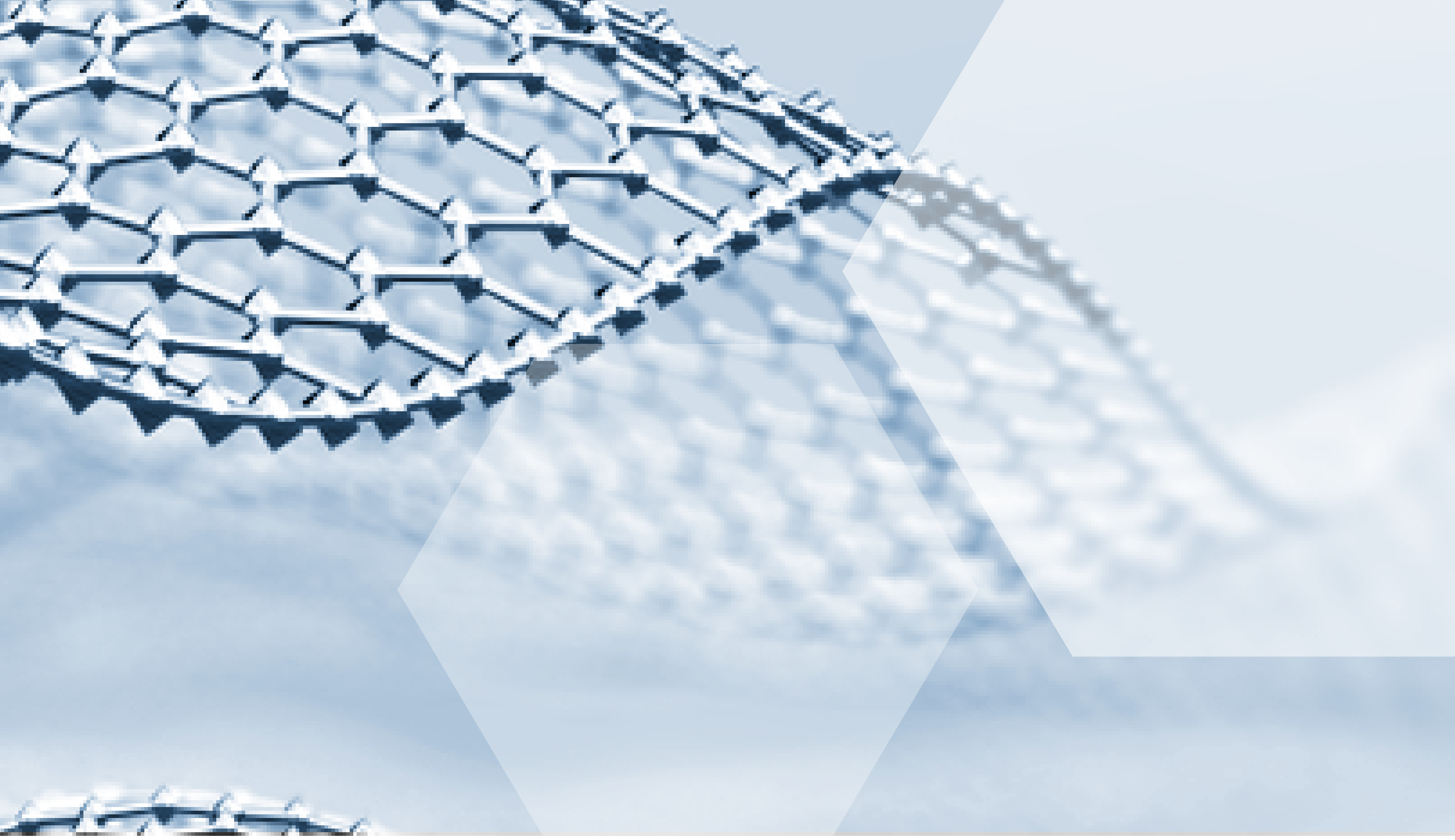
iii. conductive graphene paints to create sensing surfaces for industrial applications such as smart conveyor belts. In this regard Ionic has a proof-of-concept demonstration plant completed and has an ongoing collaboration with Continental AG to explore the use of graphene paints in its range of rubber products; and

iv. large surface area sensors for detecting moisture in sensitive environments, such as ceiling and wall cavities and underwater applications. Ionic has a live demonstration in the Melbourne Connect building in the Melbourne CBD.

1.5 PRINCIPLES

Ionic's vision is based on the following principles:

a. solutions to critical global challenges – energy storage technologies that will facilitate the uptake of renewables, reduce wastage and recycling requirements for



battery materials, and improve the efficiency of energy systems;

b. large area sensing technologies – supporting big data acquisition, and participating in the development of Internet of Things and Industry 4.0;

c. collaboration-based – collaborating with a wide range of Universities, academics, industry partners and end-users. Ionic's collaboration-based business model drives more efficient deployment of resources to achieve better societal outcomes;

d. responsible technology stewardship – developing technologies in realistic timeframes, with transparent plans and avoiding hyperbole to develop the trust of investors, stakeholders and partners;

e. maintain intellectual property integrity with a multi-pronged strategy to identify intellectual property infringement to protect our most critical assets at all times; and

f. enabling technologies deployable in a broad range of applications, which allows Ionic to maximise returns from the full value chain and exponential growth in the end use applications where our industry partners are leaders.

1.6 BUSINESS MODEL AND COMMERCIALISATION STRATEGY

c. Ionic plans to continue its collaboration-based commercialisation business model by continuing the development of graphene-based materials for specific energy storage and sensing applications. In this regard, Ionic intends to continue to partner with industry leading companies to introduce its technologies into products for the Company's target markets. By adopting this strategy, Ionic remains focused on its core strengths in the field of graphene-based materials and technologies, allowing our partners to remain focused on their expertise in the design and marketing of their products.

This strategy was successful in Ionic's first graphene technology application and partnership, focused on graphene-based water filtration systems.

1.7 INTELLECTUAL PROPERTY

Ionic owns, and has licences to, various intellectual property on key graphene technologies in the areas of manufacturing, energy storage, composite materials and sensing materials. Ionic owns 24 granted patents (6 patent families) and 28 additional national phase patents filed (13 patent families).

Australia's first commercial graphene-based product, "X3" conductive ink, was successfully launched by Imagine into the Australian marketplace in 2016. Since its release, X3 has generated sales of over $500,000.

Ionic is commercialising its graphene technology by forming partnerships by way of joint ventures. Joint ventures provide a basis for mutually beneficial interest in the development and protection of intellectual property with contracting parties.

Not all technological aspects have been patented by Ionic, as patenting results in publishing, which in turn will give valuable insight to Ionic's key technological approaches to its direct and indirect competitors. For this reason, Ionic also relies on trade secrets, selective strategic partnering and development of know-how within the business.

Ionic is proactive in monitoring the emerging global graphene patent landscape to understand market developments and to identify any potential infringements of Ionic's own intellectual property rights.

1.8 ENERGY STORAGE MARKETS AND OPPORTUNITIES

The global market for graphene in supercapacitors and batteries is growing at a rapid rate and it is anticipated to grow at a CAGR of over 24% through to 2030 up to USD8.3 billion[1]. The broader market for energy storage systems (including batteries and hybrid devices) is expected to grow to USD432.5 billion by 2030[2]. The growth of the market is attributed to the increasing demand for grid energy storage systems owing to ongoing grid modernisation, growing penetration of lithium-ion batteries in the renewable energy sector, and rising trend of adopting low-carbon and less fossil fuel-based economy and ongoing renewable energy revolution.[3]

Current energy storage technologies (including batteries, supercapacitors and hybrid devices) all rely on activated carbon materials for their electrodes. Graphene is widely regarded as the next generation of energy storage materials, but to date companies have had various challenges in bringing this technology to market.[4]

Ionic's reduced graphene oxide electrodes deliver double the energy density of current activated carbon technologies. State of the art devices deliver approximately 60 F/cm3 while Ionic's graphene oxide supercapacitors can deliver 115-150 F/cm3. This will enable more power to be delivered by devices that can be swapped out with existing devices.

Ionic has a Joint Venture Agreement in place with Cap-XX for the joint development of supercapacitor devices incorporating Ionic's graphene electrode materials into devices designed and manufactured by Cap-XX. Cap-XX is listed on the London Stock Exchange (LON: CPX) and manufacturers and supplies a wide range of supercapacitors for applications from small electronics and sensors to large scale energy harvesting, power backup and peak energy support.

1.9 IOT MARKET AND SENSING OPPORTUNITIES

The global internet of things **(IoT)** market is projected to grow from USD662.21 billion in 2023 to USD3,352.97 billion by 2030, exhibiting a CAGR of 26.1% during the forecast period.[5] Key technologies driving the IoT market include artificial intelligence, 5G, cloud computing, and the role that the IoT plays in reaching sustainability goals. There are significant opportunities in the IoT and any technology that is central to it has the opportunity to benefit from the potential market growth of the IoT.

Sensors are critical to the IoT, as sensors collect the data that IoT technologies are built upon. Sensing surfaces are part of a new generation of IoT capabilities. Sensing surfaces collect data from 100% of a surface without wires or batteries. This differs from existing systems that use discreet sensors placed sporadically across a surface, and which can only measure things in a localised area. Sensing surfaces can include floors, ceilings, walls, roads, textiles, structural surfaces in buildings and infrastructure.

A. MARKET OPPORTUNITIES FOR IONIC'S SENSING SURFACES

The opportunities for Ionic in the IoT and sensing markets are based around the Group's software-configurable large area sensing surfaces – revolutionary technology that turns almost 100% of a surface into a sensor or smart surface, opening applications in a broad range of fields.

B. IONIC'S LIVE DEMONSTRATIONS

Ionic has live demonstrations or active collaboration on the following applications:

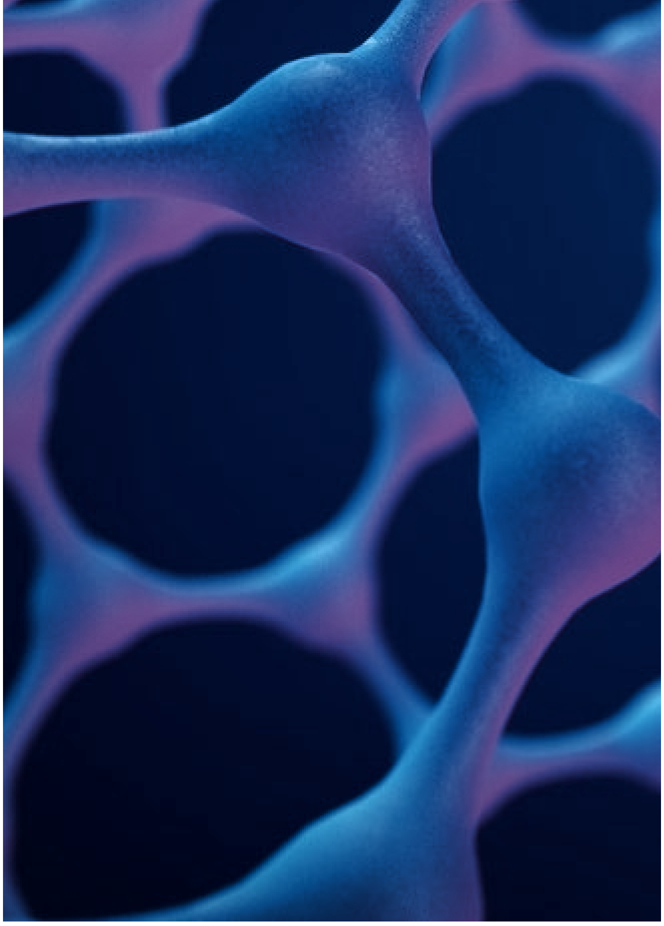
a. sensing geosynthetics for use in large scale civil engineering projects and mining applications. The Group has commercialised this technology, generating approximately $500,000 to date, and has a supply agreement in place to generate approximately $900,000 in 2023. Global markets

1. www.graphene-info.com/services/market-reports/graphene-supercapacitors-market-report; www.futuremarkesinc.com/the-global-market-for-graphene-in-batteries-and-supercapacitors; www.marketsandmarkets.com/Market-Reports/graphene-battery-market; www.businesswire.com/news/home/20200221005281/en/Global-Market-Graphene-Batteries-Supercapacitors-2019-2030.

2. https://www.globenewswire.com/en/news-release/2022/04/06/2417212/0/en/Energy-Storage-Systems-Market-Size-to-Surpass-US-435-32-Bn-by-2030.html.

3. https://www.marketsandmarkets.com/Market-Reports/battery-energy-storage-system-market-112809494.html.

4. https://www.thegraphenecouncil.org/blogpost/1501180/481465/Graphene-Applications-in-Energy; https://www.azonano.com/article.aspx?ArticleID=6233.



for geosynthetics are forecast to reach USD44.6 billion by 2030, growing at a CAGR of 11.8% over the period 2022-2030. Geotextiles, are projected to record 10.9% CAGR and reach USD19.8 billion by 2030; [6]

b. Smart flooring for foot traffic monitoring, security, building management systems and safety (e.g. fall detection in aged care or management of coworking spaces). Smart flooring creates awareness of space usage and people flow and provides information for safety, efficiency and energy savings, as follows:

   i. Ionic has a Collaboration Framework Agreement with one of the world's largest flooring companies, Mohawk Industries. Ionic has live demonstration facilities in place; and

   ii. smart building technologies in healthcare and offices are projected to grow at a CAGR of 10.9% to reach over USD121.6 billion by the end of 2026;[7]

c. Conductive paints to create sensing surfaces for industrial applications such as smart belts including transmission and conveyor belts, as follows:

   i. Ionic's sensing technology is being applied to strain sensing in mining conveyor belts in collaboration with industry experts and the Australian Coal Association Research Program (ACARP, who provided $305,000 in funding to the Group) to improve reliability, efficiency, and reduce conveyor belt costs;

   ii. Ionic has a Joint Development Project with one of the world's largest rubber and automotive manufacturers, Continental AG; and

   iii. the global conveyor belt market size reached USD6.6 billion in 2022 and is forecast to reach USD8.0 billion by 2028,[8] exhibiting a growth rate (CAGR) of 3.15%. The rubber transmission belts market size is estimated to be USD7.3 billion in 2027; [9]

d. Smart building materials for a wide range of structural monitoring, including moisture detection, as follows:

   i. Ionic's technology can provide a real-time sensing solution for detecting moisture and leaks in buildings which prevents problems compounding and becoming more expensive to solve;

   ii. Ionic's graphene coating can be applied on textile, wood or concrete and can be measured with simple IoT hardware;

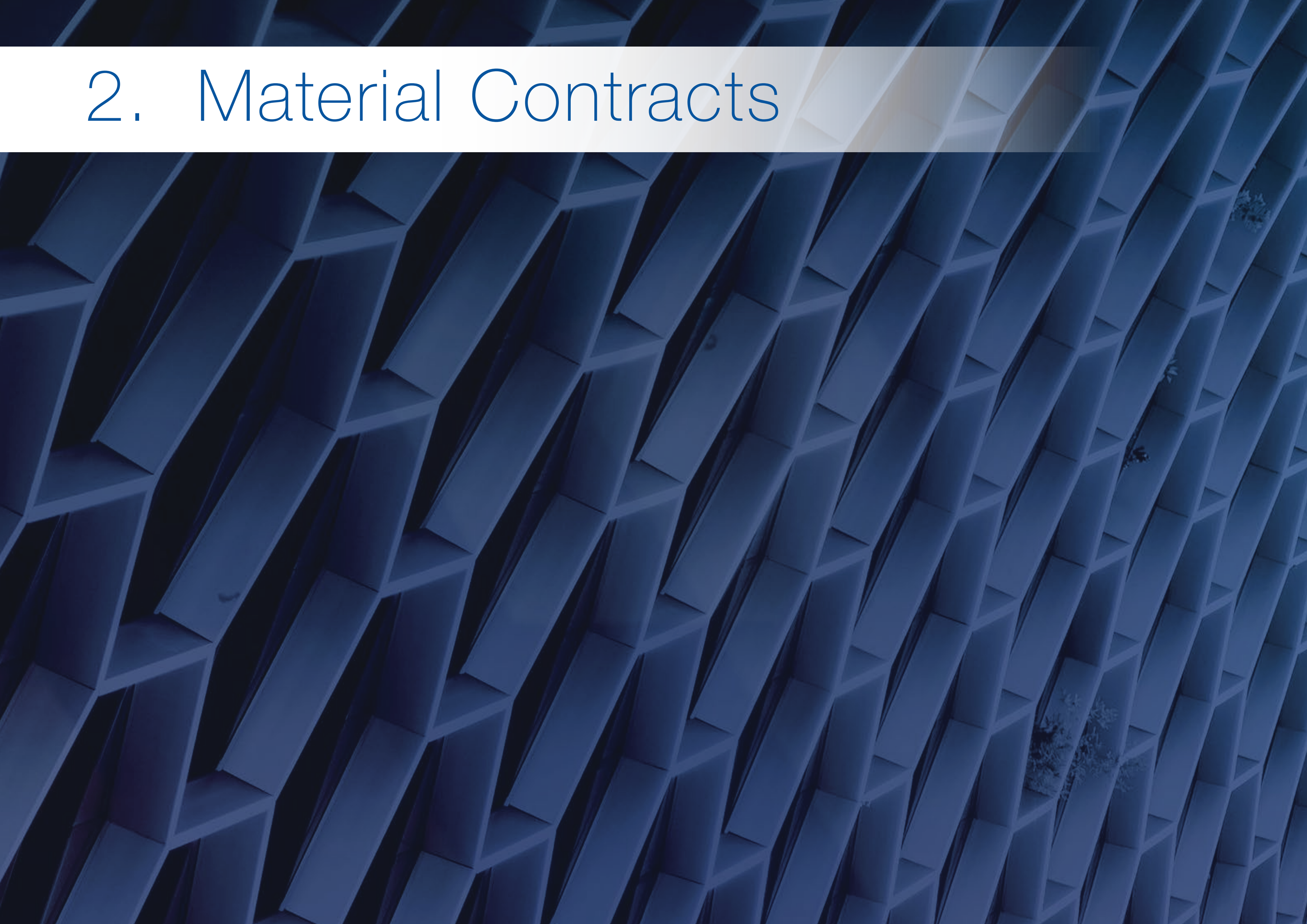
   iii. it is a low cost, scalable and robust solution that can be integrated into the building structure during construction or renovation;

   iv. Ionic has live demonstration facilities in place; and

   v. global markets forecast for moisture detection projected to reach USD7.5 billion by 2030.[10]

5. https://www.fortunebusinessinsights.com/industry-reports/internet-of-things-iot-market-100307.
6. https://www.globenewswire.com/news-release/2023/03/08/2623377/0/en/Global-Geosynthetics-Market-to-Reach-44-6-Billion-by-2030.html.
7. https://www.marketsandmarkets.com/Market-Reports/smart-building-market-1169.html.
8. https://www.imarcgroup.com/conveyor-belt-market.
9. https://www.industryarc.com/Research/Rubber-Transmission-Belts-Market-Research-510799.
10. https://www.researchandmarkets.com/reports/5139926/water-leakage-detector-systems-global-strategic.

2. Material Contracts



2. Material Contracts

2.1 MONASH COLLABORATION AGREEMENT

Ionic has entered into a Collaboration Agreement with Monash University **(Monash)** dated 13 August 2020 for a period of 5 years **(Collaboration Agreement)**, which is a continuation of the collaboration agreement that was in force for the preceding 5 years.

Under the Collaboration Agreement, the parties agree to collaboratively research, and develop for commercialisation, various technologies with the aim of developing products or applications based on the use of graphene (the **Field**). Under the Collaboration Agreement the parties have established a research committee comprising key personnel from each organisation which meets regularly to discuss any potential new research projects within the Field and to discuss ongoing research projects (P**rojects**) which have been established.

Under the Collaboration Agreement, Ionic obtains commercialisation and intellectual property (IP) rights, including that Monash grants Ionic an option to acquire an exclusive, global licence in perpetuity to use the Project specific IP (together with any Monash background IP that Ionic needs to use to effectively commercialise the Project specific IP) for commercial purposes in a form, and reflecting the commercial terms (including as to royalties, field and territory), attached to the Collaboration Agreement **(Commercial Licence**). Further information regarding the Commercial Licence is set out in section 2.2 below. Ownership of all Project specific IP will vest with Monash.

The Collaboration Agreement contains standard provisions relating to confidentiality, dispute resolution, the effect of force majeure, notice, governing law, amendment, restrictions on assignment and the relationship between the parties.

2.2 EXCLUSIVE COMMERCIALISATION LICENCES

The Commercial Licence is annexed to the Collaboration Agreement and is predicated on Monash having made an Australian patent application (the **Application**) in relation to an invention arising from a Project under the Collaboration Agreement, and Ionic (as the Licensee) seeking a licence for specific purposes in respect of the invention described in the Application (**Invention**). The licence covers all **Technical Information**, which is defined as:

All specifications, technical and scientific information and any commercially valuable information or know how relating to the Invention and specifically regarding its use within the Field which is in the free possession or control of Monash having been developed by or under the supervision of the Researchers specified in the schedule" (to the Licence: who will normally be the inventors).

Pursuant to clause 3.4 of the Commercial Licence, from the commencement date and subject to the terms of the Commercial Licence, Monash grants Ionic an exclusive, world-wide licence to:

a. exploit the Invention (Exploit means to "use, make, hire, sell or otherwise dispose of to a third party, or offer to make, hire, sell or otherwise dispose of to a third party" and Exploiting has the corresponding meaning);

b. use the Technical Information;

c. grant sub-licences (including the right for the sub-licensees to grant sub licences but without a further right of sub-licence) and disclose the Technical Information for the purpose of Exploiting the Invention; and

d. within the Field in the Territory (to be agreed in the Commercial Licence).

Monash retains the right to use the Invention and any part of the Technical Information for education, teaching or research purposes, both within and outside the Field, publishing rights and confirms that Monash may grant licences (for the invention) outside the Field.

In consideration of the disclosure of the Technical Information to Ionic and the grant of Commercial Licence rights, Ionic as (licensee) agrees to pay Monash the Fees and Royalties of 3% (plus GST) of the gross sales received by Ionic and its affiliates and 15% (plus GST) of licensing income received by Ionic and its affiliates.

2.3 ADVANCED MANUFACTURING WITH 2D MATERIALS (AM2D) AGREEMENT

Ionic is a key partner in the newly formed, $8.9 million Australian Research Council Research Hub for Advanced Manufacturing with 2D Materials (**AM2D**). Hosted by Monash University, under the direction of, Professor Mainak Majumder, the AM2D Hub aims to provide a sophisticated environment for researchers and an industrial translation platform for manufacturers - a hub where leading academics, students, and industry partners come together to learn, apply, collaborate, innovate, and deliver industry transformation in advanced manufacturing. Anticipated outcomes include the transformation of newly discovered materials into globally traded, high-value 2D products, enabling Australian industries to capture more wealth and jobs from this large and growing market.

Ionic has signed on as a key partner and will have five projects with AM2D focusing on both near- and long-term research targets centred around energy storage technologies. This will enable Ionic to continue to iterate and improve its existing portfolio of technologies, while maintaining its commitment to commercialisation of deep tech applications of graphene and 2-dimensional materials. Ionic's commitment to this project of $1.25 million further establishes its relationships with Monash University and continue its ability to leverage the depth of talent and resources available at this research institution.

Terms of the agreement are consistent with the Collaboration Agreement, providing Ionic with access to any technology developed.

2.4 CAP-XX JOINT VENTURE AGREEMENT

Cap-XX is a world leader in the design and manufacture of thin, flat supercapacitors and energy management systems used in portable and small-scale electronic devices, and to an increasing extent, in larger applications such as automotive and renewable energy. The unique feature of Cap-XX supercapacitors is their high-power density and high energy storage capacity in a space-efficient prismatic package. These attributes are essential in power-hungry consumer and industrial electronics, and deliver similar benefits in automotive and other transportation applications.

Ionic and Cap-XX have signed a binding indicative term sheet (**Terms Sheet**) for the establishment of a Joint Venture (JV). The parties wish to use the JV for the purpose of developing a commercial relationship which involves the application of Ionic's reduced Graphene Oxide IP to Cap-XX products, and the subsequent sale and commercialisation of those products.

The Term Sheet sets out the binding indicative commercial terms for the establishment and operation of the JV and the commercialisation of the JV products. The purpose of the JV is to commercialise, distribute and supply energy storage devices.

2.5 GEOFABRICS SUPPLY AGREEMENT

Ionic has entered into a Supply Agreement with Geofabrics Australasia Pty Ltd (**Geofabrics**) for the supply of coated geotextiles for leak detection and other sensing applications by Ionic to Geofabrics.

Geofabrics is Australasia's largest manufacturer and distributor of geosynthetics for the building and infrastructure sectors with core capabilities across the roads, rail, waste, resources, coastal, water, recreation and slopes and walls segments. As an Australasian leader in geotextiles and geosynthetics, Geofabrics provides world-class technical leadership and engineering support through a focus on innovation, research, industry education, design and independent testing services. Geofabrics has branches throughout Australia, New Zealand, Papua New Guinea and the Pacific.

The Supply Agreement is for a term of one year, which shall automatically be extended for a further one-year period, unless Ionic notifies Geofabrics that it does not wish to extend the term. Pursuant to the Supply Agreement, Ionic appoints Geofabrics as its exclusive, royalty-free and licensing-free distributor of conductive graphene coating on Geofabric geotextiles. Further, Geofabrics may submit purchase orders, setting out the goods ordered, the price, the means of delivery and any delivery costs payable, the place of delivery and the date for delivery.

The Supply Agreement covers the proposed supply of up to 300,000m2 of Bidim C, a graphene coated geotextile, to Geofabrics in 2023.

2.6 MOHAWK INDUSTRIES INC.

US-based Mohawk Industries, Inc. (**Mohawk**) is one of the world's largest flooring manufacturers with a market capitalisation of approximately USD 6.25 billion. Ionic has a Collaboration Framework Agreement (Smart Flooring) in place with Mohawk. The Agreement is for further progressing collaboration in relation to the development of Smart Flooring products (the Project).

The Project Objectives are:

- identifying market opportunities for Smart Flooring products and in order to focus their subsequent research and development activities in relation to the development and commercialisation of Smart Flooring products.
- to allow Mohawk priority access to such technology and to allow Ionic and Imagine the opportunity to further develop such technology.
- to involve third parties in the Project as necessary to ensure effective product development and deployment.

Following the completion of the Project, Mohawk has an option to form a joint venture with Ionic for the development of identified project opportunities, consistent with key principles set out in the Framework Agreement.

2.7 CONTINENTAL AG (CO-PACE) LETTER OF INTENT AND PROOF OF CONCEPT PROJECT

Co-pace GmbH is a subsidiary of Continental AG, the €32.8 billion German multinational automotive parts manufacturing company specializing in tires, brake systems, interior electronics, automotive safety, powertrain and chassis components, tachographs, and other parts for the automotive and transportation industries. Co-pace is responsible for a co-operation program to connect startups to interested departments or stakeholders inside the Continental Group (**Continental**).

The Parties have signed a Letter of Intent and Continental has agreed to fund a joint development project to develop a Proof of Concept (**POC**) project. The POC project purpose is to make sure that Continental stakeholders and experts understand the technology and functionality in a prototype set-up, which represents a realistic use case for a potentially marketable product.

For that purpose, the parties plan the following steps:

Phase 1: Preparation of the POC, including all needed documents and timings; and

Phase 2: Start of prototype building and testing, up to the final POC.

3. Details of the Share Purchase Plan

3. Details of the Share Purchase Plan

3.1 THE SHARE PURCHASE PLAN

Under the Share Purchase Plan, Eligible Shareholders may apply for New Shares at $0.025 per New Share.

Participation in the Share Purchase Plan is voluntary and not transferrable, which means that a right to participate in the Share Purchase Plan cannot be transferred to a third party.

Please refer to Section 3.9 regarding the use of funds raised under the Share Purchase Plan and Section 5 for the risks factors.

3.2 OFFER PRICE

The Offer Price per New Share is $0.025.

3.3 NO MINIMUM AMOUNT

There is no minimum amount to be raised under the Share Purchase Plan.

3.4 ELIGIBLE SHAREHOLDERS

This Offer Information Statement contains an offer of New Shares to Eligible Shareholders only. **Eligible Shareholders** are those holders of Shares who:

a. are registered as a holder of Shares on the Record Date; and

b. have a registered address in Australia.

Shareholders that are not Eligible Shareholders are Ineligible Shareholders.

3.5 PARTICIPATION BY ELIGIBLE SHAREHOLDERS

Eligible Shareholders may participate by selecting one of the following parcels of New Shares:

PARCEL	AMOUNT PAYABLE	NUMBER OF NEW SHARES
A	$2,000	80,000
B	$5,000	200,000
C	$10,000	400,000
D	$15,000	600,000
E	$20,000	800,000
F	$25,000	1,000,000
G	$30,000	1,200,000

Eligible Shareholders may also apply for additional New Shares in addition to the maximum parcel of the $30,000 as set out in Section 3.6.

Any Application may be subject to a scale back as set out in Section 3.7.

Please see Section 4 for further details on how to participate in the Share Purchase Plan.

3.6 SHORTFALL

Any New Shares up to the Maximum Amount not applied for by Eligible Shareholders under the Share Purchase Plan shall form the Shortfall Shares. Eligible Shareholders can apply for additional New Shares in excess of the $30,000 maximum subscription set out in Section 3.5 (**Shortfall Offer**) by completing the relevant section on their Application Form and specifying the number of additional New Shares they wish to subscribe for. The issue of any Shortfall Shares under the Shortfall Offer will be dependent on the number of Shortfall Shares available.

Applications for Shortfall Shares must be accompanied by payment in full for the price of the Shortfall Shares applied for.

3.7 APPLICATIONS MAY BE SCALED BACK

The Company reserves the right (in its absolute discretion) to scale back Applications.

The Company intends to scale back Applications on the following basis:

a. for any Application less than $2,000, the Company will not allot any New Shares to you and the Application Money received will be refunded without interest;

b. if the total Applications received under the Share Purchase Plan plus the New Shares applied for under the Shortfall Offer is for less than the Maximum Amount, then you will receive all of the New Shares that you have applied for;

c. if the total Applications received under the Share Purchase Plan, not including any additional New Shares applied for by an Applicant above $30,000, is more than the Maximum Amount, then other than Applications for $2,000 which will be allotted 80,000 New Shares, you will be scaled back proportionately as to the amount that you have applied for under the Share Purchase Plan to the total amount applied for under all Applications under the Share Purchase Plan (not including any additional New Shares applied for and Applications for $2,000 which will be allotted 80,000 New Shares) so that only the Maximum Amount is raised. If an Applicant has applied for additional New Shares in addition to the $30,000 worth of New Shares, then those additional New Shares will be disregarded in determining the scale back, and the Application Money relating to those New Shares received will be refunded without interest; and

d. if the total Applications received under the Share Purchase Plan, not including any additional New Shares applied for by an Applicant above $30,000, is less than the Maximum Amount, then you will receive all of those New Shares applied for under the Share Purchase Plan, and the balance of the New Shares will be allocated to the Shortfall Offer and which may be scaled back at the discretion of the Directors (if necessary).

If there is a scale back, Eligible Shareholders may receive less than the parcel of New Shares for which they applied. If a scale back produces a fractional number of New Shares when applied to a parcel, the number of New Shares a will be rounded up to the nearest whole number of New Shares.

In the event of a scale back, the difference between the Application Money received, and the number of New Shares allotted to an Eligible Shareholder multiplied by the Offer Price, will be refunded to the Eligible Shareholder without interest following allotment of the New Shares.

As a consequence of the arrangements described above, there can be no guarantee of the number of additional New Shares available to Eligible Shareholders under the Shortfall Offer. Eligible Shareholders who apply for Shortfall Shares under the Shortfall Offer will be bound to accept any lesser number of additional New Shares allocated to them in accordance with the allocation procedure described above. If you do not receive all of the additional New Shares you applied for, any excess Application Money will be returned to you without interest.

3.8 EFFECT OF THE SHARE PURCHASE PLAN ON IONIC'S CAPITAL STRUCTURE

The principal effect of the Share Purchase Plan on the Company's capital structure will be to increase the total number of issued Shares (assuming the Share Purchase Plan is fully subscribed) as follows:

SECURITIES	MAXIMUM AMOUNT OF $2,000,000 (BEFORE COSTS)
Shares currently on issue	1,400,419,678
New Shares offered under this Offer Information Statement	80,000,000
Total Shares on issue following the Share Purchase Plan[1]	1,480,419,678
Options currently on issue	143,123,610

1. assuming the Share Purchase Plan is fully subscribed.

3.9 APPLICATION OF FUNDS

Funds raised under the Share Purchase Plan will be applied as follows:

ITEM	$1,000,000 RAISED	$2,000,000 RAISED
Research and Development - AM2D (Monash) supercapacitors and next gen energy storage, external device manufacturing research, in-house research of next generation conductive coatings and joint development projects	$270,000	$470,000
Manufacturing - Operating costs and capital expenditure	$295,000	$595,000
Costs of the issue	$65,000	$80,000
Working Capital and Corporate	$370,000	$855,000
Total	**$1,000,000**	**$2,000,000**

The precise activities undertaken and the allocation of total funds to each activity may change without notice depending on market conditions and circumstances generally from time to time. The Board reserves the right to alter the way funds are applied on this basis.

3.10 SUBSTANTIAL SHAREHOLDERS

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Offer Information Statement are as follows:

SHAREHOLDER	SHARES	% (UNDILUTED)	% (FULLY DILUTED)
Smartequity EIS Pty Ltd	167,950,957	11.99%	10.34%
Strategic Energy Resources Limited	87,155,625	6.22%	5.37%

3.11 WITHDRAWAL OF SHARE PURCHASE PLAN

The Board reserves the right to withdraw all or part of the Share Purchase Plan at any time before the issue of New Shares, in which case the Company will refund Application Money without payment of interest.

3.12 NO COOLING OFF RIGHTS

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application or payment once it has been accepted, except as allowed by law.

3.13 OPENING AND CLOSING DATE FOR APPLICATIONS

The Share Purchase Plan opens for acceptances on 16 June 2023 and all Applications and payments of Application Money must be received by no later than 5:00pm (AEST) on 30 June 2023, subject to any extension of the Closing Date.

3.14 ALLOTMENT OF NEW SHARES

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares will be allotted no later than 7 July 2023. However, if the Closing Date is extended, the date for allotment may also be extended.

3.15 FEES AND COMMISSIONS

The Company reserves the right to pay a commission of 3% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid Applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

3.16 NO ASX LISTING

The New Shares offered under this Offer Information Statement will not be listed on the Australian Securities Exchange (or any other securities exchange) following their issue and the Company will remain an unlisted public company following completion of this Share Purchase Plan.

3.17 TAKEOVER LAW REQUIREMENTS

It is the responsibility of each Eligible Shareholder to ensure that it will not breach the takeovers provisions under the Corporations Act (the 20% threshold) by applying for additional New Shares under the Shortfall Offer. These provisions are set out in section 606 of the Corporations Act. No Eligible Shareholder will be permitted to acquire additional New Shares to the extent the Company considers (acting reasonably) that doing so would result in a contravention of the takeovers limits in section 606 of the Corporations Act.

4. How to participate

4. How to participate

4.1 IF YOU WISH TO APPLY FOR NEW SHARES

Before taking any action you should carefully read this Offer Information Statement and consider the risk factors set out in Section 5.

If you wish to apply for New Shares under the Share Purchase Plan, please do one of the following:

A. PAYMENT BY CHEQUE, BANK DRAFT OR MONEY ORDER

If you are paying for your New Shares by cheque, bank cheque, bank draft or money order, complete and return the Application Form with your payment.

You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. The Company will not re-present any dishonoured cheques. The Share Registry must receive your completed Application Form together with full payment for the number of New Shares for which you are applying by no later than **5:00pm (AEST) on 30 June 2023.**

Your cheque, bank cheque or bank draft must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to **"Ionic Industries Limited"** and crossed 'Not Negotiable'.

B. PAY BY BPAY®

If you are paying for your New Shares by BPAY®, please refer to your personalised instructions on your Application Form. Please note that should you choose to pay by BPAY® you do not need to complete or return the Application Form, but are taken to have made the declarations on that personalised Application Form.

When completing your BPAY® payment, please make sure to use the specific Biller Code and unique reference number provided on your personalised Application Form.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5:00pm (AEST) on 30 June 2023.

4.2 ACCEPTANCE OF THE SHARE PURCHASE PLAN

By the Company receiving your Application, in the form of either your personalised Application Form with the requisite Application Money or you making a payment of the Application Money by BPAY®, you:

a. agree to be bound by the terms of this Offer Information Statement and the provisions of the Company's Constitution;

b. authorise the Company to register you as the holder(s) of the New Shares allotted to you;

c. declare that all details and statements made in your personalised Application Form are complete and accurate;

d. declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Share Purchase Plan;

e. acknowledge that once the Company receives your Application, you may not withdraw it except as allowed by law;

f. agree to apply for, and be issued with up to, the number of New Shares that your payment of Application Money will pay for at the Offer Price;

g. authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your Application Form;

h. declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Application Form as being held by you on the Record Date;

i. acknowledge that the information contained in this Offer Information Statement is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs, and that the Offer Information Statement is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing disclosure announcements;

j. acknowledge the statement of risks contained in Section 5, and that investments in the Company are subject to risks;

k. represent and warrant that the law of any place (other than Australia) does not prohibit you from being given this Offer Information Statement or making an Application for New Shares; and

l. represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Information Statement and the Application Form, and that you acknowledge the matters, and make the warranties and representations and agreements contained in this Offer Information Statement and the Application Form.

4.3 ADDRESS DETAILS AND ENQUIRIES

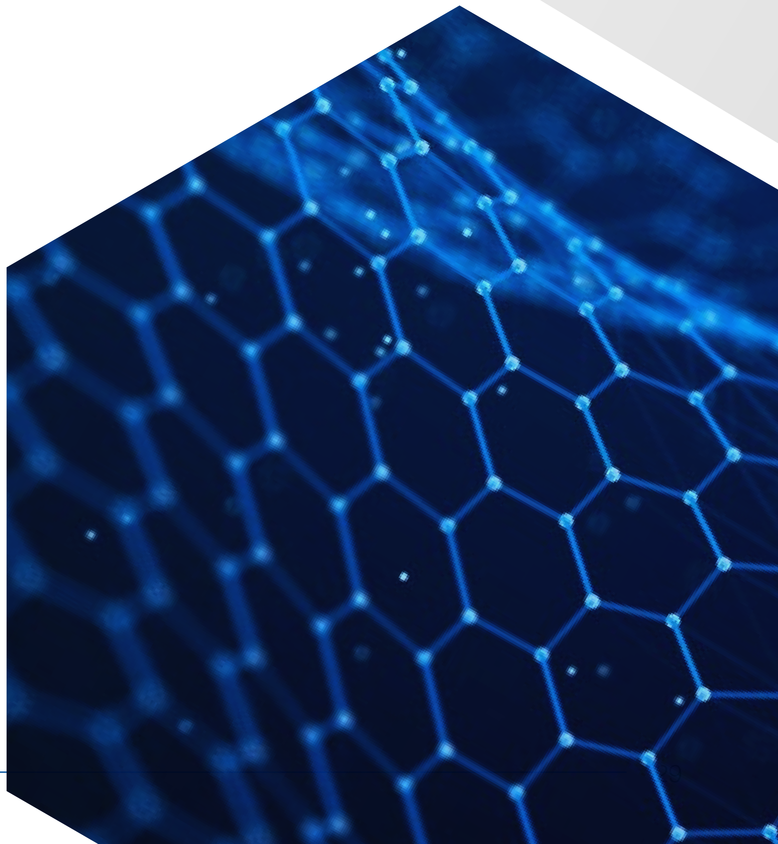
Completed Applications (including payment of Application Money) should be forwarded by mail to the following addresses:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

If you would like further information, you can contact your stockbroker, accountant or other professional adviser.

4.4 IF YOU DO NOT WISH TO PARTICIPATE IN THE SHARE PURCHASE PLAN

If you do not wish to participate in the Share Purchase Plan you should do nothing. The offer to participate in the Share Purchase Plan is non-renounceable. This means that you cannot transfer your right to purchase New Shares to any other person. Shareholders who do not participate will have their percentage shareholding in the Company reduced as a result of the issue of New Shares to participating Shareholders.



5. Risks

5. Risks

5.1 GENERAL

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, its products, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

This Section 5 describes certain, but not all, risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, profits and the value of its Shares.

Before deciding to invest in the Company, potential investors should read the entire Offer Information Statement and the risk factors that could affect the financial performance of the Company.

You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

5.2 RISKS

A. INVESTMENT IN AN UNLISTED COMPANY

The Company is not currently listed on any stock exchange and the Shares are not quoted. As such, there will not be a ready market for the Shares or New Shares, and it may be difficult or not possible to find a buyer if you wish to sell your Shares.

B. FAILURE TO COMPLETE A LISTING ON A SECURITIES EXCHANGE

There is no certainty that the Company will pursue a listing on the Toronto Stock Exchange or other reputable securities exchange. If it does pursue such a listing, then there is no certainty that the relevant conditions for listing on that securities exchange will be satisfied. In the event that the Company does not pursue a listing, or such conditions are not met, the Company's shares will not be listed on a securities exchange. If the shares of the Company remain illiquid, there will not be a ready market for the Shares or New Shares, and it may be difficult or not possible to find a buyer if you wish to sell your Shares.

C. LIMITED HISTORY

The Company has limited operational and financial history on which to evaluate its business and prospects. The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stages of their development.

D. COMPETITIVE AND DYNAMIC INDUSTRY

The Company operates in a changing market for graphene products. This emerging market may provide existing or new competitors with stimulus to increase competitive pressure through technological advancements, volume increases or pricing and other strategies. Any significant advancements in technology specifically for graphene products have the potential to change the competitive environment in which the Company intends to operate.

The entry of additional competitors could result in reduced operating margins and loss of market share. Such occurrences could adversely affect the Company's operating and financial performance. Additionally, there is also a risk that a competitor could develop similar or more advanced technology or develop and market new products in a way that creates extensive competition for the Company. Where this occurs, it could increase the Company's research and development costs, decrease the value of its products and impact the future profitability of the Company.

E. GENERAL ECONOMIC CONDITIONS

Changes in world and domestic economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may adversely impact on the Company's activities.

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities as well as the Company's ability to fund those activities.

F. FUTURE FUNDING RISKS

In order to proceed with the development and growth of its business, the Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise capital or debt when it is required or that the terms associated with providing such capital or debt will be satisfactory to the Company, which would mean that the Company may be restricted, either in part or absolutely, from developing its activities.

Any additional equity funding will dilute existing Shareholders. Also, no guarantee or assurance can be given as to when a project can be developed to the stage where it will generate cash flow. As such, a project would be dependent on many factors, including pilot testing, construction, commissioning and operational performance of plant and equipment.

G. REGULATORY RISKS

The Company operates in a regulated industry and is subject to laws, government policies and regulations. Changes to these laws, government policies and regulations, including the introduction of new laws, government policies and regulations, may have a material adverse impact on the financial and operational performance of the Company including by increasing costs or reducing fees or demand for its services.

H. MARKET ADOPTION RISKS

All of the Company's material contracts relate to new technology and/or applications of graphene. The Company's ability to convert the capabilities of its technologies into value propositions and services that customers will purchase remains a risk to its growth strategy. The success of commercialisation will relate to the acceptance and adoption of the Company's offerings, driven in part by perceived value-add relative to pricing, as well as overcoming adoption hurdles including perceived disruption to the customer's established processes, resistance to change, cost and budgeting constraints and other barriers.

Take up of services will involve demonstration of the value proposition against current practices; quantitative business case type support with customers at varying levels within their organisations and effective marketing programmes to raise market awareness of the Company's products.

Despite the Company's efforts to date and future efforts, should the Company fail to secure binding customer contracts or product orders from customers there would be a material adverse effect on the Company.

I. TECHNOLOGY RISKS

The Company's market involves evolving technological change. To succeed, the Company will need to research, develop, design, manufacture, assemble, test, market and support ongoing enhancements to its existing products, completion of historical research and development projects, as well as to develop new products and technologies, on a timely and cost-effective basis. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels.

The Company may not successfully identify relevant new technological opportunities or continue to have the required financial resources to develop new products in a timely or cost-effective manner to preserve its market presence or competitive advantage. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive.

The ability to commercialise its products at a sufficient scale and the ability of the Company to successfully implement its research and development plans that underpin these products bears significant risk. There can be no guarantee that the Company can or will be able to commercialise its products at sufficient scale. Additionally, the technology may require further substantial work for use at a commercial scale.

J. INTELLECTUAL PROPERTY RISKS

The Company relies heavily on its technology and know-how and there can be no assurance that competitors of the Company or other parties will not seek to imitate or develop technology and know-how that competes with the Company or supersedes the Company's technology.

The Company relies on its ability to obtain and maintain adequate and valid patent protection of its intellectual property and to operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights.

While the Company believes it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places that the Company does business, or enable the Company's rights to be enforced with any adequacy. The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions. These factors include the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of working or carrying out the invention.

The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance even if the Company has patents in place, that others will not seek to imitate the Company's products, and in doing so, attempt to design their products in such a way as to circumvent the Company's patent rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

There is also a risk that another company will develop technology that is more advanced than the Company's. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which are, or are being developed, by the Company.

In addition to its patent activities, the Company also regards its trade secrets, trademarks, domain names and similar intellectual property as important to its success. The measures that the Company employs to protect its intellectual property rights may not always be sufficient to protect its trade secrets. The unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company which could erode the Company's competitive advantage.

The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

The Company is not aware of any violation or infringement of its trademarks and the intellectual property rights of others. However, there can be no assurance that in the future the Company will not inadvertently infringe the intellectual property rights of others, or be subjected to infringement claims or litigation arising out of patents and pending applications of its competitors, or additional proceedings initiated by third parties to re-examine the patentability of owned patents.

Although no litigation is current or presently threatened by or against the Company, in the future litigation may be necessary to enforce the Company's issued patents, licences, to protect its trade secrets and know-how, or to determine the enforceability, scope and validity of the proprietary rights of others. The defence and prosecution of intellectual property suits and related legal and administrative proceedings are expensive and time consuming and may divert valuable resources from and disrupt the conduct of its business.

Further, the Company may not be successful in its infringement claims which will lead to a drain on its financial resources. Adverse determinations in such litigation could result in loss of proprietary rights or subject the Company to significant liabilities, which could impact the Company's financial performance.

K. OPERATIONAL RISKS

The Company and its customers are exposed to a range of operational risks relating to both current and future operations. These operational risks include but are not limited to equipment failures, information technology system failures, external services failures, industrial action or disputes, and natural disaster.

While the Company endeavours to take appropriate action to mitigate these operational risks by taking out insurance, it may be the case that the Company cannot fully control or cover the above-mentioned risks and nor can it completely remove all other possible risks relating to its own business. Furthermore, the Company cannot control the risks to which its customers are exposed. A disruption to the operations of the Company or its customers may have an adverse impact on the financial performance and/or financial position of the Company.

L. MANAGEMENT OF GROWTH AND MANUFACTURING RISK

The Company's ability to implement its growth strategy successfully is likely to require additional staffing, management, operations and systems resources. The Company may not be able to deploy suitable resources to take advantage of the growth opportunities within the required timeframe.

M. SHARE PRICE RISKS

The prices of shares, including the Shares and New Shares, fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. The Company is not listed on a stock exchange, and therefore there is no market in the trading of Shares, making the determination of a share price and the sale of Shares in the Company more difficult.

N. INVESTMENT RISKS GENERALLY

Investment is subject to risks of a general nature relating to investment in shares and securities and especially where the company in which the investment is made is in the early stages of generating income and in not currently listed , such as the case with the Company.

O. RELIANCE ON KEY PERSONNEL

The responsibility of overseeing the day-to-day operations and the strategic management of the Company currently depends substantially on its Directors and small management team. The continued involvement of the Directors, key employees and consultants is not assured. The loss of their services to the Company may have a material adverse effect on the performance of the Company pending replacements being identified and retained by the Company.

P. OFFSHORE OPERATIONS

The Company is managed in Australia, and for the foreseeable future will have its operations based in Australia.

Given the global nature of the industry and opportunities, the Company's activities may in the future extend to other countries. Geographic diversity adds risk to the ability of the Company to manage its operations and employees. As a result, the Company is also subject to risks relating to the general economic, regulatory, legal, social and political environment in the jurisdictions in which it intends to operate.

Accordingly, the Company's business, financial conditions and results of operations could be materially adversely affected by factors specific to investing in these jurisdictions. The Directors intend to obtain all necessary formal sign-offs prior to commencement of operations in any foreign jurisdiction to ensure compliance with local laws and are not aware of any legal impediments to the conduct of business in any jurisdiction that the Company is likely to operate in as at the date of this Offer Information Statement.

Q. LITIGATION RISKS

The Company is subject to litigation risks. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject to, could have a material effect on the Company's operations, financial position, and the value of the Company's securities.

R. EXCHANGE RATE RISK

The Company is exposed to movements in exchange rates. Financial statements are maintained in Australian dollars however certain revenue and expenses may be denominated in other currencies. Adverse movements in the AUD exchange rate may have an adverse effect on the financial performance and/or financial position of the Company.

S. INVESTMENT IS SPECULATIVE

Investment is subject to risks of a general nature relating to investment in shares and securities and especially where the company in which the investment is made is in the early stages of generating income and in not currently listed, such as the case with the Company. The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Offer Information Statement. Therefore, the New Shares to be issued pursuant to this Offer Information Statement carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the New Shares offered under this Offer Information Statement.

T. UKRAINE CONFLICT

The current conflict between Ukraine and Russia (Ukraine Conflict) is impacting global economies and financial markets. The nature and extent of the effect the Ukraine Conflict may have on the Company's operations remains uncertain at this time. In the short to medium term, the Company's Share price may be adversely affected by the economic uncertainty caused by the Ukraine Conflict and the wider effect the conflict has on global economies and financial markets.

The Directors are monitoring the potential secondary and tertiary macroeconomics impacts of the Ukraine Conflict, including the fluctuations in commodity and energy prices and the potential risk of cyber activity impacting governments and businesses. Further, any governmental or industry measures taken in response to the Ukraine Conflict, including limitations on travel and changes to import/export restrictions and arrangements involving Russia, may be adversely impact the Company's operations and are likely to be beyond the control of the Company.

U. COVID-19

The global economic outlook may face uncertainty due to the COVID-19 pandemic, which has had and may continue to have a significant impact on capital markets and share prices.

There is a risk that this uncertainty may continue for the foreseeable future, which could interrupt the Company's operations, its contractual obligations, cause disruptions to supply chains or interrupt the Company's ability to access capital.

5.3 OTHER RISK FACTORS

Other risk factors include those normally found in conducting business including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the Company's business or trade.

Before any decision is made to subscribe for securities under the Offer, the above matters, and all other matters described in this document must be carefully considered. The New Shares to be allotted pursuant to this Offer Information Statement should be regarded as speculative in nature and carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investment in the Company is regarded as speculative and neither the Company nor any of its Directors guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or its securities, including the New Shares offered by this Offer Information Statement will be achieved.

6. Terms of Shares

6. Terms of Shares

The New Shares issued under this Offer Information Statement will be fully paid ordinary shares in the capital of the Company and will rank equally with ordinary shares in the Company currently on issue. A summary of the rights that the New Shares confer on the holder is set out below.

This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of any of the Company's shareholders. For full details of the rights attaching to New Shares, potential investors should refer to the Constitution of the Company, a copy of which can be obtained from the Company on request.

A. NOTICES OF MEETING, DIVIDENDS AND CAPITAL RIGHTS

Every Shareholder in the Company has a right to:

i. receive notice of and to attend general meetings of the Company;

ii. receive dividends as determined from time to time by the Directors; and

iii. repayment of capital and participation in distribution of the surplus assets of the Company in a winding up or reduction of capital of the Company.

B. VOTING RIGHTS

Each Shareholder has the right to vote at a general meeting of the Company.

C. TRANSFER OF SHARES

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act.

D. VARIATION OF RIGHTS

The rights and restrictions attaching to a class of shares in the Company may only be varied with the consent in writing of the holders of 7% of the issued shares in that class or by special resolution passed at a separate general meeting of the holders of the shares in that class.

E. MEETINGS OF MEMBERS

Directors may call a meeting of members of the Company at any time or if required to do so by the Corporations Act. All members are entitled to receive notices of meetings.

7. Additional information

7. Additional Information

7.1 FINANCIAL INFORMATION

The Company's audited financial statements for the 12 month period ending 31 December 2022 are set out in Annexure 1 to this Offer Information Statement.

7.2 EXPOSURE PERIOD

As required by the Corporations Act, this Offer Information Statement is subject to an exposure period of 7 days following lodgement of it with the ASIC. That period may be extended by the ASIC for a further 7 days. No Applications will be accepted by the Company during the Exposure Period. Any Applications received during the Exposure Period will only be processed (without preference) after the Exposure Period has ended.

7.3 FOREIGN JURISDICTIONS

A. GENERAL RESTRICTIONS

This Offer Information Statement and accompanying Application Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares outside Australia. The New Shares may not be offered in a jurisdiction outside Australia where such an offer is not made in accordance with the laws of that place.

The distribution of this Offer Information Statement in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this document outside Australia should seek advice on and observe any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Application and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws.

B. INELIGIBLE SHAREHOLDERS

The Company is not extending the Share Purchase Plan to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia, the number of Ineligible Shareholders and the number and value of New Shares which could be offered to Ineligible Shareholders.

Where this Offer Information Statement has been dispatched to Ineligible Shareholders, it is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully offering and issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

7.4 TAXATION CONSEQUENCES

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Shareholders must make their own enquires concerning the taxation consequences of any further investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

7.5 DIVIDEND POLICY

The Company does not yet have a dividend policy and has no immediate intention to declare or distribute dividends.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

7.6 PRIVACY

The information about Eligible Shareholders included on an Application is used for the purposes of processing the Application and to administer the Eligible Shareholder's holding of New Shares. By submitting an Application, each Eligible Shareholder agrees that the Company may use the information provided by an Eligible Shareholder on the Application for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. For further details, including how to access your personal information, and information on the privacy complaints handling procedure, please contact the Share Registry or see the Share Registry's Privacy Policy at https://www.computershare.com/au/privacy-policies.

7.7 FUTURE PERFORMANCE AND FORWARD LOOKING STATEMENTS

This document may contain certain forward looking statements with respect to the financial condition, results of operations, projects and business of the Company. These forward looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved.

Forward looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Share Purchase Plan.

7.8 CONSENTS

The following persons have given and have not before the lodgement of this Offer Information Statement, withdrawn their written consent to the issue of this Offer Information Statement in the terms specified below:

a. William Buck Audit (Vic) Pty Ltd has given its consent to the inclusion of their auditor's report and to being named as the Company's auditors in the form and context in which the report is included or they are named.

b. GrilloHiggins Lawyers has given its consent to be named as the solicitors of the Company in the form and context in which they are named.

c. Computershare Investor Services Pty Limited has given their consent to be named as the Share Registry to the Company in the form and context in which they are named.

None of William Buck Audit (Vic) Pty Ltd, GrilloHiggins Lawyers or Computershare Investor Services Pty Limited have authorised or caused the issue of this document and, except as set out in this section, make or purport to make any statement in this document and to the maximum extent permitted by law, each expressly disclaims and takes no responsibility for any part of this document other than giving its consents as set out in this section.

7.9 CONTINUOUS DISCLOSURE OBLIGATIONS

The Company is subject to continuous disclosure obligations under the Corporations Act that require it to make material information concerning the Company available to investors as soon as practicable after becoming aware of it.

Companies that comply with the good practice guidance issued by ASIC in ASIC Regulatory Guide 198 Unlisted disclosing entities: Continuous Disclosure Obligations are permitted to meet their continuous disclosure obligations by making material information available to investors on their websites rather than lodge that information with ASIC.

The Company satisfies its continuous disclosure obligations by website disclosure in accordance with the good practice guidance issued by ASIC as follows:

a. all material information is included on the website, www.iconicindustries.com.au;

b. investors are able to find material information easily and determine its significance for them. Material information will be accessible by clicking the "News and Documents" link on the website homepage; and

c. information is kept on the website for as long as it is material to investors and appropriate records of website disclosure are kept.

The Company retains material information on its website for so long as it is material to a reasonable person's determination of the price or value of the Company's securities. In addition, the Company maintains records of its website disclosures in accordance with its normal record keeping practices.

7.10 ELECTRONIC OFFER INFORMATION STATEMENT

This Offer Information Statement is available in electronic form via www.ionicindustries.com.au. Eligible Shareholders using the Application Form must be located within Australia.

Persons who receive an electronic version of this Offer Information Statement should ensure they download and read the entire Offer Information Statement.

7.11 GOVERNING LAW

This Offer Information Statement, the Share Purchase Plan and the contracts formed on acceptance of applications are governed by the laws applicable in Victoria, Australia.

7.12 INTERPRETATION

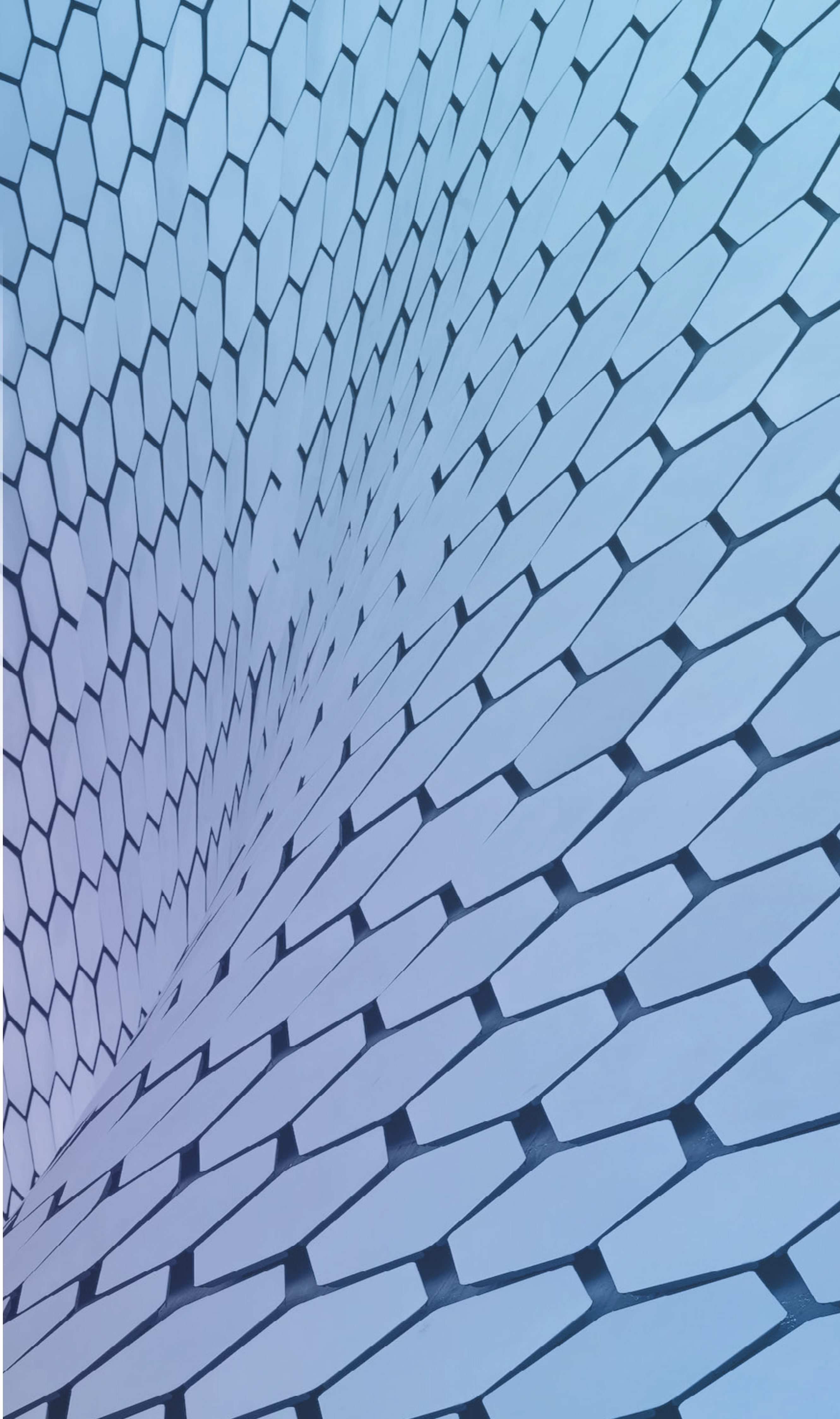
Some capitalised words and expressions used in this Offer Information Statement have meanings which are explained in Section 8.

A reference to time in this Offer Information Statement is to the local time in Melbourne, Australia, unless otherwise stated.

7.13 AUTHORISATION

This Offer Information Statement is issued by Ionic industries Limited. Each Director has given his consent in writing in accordance with section 720 of the Corporations Act to the lodgement of this Offer Information Statement with the ASIC and has not withdrawn his consent prior to lodgement.

8. Definitions



8. Definitions

TERM	MEANING
$	Australian dollars.
AEST	Australian Eastern Standard Time
Application	(a) Completed Application Form; or (b) Application Money submitted via BPAY®.
Application Form	The personalised application form accompanying this Offer Information Statement.
Application Money	The payment of the Offer Price under the Share Purchase Plan submitted by an Eligible Shareholder for the purposes of making an Application.
ASIC	The Australian Securities and Investments Commission.
Board	The Board of Directors.
Closing Date	5:00pm (AEST) on 30 June 2023.
Company or Ionic	Ionic Industries Limited ACN 168 143 324.
Constitution	The constitution of the Company as amended from time to time.
Corporations Act	*Corporations Act 2001* (Cth).
Director	A director of the Company.
Eligible Shareholder	The meaning stated in Section 3.4
Exposure Period	The period during which Ionic cannot accept Applications as described in section 727(3) of the Corporations Act.
Group	Means Ionic and its related bodies corporate (as defined by the Corporations Act).
Imagine	Imagine Intelligent Materials Limited ACN 169 015 847.
Industry 4.0	Also called the Fourth Industrial Revolution or 4IR, the next phase in the digitization of the manufacturing sector, driven by disruptive trends including the rise of data and connectivity, analytics, human-machine interaction, and improvements in robotics.
Ineligible Shareholder	A Shareholder who is not an Eligible Shareholder.
IoT	Internet of Things, being a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

Maximum Amount	The maximum of $2,000,000 to be raised under this Offer Information Statement.
New Shares	Shares issued under the Share Purchase Plan.
Offer	The offer contained in this Offer Information Statement to participate in the Share Purchase Plan.
Offer Information Statement or OIS	This booklet as modified or varied by any supplementary Offer Information Statement given by the Company from time to time.
Offer Price	$0.025 per New Share.
Opening Date	5:00pm (AEST) on 16 June 2023.
Record Date	5:00pm (AEST) on 7 June 2023.
Register	The register of Shareholders required to be kept under the Corporations Act.
Section	A section of this Offer Information Statement.
Share	A fully paid ordinary share in the Company.
Share Purchase Plan	The offer of New Shares in accordance with the terms and conditions of this Offer Information Statement.
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277.
Shareholder	A holder of Shares.
Shortfall Offer	The offer of New Shares forming the shortfall to Eligible Shareholders to be issued under and in accordance with this Offer Information Statement.
Shortfall Shares	The New Shares forming the shortfall which are to be issued to applicants pursuant to the Shortfall Offer.

CORPORATE DIRECTORY

DIRECTORS

Peter Armitage –Executive Chairman
Simon Savage – CEO and Managing Director
Neil Wilson – Non-Executive Director

COMPANY SECRETARY

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 Audit (Vic) Pty Ltd
Level 20, 181 William Street
Melbourne VIC 3000
Ph: +61 3 9824 8555

WEBSITE
www.ionicindustries.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls 452 Johnston Street
Abbotsford VIC 3067
Ph: (03) 9415 5000

LEGAL ADVISORS

GrilloHiggins Lawyers
Level 25, 367 Collins Street
Melbourne VIC 3000

ACN 168 143 324

ANNEXURE 1 FINANCIAL REPORT - 31 DECEMBER 2022

Contents

Directors' Report

Directors' Report

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 31 December 2022.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period 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 period 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 working at off-site facilities 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 manufacturing faculty 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.

During the period, 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.

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 $975,689 (31 December 2021: $385,076). This includes research and development costs of $414,545 and depreciation expense of $115,109.

The net assets of the Company decreased by $69,196 to $2,449,654 as at 31 December 2022 (31 December 2021: net assets of $2,518,850).

Working capital, being current assets less current liabilities, decreased by $2,299,494, to a surplus of $45,177 (31 December 2021: surplus of $2,344,671). The Company had negative cash outflows from operating activities for the period of $1,322,200 (31 December 2021: $926,728 cash outflow). The total cash and cash equivalents at the end of the period amounted to $97,176 (31 December 2021: $829,022).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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.

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.

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, with $23,698 paid for the remaining interest.

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 May 2023, the Company issued 28,100,002 fully paid ordinary shares with an issue price of $0.0175 (1.75 cents) per share to professional and sophisticated investors raising $491,750.

No other matter or circumstance has arisen since 31 December 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 through its ongoing relationship with Monash University, and through joint venture arrangements to commercialise the technologies with external industry partnerships.

The company's focus for the coming year will be to complete capital raisings and consider an Initial Price Offering (IPO) and list on the Australian Stock Exchange in order to fund its current planned activities.

ENVIRONMENTAL REGULATION

The 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.

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

Mr Justin Mouchacca (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 (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 31 December 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 *	-	-

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

* Mr Zhongming Hong resigned as a Non-Executive Director on 8 July 2021.

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	6,000,000
			119,123,610

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

There following ordinary shares of Ionic Industries Limited were issued on the exercise of options during the period ended 31 December 2022 and up to the date of this report.

Date options granted	Exercise price	Number of shares issued
14 July 2021	$0.02	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 Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Mr Peter Armitage
Executive Chairman

1 June 2023

Auditor's Independence Declaration

William Buck
ACCOUNTANTS & ADVISORS

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 31 December 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
Director

Melbourne, 1 June 2023

Level 20, 181 William Street, Melbourne VIC 3000
+61 3 9824 8555
vic.info@williambuck.com
williambuck.com.au

Financial Statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Consolidated	
	31 December 2022 $	31 December 2021 $
Other income		
Research & development tax concession	384,955	308,206
Government grant	134,000	12,375
Patents income	8,162	20,168
Forgiveness of debt	525,941	-
Interest income	387	2,188
	1,053,445	342,937
Expenses		
Corporate expenses	(542,005)	(261,657)
Employee benefits expense	(695,658)	(386,751)
Depreciation expense	(115,109)	(17,787)
Impairment of investments	-	340,000
Other expenses	(143,872)	(47,664)
Finance costs	(24,355)	(3,935)
Bad debts	(19,634)	-
Research and development costs	(414,545)	(350,219)
Acquisition costs	(73,956)	-
Loss before income tax expense	(975,689)	(385,076)
Income tax expense	-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited	(975,689)	(385,076)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax	42,633	1,335,626
Other comprehensive income for the year, net of tax	42,633	1,335,626
Total comprehensive income for the year attributable to the owners of Ionic Industries Limited	(933,056)	950,550

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Consolidated	
	Note	31 December 2022	31 December 2021 $
Assets			
Current assets			
Cash and cash equivalents		97,176	829,022
Trade and other receivables	4	627,688	405,981
Financial assets at fair value through other comprehensive income	6	285,468	1,335,626
Other assets	5	38,850	89,980
Total current assets		1,049,182	2,660,609
Non-current assets			
Plant and equipment	7	191,094	156,615
Right-of-use assets	8	108,484	162,726
Intangibles	9	2,413,502	-
Total non-current assets		2,713,080	319,341
Total assets		3,762,262	2,979,950
Liabilities			
Current liabilities			
Trade and other payables	10	900,793	213,993
Lease liabilities	12	65,672	38,680
Employee benefits		37,540	63,265
Total current liabilities		1,004,005	315,938
Non-current liabilities			
Borrowings	11	217,460	-
Lease liabilities	12	67,473	129,450
Employee benefits		23,670	15,712
Total non-current liabilities		308,603	145,162
Total liabilities		1,312,608	461,100
Net assets		2,449,654	2,518,850
Equity			
Issued capital	13	7,351,699	6,451,218
Reserves	14	223,200	1,194,893
Accumulated losses		(5,125,245)	(5,127,261)
Total equity		2,449,654	2,518,850

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Consolidated	Issued Capital $	Revaluation Reserve $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2021	6,369,046	-	178,320	(5,061,238)	1,486,128
Loss after income tax expense for the year	-	-	-	(385,076)	(385,076)
Other comprehensive income for the year, net of tax	-	1,335,626	-	-	1,335,626
Total comprehensive income for the year	-	1,335,626	-	(385,076)	950,550
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 13)	20,000	-	-	-	20,000
Share-based payments	62,172	-	-	-	62,172
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	-	(276,780	-	276,780	-
Balance at 31 December 2021	6,451,218	1,058,846	136,047	(5,127,261)	2,518,850

Consolidated	Issued Capital $	Revaluation Reserve $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2022	6,451,218	1,058,846	136,047	(5,127,261)	2,518,850
Loss after income tax expense for the year	-	-	-	(975,689)	(975,689)
Other comprehensive income for the year, net of tax	-	42,633	-	-	42,633
Total comprehensive income for the year	-	42,633	-	(975,689)	(933,056)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 13)	847,887	-	-	(36,621	811,266
Transfer to accumulated losses due to shares sold related to revaluation reserve	-	(1,014,326)	-	1,014,326	-
Issue of shares	52,594	-	-	-	52,594
Balance at 31 December 2022	7,351,699	87,153	136,047	(5,125,245)	2,449,654

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
Cash flows from operating activities			
Receipts from research and development tax concession		527,117	340,749
Payments to suppliers and employees (inclusive of GST)		(1,849,704)	(1,232,206)
Interest received		387	2,188
Net cash used in operating activities	26	(1,322,200)	(889,269)
Cash flows from investing activities			
Payments for property, plant and equipment		(72,254)	(152,818)
Payments for acquisition of Imagine Intelligent Materials		(574,339)	-
Proceeds from disposal of investments		1,236,947	211,920
Net cash from investing activities		590,354	59,102
Cash flows from financing activities			
Proceeds from issue of shares	13	-	20,000
Net cash from financing activities		-	20,000
Net decrease in cash and cash equivalents		(731,846)	(810,167)
Cash and cash equivalents at the beginning of the financial year		829,022	1,639,189
Cash and cash equivalents at the end of the financial year		97,176	829,022

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

Notes To The Financial Statements - 31 December 2022

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 VIC 3000	Unit 2/247 Ferntree Gully Road Melbourne 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 financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 June 2023. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these standards did not have a material impact upon the company.

GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Subsequent the end of the period, the Company received its research and development tax concession for the 2022 financial year amounting to the amount of $391,361.

During the financial year ended 31 December 2022, the company incurred a loss after tax of $1,156,469 (31 December 2021: loss of $385,076) and had net cash outflows from operating activities of $1,322,200 (31 December 2021: cash outflows of $926,728).

At 31 December 2022, the company had net asset of $2,449,654 (31 December 2022 $2,518,850). The cash balance as at 31 December 2022 was $97,176 (31 December 2021: $829,022). The working capital amounted to a deficit of $457,750 at 31 December 2022 (31 December 2022: surplus $1,009,045). 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 for the Company's ability to continue as a going concern.

The company currently does not have a source of income and in order to continue as a going concern is therefore reliant on achieving a combination of the following:

- Securing additional funding through capital or debt raisings and subsequently to the end of the half-year period, the Company raised $491,750 through the issue of 28,100,002 fully paid ordinary shares with an issue price of $0.0175 (1.75 cents) per share.
- Completing an Initial Public Offering (IPO);
- Receiving Research & development tax concession refunds;
- Commercialisation of proprietary technology.

The ability of the company to continue as a going concern is dependent upon the continuing financial support of the creditors (including former directors), until such time as the company derives sufficient revenue or successfully raises sufficient capital to discharge the amounts owed. As at the date of signing the financial report, no letter of demand has been received from these creditors.

The directors believe that the company will be able to continue as a going concern on the basis that there is a plan to raise capital through further interim capital raisings or an Initial Public Offering (IPO). These initiatives will be adequate to ensure enough cash resources are available to continue to fund operating costs.

RESEARCH AND DEVELOPMENT

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on any development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product is technically feasible and the 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.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

BASIS OF PREPARATION

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

PARENT ENTITY INFORMATION

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ionic Industries Limited ('company' or 'parent entity') as at 31 December 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.

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.

REVENUE RECOGNITION

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government subsidies

Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measureable. As the estimate is reliably measurable, the R&D tax incentive has measured on an accruals basis.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the 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.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2022. 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.

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.

NOTE 4. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2022 $	31 December 2021 $
Current assets		
Trade receivables	1,314	913
Trade receivables - R&D refund	592,474	370,692
GST receivable	29,711	31,631
Other receivable	4,189	2,745
	627,688	405,981

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 receivable 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. OTHER ASSETS

	Consolidated	
	31 December 2022 $	31 December 2021 $
Current assets		
Deposit on Bond	-	5,000
Bank Guarantee - NAB	34,980	34,980
Other current assets	3,870	50,000
	38,850	89,980

NOTE 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Consolidated	
	31 December 2022 $	31 December 2021 $
Current assets		
Ordinary shares in Sunrise Energy Metals Ltd (ASX: SRL)	141,024	1,076,367
Ordinary shares in Clean TeQ Water Ltd (ASX: CNQ)	144,444	259,259
	285,468	1,335,626

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	1,335,626	-
Disposals	(1,092,791)	-
Revaluation increments	42,633	1,335,626
Closing fair value	285,468	1,335,626

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 7. PLANT AND EQUIPMENT

	Consolidated	
	31 December 2022 $	31 December 2021 $
Non-current assets		
Leasehold improvements - at cost	49,685	42,923
Less: Accumulated depreciation	(4,807)	-
	44,878	42,923
Plant and equipment - at cost	225,253	159,761
Less: Accumulated depreciation	(79,037)	(46,069)
	146,216	113,692
	191,094	156,615

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 $	Leasehold improvements $	Total $
Balance at 1 January 2021	159,762	-	159,762
Additions	-	42,923	42,923
Depreciation expense	(46,070)	-	(46,070)
Balance at 31 December 2021	113,692	42,923	156,615
Additions	65,492	6,762	72,254
Depreciation expense	(32,968)	(4,807)	(37,775)
Balance at 31 December 2022	146,216	44,878	191,094

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
Office and computer equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 8. RIGHT-OF-USE ASSETS

The Consolidated Entity has lease arrangement for office space. Rental contracts are typically made for fixed periods of 36 months with an extension option of further 36 months. This note provides information for leases where the Consolidated Entity is a lessee.

Lease term is negotiated on an individual basis and may contain a wide range of different terms and conditions. The lease agreement do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	Consolidated	
	31 December 2022 $	31 December 2021 $
Non-current assets		
Office space - right-of-use	167,246	167,246
Less: Accumulated depreciation	(58,762)	(4,520)
	108,484	162,726

Additions to the right-of-use assets during the year were $167,246.

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

Consolidated	Office Space $	Total $
Balance at 1 January 2021	-	-
Additions	167,246	167,246
Depreciation expense	(4,520)	(4,520)
Balance at 31 December 2021	162,726	162,726
Depreciation expense	(54,242)	(54,242)
Balance at 31 December 2022	108,484	108,484

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 9. INTANGIBLES

	Consolidated	
	31 December 2022 $	31 December 2021 $
Non-current assets		
Goodwill - at cost	1,971,798	-
Patents and trademarks - at cost	490,484	-
Less: Accumulated amortisation	(48,780)	-
	441,704	-
	2,413,502	-

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

Consolidated	Goodwill $	Patents and Trademarks $	Total $
Balance at 1 January 2021	-	-	-
Balance at 31 December 2021	-	-	-
Additions through business combinations (note 23)	1,971,798	490,484	2,462,282
Amortisation expense	-	(48,780)	(48,780)
Balance at 31 December 2022	1,971,798	441,704	2,413,502

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.

The carrying amount of the assets and liabilities are provisional and the Company will conduct an impairment test in June 2023 in line with the Company's accounting policy.

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

NOTE 10. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2022 $	31 December 2021 $
Current liabilities		
Trade payables	648,142	108,971
Other payables	252,651	105,022
	900,793	213,993

Refer to note 17 for further information on financial instruments.

Included in other payables is $157,796 owing to current Directors of the company accrued Directors fees to 30 June 2017. The company will not pay these fees until such time where sufficient funds become available or if agreed and approved the company may issue shares in consideration for accrued fees.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the 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 11. BORROWINGS

	Consolidated	
	31 December 2022 $	31 December 2021 $
Non-current liabilities		
Business Finland loan	217,460	-

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	31 December 2022 $	31 December 2021 $
Business Finland Loan	217,460	-

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 12. LEASE LIABILITIES

	Consolidated	
	31 December 2022 $	31 December 2021 $
Current liabilities		
Lease liability	65,672	38,680
Non-current liabilities		
Lease liability	67,473	129,450

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 13. ISSUED CAPITAL

	Consolidated			
	31 December 2022 Shares	31 December 2021 Shares	31 December 2022 $	31 December 2021 $
Ordinary shares - fully paid	1,367,519,676	1,324,073,466	7,351,699	6,451,218

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2021	1,314,283,882		6,369,046
Shares issued	2 February 2021	2,666,667	$0.0075	20,000
Director's fees and consulting fees settled through shares	14 May 2021	6,422,917	$0.0075	48,172
Options exercised	14 July 2021	700,000	$0.02	14,000
Balance	31 December 2021	1,324,073,466		6,451,218
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
Shares for partial settlement of Imagine Intelligent Materials deferred creditors	13 October 2022	1,051,885	$0.05	52,594
Balance	31 December 2022	1,367,519,676		7,351,699

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 14. RESERVES

	Consolidated	
	31 December 2022 $	31 December 2021 $
Financial assets at fair value through other comprehensive income reserve	87,153	1,058,846
Share based payments reserve	136,047	136,047
	223,200	1,194,893

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.

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

Movement in options

Details	Date	Options	$
Balance at the start of the year	01/01/2022	129,841,110	136,047

NOTE 15. NON-CONTROLLING INTEREST

As at 31 December 2022, Ionic Industries Limited had acquired full ownership of Imagining Intelligent Materials Limited.

NOTE 16. DIVIDENDS

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

NOTE 17. 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.

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.

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

NOTE 18. 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	
	31 December 2022 $	31 December 2021 $
Short-term employee benefits	398,721	345,537
Post-employment benefits	33,223	21,413
Long-term benefits	7,958	19,801
Share-based payments	13,636	37,172
	453,538	423,923

NOTE 19. REMUNERATION OF AUDITORS

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

	Consolidated	
	31 December 2022 $	31 December 2021 $
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit or review of the financial statements	46,000	32,750
Other Assurance services	17,500	-
	63,500	32,750

NOTE 20. CONTINGENT LIABILITIES

There were no other contingent liabilities at 31 December 2021 and 31 December 2022.

NOTE 21. RELATED PARTY TRANSACTIONS

Parent entity
Ionic Industries Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 24.

Key management personnel
Disclosures relating to key management personnel are set out in note 18.

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
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

NOTE 22. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	31 December 2022 $	31 December 2021 $
Profit/(loss) after income tax	(1,386,133)	(385,076)
Total comprehensive income	(1,386,133)	(385,076)

Statement of financial position

	Parent	
	31 December 2022 $	31 December 2021 $
Total current assets	723,664	2,660,609
Total assets	2,806,636	2,979,950
Total current liabilities	591,257	315,938
Total liabilities	682,399	461,100
Equity		
Issued capital	7,351,698	6,451,218
Financial assets at fair value through other comprehensive income reserve	998,210	1,058,846
Share based payments reserve	136,047	136,047
Retained profits/(accumulated losses)	(4,975,586)	(5,127,261)
Total equity	3,510,369	2,518,850

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 31 December 2022 (December 2022: NIL).

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2022 (December 2021: NIL).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 (December 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 23. 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 $598,037 to acquire 95.81% of the issued capital in the Company. The Company subsequently paid the $23,698 to acquire the remaining 4.19% interest by way of a Compulsory acquisition. The acquisition has been accounted for as a Business Combination in accordance with AASB 3 Business Combinations.

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.

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 during the year ended 30 June 2022.

During the current half-year period, 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 addition, the Company made an offer to the remaining shareholding of Imagine for 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. As at the date of this report, the Company owns 100% of Imagine.

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.

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
Patents and trademarks	466,316
Trade payables	(1,078,864)
Deferred creditors - paid by Ionic Industries	(825,976)
Acquisition-date fair value of the total consideration transferred	(1,397,460)
Acquisition costs expensed to profit or loss	73,956
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	598,037
Net cash used	598,037

Goodwill amounting to $1,971,799 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. The difference of $23,696 relates to the additional cash contribution to acquire the remaining 4.19% of Imagine. This amount was expensed to the statement of profit or loss and other comprehensive income as the Consolidated Entity already had control of the Imagine business on the date that the remaining 4.19% was acquired.

NOTE 24. 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 31 December 2022 %	Ownership interest 31 December 2021 %
KAP Energy Pty Ltd	Australia	100.00%	100.00%
Imagine Intelligence Materials Limited	Australia	100.00%	-

NOTE 25. EVENTS AFTER THE REPORTING PERIOD

On 12 May 2023, the Company issued 28,100,002 fully paid ordinary shares with an issue price of $0.0175 (1.75 cents) per share to professional and sophisticated investors raising $491,750.

No other matter or circumstance has arisen since 31 December 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 26. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
Loss after income tax expense for the year	(975,689)	(385,076)
Adjustments for:		
Depreciation and amortisation	115,109	-
Impairment of investments	-	(340,000)
Net fair value loss on investments	180,780	-
Share-based payments	15,000	62,172
Forgiveness of debt	(525,941)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(221,727)	(170,623)
Decrease in prepayments	51,130	-
Increase/(decrease) in trade and other payables	245,751	(55,742)
Decrease in employee benefits	(206,613)	-
Net cash used in operating activities	(1,322,200)	(889,269)

Directors' Declaration

Directors' Declaration

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 31 December 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

1 June 2023

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

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

William Buck
ACCOUNTANTS & ADVISORS

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 31 December 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 31 December 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.

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com williambuck.com.au

William Buck
ACCOUNTANTS & ADVISORS

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 31 December 2022 incurred a net loss after income tax of $975,689 and net operating cash outflows of $1,322,200. 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 Group'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 31 December 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.

William Buck
ACCOUNTANTS & ADVISORS

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. A. Finnis
Director
Melbourne, 1 June 2023

Contact Us

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