Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2023

Ionic Industries Limited
Contents
30 June 2023

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

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Ionic Industries Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

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

Mr Peter Armitage (Executive Chairman and Chief Financial Officer)
Mr Simon Savage (CEO and Managing Director)
Mr Neil Wilson (Non-Executive Director)

Principal activities

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

There were two primary streams of activity: graphene supercapacitors and graphene conductive coating for sensing applications.

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

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

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

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

This work has been undertaken at the company's 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. The company acquired the remaining 4.19% during the 2023 financial year.

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 $3,203,656, for the year ended 30 June 2023 (30 June 2022: loss of $985,886).

The net assets of the company decreased to $201,233 as at 30 June 2023 (30 June 2022: $2,908,005).

Working capital, being current assets less current liabilities, decreased to negative $200,256 (30 June 2022: positive $455,305).

The company had net cash outflows from operating activities for the period of $534,267 (30 June 2022: outflows of $1,170,123).

The total cash and cash equivalents as at 30 June 2023 was $104,195 (30 June 2022: $103,788).

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

- Raised capital from issue of new shares
- Leveraged government grant funding through the Advanced Manufacturing Growth Centre
- Increase in revenue
- Maximising tax benefits from the government's R&D incentives

Our various commercialization partners remain actively engaged and, during this period, have assisted us in gaining a deeper understanding of how our technologies will fit into the market landscape for supercapacitor and energy storage technologies. We are in the process of exploring a range of further partnership opportunities in Australia, Europe and the United States which will improve our resilience in the face of turbulent global market conditions. Our formal collaborative relationship with CapXX, announced in March 2022, was the culmination of 2 years of informal collaboration and engagement and represents a major milestone in Ionic's commercialisation of its supercapacitor technologies.

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

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

Significant changes in the state of affairs

On 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.

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

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

As at 30 September 2023, the Company which provided the Business Finance Loan has been liquidated and the loan has been written off subsequent to year end.

On 29 November 2023, the Company's subsidiary (Imagine Intelligents) received $292,176 as a refund regarding their R&D application for the 2023 Financial Year.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The company will continue to pursue its graphene research and development operations through its ongoing relationship with Monash University and through joint venture arrangements, the objective of which is to commercialise the technologies through external industry partnerships.

In the coming year the Company will progress plans for an initial public offering on a public stock exchange in order to fund its current planned activities.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr Simon Savage
Title:	CEO and Executive Director
Qualifications:	MBA MAICD
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 and Chief Financial Officer
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. 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, CA FGIA (appointed 1 August 2022)

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

Ms Melanie Leydin CA resigned on 1 August 2022.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Simon Savage	1	1
Mr Peter Armitage	1	1
Mr Neil Wilson	1	1

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 were no ordinary shares of Ionic Industries Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

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

On behalf of the directors

Mr Peter Armitage
Executive Chairman

8 December 2023

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 30 June 2023 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, 8 December 2023

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Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Revenue			
Revenue from operations		151,908	-
Other income			
Research & development tax concession		834,697	356,322
Patents Income		-	15,007
Forgiveness of debt		525,941	-
AMCG grant income		-	134,000
Interest received		676	1,299
		1,361,314	506,628
Expenses			
Research and development costs		(772,638)	(325,346)
Corporate expenses		(804,098)	(449,978)
Bad debts expense		(19,634)	-
Employee benefits expense		(962,482)	(512,048)
Depreciation and amortisation expense		(102,520)	(45,939)
Impairment of assets		(2,012,931)	-
Gain/(Loss) on disposal of shares		105,848	-
Acquisition costs		-	(73,956)
Other expenses		(19,248)	(75,537)
Finance costs		(129,175)	(9,710)
Loss before income tax expense		(3,203,656)	(985,886)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(3,203,656)	(985,886)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(92,720)	349,186
Other comprehensive income/(loss) for the year, net of tax		(92,720)	349,186
Total comprehensive loss for the year attributable to the owners of Ionic Industries Limited		(3,296,376)	(636,700)

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

Ionic Industries Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 30 June 2023 $	30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents		104,195	103,788
Trade and other receivables	4	840,973	521,507
Financial assets at fair value through other comprehensive income	5	113,746	920,371
Other current assets	6	41,633	211,566
Total current assets		1,100,547	1,757,232
Non-current assets			
Plant and equipment	7	165,379	216,429
Right-of-use assets	8	81,363	135,605
Intangibles	9	417,083	2,438,026
Total non-current assets		663,825	2,790,060
Total assets		1,764,372	4,547,292
Liabilities			
Current liabilities			
Trade and other payables	10	1,102,930	1,182,514
Borrowings	12	71,530	-
Lease liabilities	11	62,374	56,216
Employee benefits		63,969	63,197
Total current liabilities		1,300,803	1,301,927
Non-current liabilities			
Borrowings	12	187,838	217,460
Lease liabilities	13	33,121	100,422
Employee benefits		41,387	19,478
Total non-current liabilities		262,346	337,360
Total liabilities		1,563,149	1,639,287
Net assets		201,223	2,908,005
Equity			
Issued capital	14	7,888,699	7,299,105
Reserves	15	991,686	1,082,725
Accumulated losses		(8,679,162)	(5,473,825)
Total equity		201,223	2,908,005

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

Ionic Industries Limited
Statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital $	Revaluation reserve $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021	6,437,218	985,926	178,320	(4,918,646)	2,682,818
Loss after income tax expense for the year	-	-	-	(985,886)	(985,886)
Other comprehensive income for the year, net of tax	-	349,186	-	-	349,186
Total comprehensive income/(loss) for the year	-	349,186	-	(985,886)	(636,700)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 14)	861,887	-	-	-	861,887
Transfer to accumulated losses due to expiry, cancellation or forfeiture of options	-	-	(42,273)	42,273	-
Transfer to accumulated losses due to shares sold related to revaluation reserve	-	(388,434)	-	388,434	-
Balance at 30 June 2022	7,299,105	946,678	136,047	(5,473,825)	2,908,005

Consolidated	Issued capital $	Revaluation reserve $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2022	7,299,105	946,678	136,047	(5,473,825)	2,908,005
Loss after income tax expense for the year	-	-	-	(3,203,656)	(3,203,656)
Other comprehensive loss for the year, net of tax	-	(92,720)	-	-	(92,720)
Total comprehensive loss for the year	-	(92,720)	-	(3,203,656)	(3,296,376)
Transactions with owners in their capacity as owners:					
Issue of shares	589,594	-	-	-	589,594
Transfer to accumulated losses due to shares sold related to revaluation reserve	-	1,681	-	(1,681)	-
Balance at 30 June 2023	7,888,699	855,639	136,047	(8,679,162)	201,223

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

Ionic Industries Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Cash flows from operating activities			
Receipts from research and development tax concession		397,361	163,173
Receipts from government grants		-	134,000
Payments to suppliers and employees (inclusive of GST)		(1,130,605)	(1,468,957)
Receipts from customers		198,301	-
Interest received		676	1,661
Net cash used in operating activities	27	(534,267)	(1,170,123)
Cash flows from investing activities			
Payments for plant and equipment		(2,327)	(63,613)
Payments for security deposits		-	(43,850)
Payments for leasehold improvements		-	(24,609)
Payments for acquisition of Imagine Intelligent Materials		-	(574,339)
Proceeds from disposal of investments		-	754,741
Net cash from/(used in) investing activities		(2,327)	48,330
Cash flows from financing activities			
Proceeds from exercise of share options	14	-	14,000
Proceeds from issue of shares		566,750	-
Share issue transaction costs		(29,749)	-
Repayment of lease liabilities		-	(21,200)
Net cash from/(used in) financing activities		537,001	(7,200)
Net (decrease)/increase in cash and cash equivalents		407	(1,128,993)
Cash and cash equivalents at the beginning of the financial year		103,788	1,232,781
Cash and cash equivalents at the end of the financial year		104,195	103,788

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

Note 1. General information

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

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

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the consolidated financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 December 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 consolidated financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

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

During the financial year ended 30 June 2023, the company incurred a loss after tax of $3,203,656 (30 June 2022: loss of $985,886) and had net cash outflows from operating activities of $534,267 (30 June 2022: cash outflows of $1,170,123).

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

In order to continue as a going concern the Company is therefore reliant on achieving a combination of the following:
- Securing additional funding through capital or debt raisings, such as through an initial public offering (IPO) or other funding processes;
- Continued scaling up of revenue
- Agreed upon deferral of amounts due to directors and other creditors;
- Settlement via share issue of director fees and other liabilities;
- Receiving a Research & Development tax incentive refund for the 2022 financial year;
- Commercialisation of proprietary technology; and
- The group has the ability to defer any uncommitted research and development costs if required.

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

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

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

Note 2. Significant accounting policies (continued)

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 23.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ionic Industries Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Ionic Industries Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Other income
The consolidated entity recognises revenue as follows:

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

Note 2. Significant accounting policies (continued)

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

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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

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

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

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.

Note 2. Significant accounting policies (continued)

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

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

New Accounting Standards and Interpretations
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

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.

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

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

Research & Development refund recognition
The company is entitled to a research & development refund and has taken the approach of accruing the expected refund based off what management expects to receive when the claim is submitted at a later date.

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

Note 4. Current assets - trade and other receivables

	Consolidated	
	30 June 2023	**30 June 2022**
	$	**$**
Trade receivables	-	100,670
R&D tax incentive receivable	788,304	397,361
GST receivable	52,669	23,476
	840,973	521,507

Due to the short term nature of the receivables, their carrying value is assumed to be approximately their fair value. No collateral or security is held. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

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

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

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

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

	Consolidated	
	30 June 2023 $	30 June 2022 $
Ordinary shares in Sunrise Energy Metals Ltd (ASX: SRL)	24,857	766,667
Ordinary shares in Clean TeQ Water Ltd (ASX:CNQ)	88,889	153,704
	113,746	920,371

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	920,371	-
Transfer from non-current assets	-	1,325,926
Disposals	(713,905)	(754,741)
Revaluation increments	-	349,186
Revaluation decrements	(92,720)	-
Closing fair value	113,746	920,371

Note 6. Current assets - Other current assets

	Consolidated	
	30 June 2023 $	30 June 2022 $
Prepayments	2,783	16,382
Security deposits	-	5,000
Other deposits	34,980	34,980
Other current assets	3,870	155,204
	41,633	211,566

Note 7. Non-current assets - plant and equipment

	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Leasehold improvements - at cost	49,685	49,685
Less: Accumulated depreciation	(23,995)	-
	25,690	49,685
Plant and equipment - at cost	159,958	157,632
Less: Accumulated depreciation	(58,952)	(50,087)
	101,006	107,545
Laboratory and computer equipment - at cost	65,294	65,294
Less: Accumulated depreciation	(26,611)	(6,095)
	38,683	59,199
	165,379	216,429

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

Consolidated	Plant and equipment $	Laboratory and computer equipment $	Leasehold improvements $	Total $
Balance at 1 July 2021	116,821	607	-	117,428
Additions	-	63,613	49,685	113,298
Depreciation expense	(9,276)	(5,021)	-	(14,297)
Balance at 30 June 2022	107,545	59,199	49,685	216,429
Additions	2,326	-	-	2,326
Depreciation expense	(8,865)	(20,516)	(23,995)	(53,376)
Balance at 30 June 2023	101,006	38,683	25,690	165,379

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

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

Plant and equipment	3-7 years
Laboratory and computer equipment	3-5 years

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

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

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

Note 8. Non-current assets - right-of-use assets

	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Land and buildings - right-of-use	167,246	167,246
Less: Accumulated depreciation	(85,883)	(31,641)
	81,363	135,605

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

Consolidated	Right-of-use asset $
Balance at 1 July 2021	-
Additions	167,246
Depreciation expense	(31,641)
Balance at 30 June 2022	135,605
Depreciation expense	(54,242)
Balance at 30 June 2023	81,363

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. Non-current assets - intangibles

	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Patents and trademarks - at cost	490,483	-
Less: Accumulated amortisation	(73,400)	-
	417,083	-
Goodwill - Imagine Intelligence Systems	-	2,438,026
	417,083	2,438,026

Note 9. Non-current assets - intangibles (continued)

Goodwill - Imagine Intelligence Systems Intellectual Property
During 2022 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.

During the 2023 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.

In accordance with the Group’s accounting policies, indefinite life assets are allocated to CGUs in order to determine the recoverable amount for the annual impairment test.

As at 30 June 2023, the Group had one CGU which was the whole of its consolidated operations.

An assessment of indicators and subsequent testing of impairment was completed as at year end which resulted in an impairment loss of $2,012,931 being recognized during the year ended 30 June 2023.

The testing assessed the recoverable amount of the CGU assets by a value-in-use (“VIU”) calculation using a discounted cash flow model, based on a 5 year projection period approved by management.

Key assumptions

a. Implied pre-tax discount rate: 18.1%
b. Post-tax discount rate: 14.75%
c. Revenue growth was projected at an average of 20.0%; and
d. Terminal growth rate of 2.5%

The discount rate was estimated based on the CGU’s weighted average cost of capital. The revenue growth rate reflects forecast conservative growth rates over a 5-yer period after consideration for market conditions. The terminal growth rate was determined based on management’s estimate of a conservative long term compound growth rate, consistent with what a market participant would make.

Based on the above, an impairment charge of $2,012,931 has been applied as the carrying amount of the CGU exceeded it’s recoverable amount.

Refer to Note 24 - Business Combinations for further information relating to the acquisition.

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 10. Current liabilities - trade and other payables

	Consolidated	
	30 June 2023 $	30 June 2022 $
Trade payables	490,252	178,980
Other payables	258,473	118,934
Deferred creditors - Imagine Intelligent Materials	354,205	884,600
	1,102,930	1,182,514

Refer to note 18 for further information on financial instruments.

Included in other payables is $77,796 owing to a previous Director of the company for accrued Directors fees to July 2016. The settlement of these fees is at the discretion of the Company.

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. Current liabilities - lease liabilities

	Consolidated	
	30 June 2023 $	30 June 2022 $
Lease liability	62,374	56,216

Refer to note 18 for further information on financial instruments.

Note 12. Non-current liabilities - borrowings

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

	Consolidated	
	30 June 2023 $	30 June 2022 $
Current – Business Finland loan	62,613	-
Current – Cumulative interest accrued	8,917	-
Non-Current - Business Finland loan	187,838	217,460
	259,368	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 1% 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 13. Non-current liabilities - lease liabilities

	Consolidated	
	30 June 2023 $	30 June 2022 $
Lease liability	33,121	100,422

Refer to note 18 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 14. Equity - issued capital

	Consolidated			
	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $	30 June 2022 $
Ordinary shares - fully paid	1,400,419,678	1,366,467,791	7,888,699	7,299,105

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2021	1,323,373,466		6,437,218
Options exercised	14 July 2021	700,000	$0.02	14,000
Settlement of Director fees	30 June 2022	750,000	$0.02	15,000
Consideration for Imagine acquisition	30 June 2022	41,644,325	$0.02	832,887
Balance	30 June 2022	1,366,467,791		7,299,105
Shares for partial settlement of Imagine Intelligent Materials deferred creditors	13 October 2022	1,051,885	$0.05	52,594
Issue of shares as part of a placement	9 May 2023	28,100,001	$0.017	491,750
Issue of shares as part of a placement	7 July 2023	4,285,715	$0.017	75,000
Settlement of consulting fees	7 July 2023	514,286	$0.017	9,000
Capital raising costs		-	-	(38,750)
Balance	30 June 2023	1,400,419,678		7,888,699

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.

Note 14. Equity - issued capital (continued)

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 15. Equity - Reserves

	Consolidated	
	30 June 2023	**30 June 2022**
	$	**$**
Financial assets at fair value through other comprehensive income reserve	855,639	946,678
Share-based payments reserve	136,047	136,047
	991,686	1,082,725

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

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

Movements in options

Details	Date	Options	$
Balance at the start of the year	01/07/2021	129,841,110	136,047

Note 16. Equity - non-controlling interest

During the year ended 30 June 2023, the Company acquired the remaining 4.19% of Imaging Intelligent Materials Limited through a compulsory acquisition. The Company now owns 100% of Imagine Intelligent Materials Limited

Note 17. Equity - dividends

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

Note 18. 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. All financial liabilities will be settled with in 6 months.

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

Note 19. Key management personnel disclosures

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

Non-Executive Directors

Mr Neil Wilson

Executive Directors
Mr Simon Savage
Mr Peter Armitage

Note 19. Key management personnel disclosures (continued)

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

	Consolidated	
	30 June 2023	30 June 2022
	$	$
Short-term employee benefits	423,573	378,060
Post-employment benefits	44,475	23,636
Long-term benefits	33,866	4,640
Share-based payments	-	13,636
	501,914	419,972

Note 20. Remuneration of auditors

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

	Consolidated	
	30 June 2023	30 June 2022
	$	$
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit of the financial statements	27,000	23,750
Review of the financial statements	15,000	10,000
Other assurance services	17,500	-
	59,500	33,750

Note 21. Contingent liabilities

There were no contingent liabilities at 30 June 2022 or 30 June 2023.

Note 22. Related party transactions

Parent entity
Ionic Industries Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Key management personnel
Disclosures relating to key management personnel are set out in note 19.

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

Receivable from and payable to related parties
At 30 June 2023 a total of $77,796 (2022: $77,796) of accrued fees due to former directors is recognised in other payables.

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

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 23. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2023 $	**30 June 2022 $**
Loss after income tax	(1,613,669)	(985,886)
Total comprehensive loss	(1,613,669)	(985,886)

Statement of financial position

	Parent	
	30 June 2023 $	**30 June 2022 $**
Total current assets	807,772	1,716,168
Total assets	2,004,798	3,445,232
Total current liabilities	847,266	417,327
Total liabilities	921,774	537,227
Equity		
Issued capital	7,888,699	7,299,105
Financial assets at fair value through other comprehensive income reserve	50,430	946,678
Share-based payments reserve	136,047	136,047
Accumulated losses	(6,992,153)	(5,473,825)
Total equity	1,083,023	2,908,005

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 (June 2022: NIL).

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 (June 2022: NIL).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 (June 2022: 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 24. Business combinations

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

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

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

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

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

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

Details of the acquisition are as follows:

	Fair value **$**
Cash and cash equivalents	16,489
Trade receivables	20,705
Other receivables	3,870
Trade payables	(1,102,061)
Deferred creditors - paid by Ionic	(825,976)
Acquisition-date fair value of the net liabilities acquired	(1,886,973)
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	574,339
Net cash used	574,339

Goodwill
Goodwill amounting to $2,438,026 resulted from the acquisition of Imagine Intelligent Materials Pty Ltd based on the fair value of net liabilities acquired and cash paid for the acquisition. The $2,438,026 of goodwill recorded in 2022 Financial Year was provisional with management subsequently remeasuring it to $2,012,931. Subsequently the $2,012,931 was fully written off in the Current Financial Year.

Note 25. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
KAP Energy Pty Ltd	Australia	100.00%	100.00%
Imagine Intelligence Materials Pty Ltd*	Australia	100.00%	95.81%

* The remining 4.19% interest was acquired during the financial year. During the financial year Imagine was converted to a proprietary limited company.

Note 26. Events after the reporting period

As at 30 September 2023, the Company which provided the Business Finance Loan has been liquidated and the loan has been written off subsequent to year end.

On 29 November 2023, the Company's subsidiary (Imagine Intelligents) received $292,176 as a refund regarding their R&D application for the 2023 Financial Year.

No other matter or circumstance has arisen since 30 June 2023 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 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Loss after income tax expense for the year	(3,203,656)	(985,886)
Adjustments for:		
Depreciation and amortisation	156,762	45,939
Change in operating assets and liabilities:		
Increase in trade and other receivables	(29,193)	(423,287)
Decrease/(increase) in prepayments	13,599	(14,893)
Increase in trade and other payables	2,505,540	195,965
Increase in employee benefits	22,681	12,039
Net cash used in operating activities	(534,267)	(1,170,123)

Note 28. Share-based payments

Share based payments for the year ended 30 June 2023 amounted to $0.

30 June 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/11/2018	26/11/2023	-	6,000,000	-	-	-	6,000,000
			6,000,000	-	-	-	6,000,000

Note 28. Share-based payments (continued)

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

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2017	29/12/2021	$0.04	10,000,000	-	-	(10,000,000)	-
26/11/2018	26/11/2023	$0.06	6,000,000	-	-	-	6,000,000
			16,000,000	-	-	(10,000,000)	6,000,000

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

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

Grant date	Expiry date	30 June 2023 Number	30 June 2022 Number
26/11/2018	26/11/2023	6,000,000	6,000,000
		6,000,000	6,000,000

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

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

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

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

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

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

Note 28. Share-based payments (continued)

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

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

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

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

Ionic Industries Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Peter Armitage
Executive Chairman

8 December 2023

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 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report which indicates that the Group during the year ended 30 June 2023 incurred a net loss after income tax of $3,203,656 and net operating cash outflows of $534,267. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

William Buck
ACCOUNTANTS & ADVISORS

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at: https://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, 8 December 2023