Ionic Industries Limited

ACN 168 143 324

Annual Report - 30 June 2018

Ionic Industries Limited
Contents
30 June 2018

Ionic Industries Limited
Corporate directory
30 June 2018

Directors	Mr Peter Armitage (Non-Executive Chairman) Mr Simon Savage (CEO and Executive Director) Mr Christopher Gilbey (Non-Executive Director) Mr David DeTata (Non-Executive Director)
Company secretary	Mr Justin Mouchacca
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205
Auditor	Grant Thornton Audit Pty Ltd Tower 1, Collins Square 727 Collins Street Melbourne VIC 3008
Website	www.ionicindustries.com.au
Share register	Link Market Services Limited Tower 4, 727 Collins Street Docklands, VIC 3008 Ph: 1300 554 474

Ionic Industries Limited
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2018.

Directors

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

Mr Peter Armitage (Non-Executive Chairman)
Mr Simon Savage (CEO and Executive Director)
Mr Christopher Gilbey (Non-Executive Director) (appointed 25 July 2018)
Mr David DeTata (Non-Executive Director) (appointed 1 October 2018)
Mr Merlin Allan (Non-Executive Director) (resigned 25 July 2018)

Principal activities

During the financial year the principal continuing activities of the company consisted of Graphene research and development, conducted a scoping study for the production of graphene oxide with SuperSand as an optional process stream. The company also carried out a review of other potential graphene technologies with its research partners.

Dividends

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

Review of operations

The loss for the company after providing for income tax amounted to $718,227 (30 June 2017: $557,433).

The net assets of the company increased by $54,234 to $382,272 as at 30 June 2018 (2017: $328,038)

Working capital, being current assets less current liabilities, increased by $60,792 to $367,731 (30 June 2017: $306,939). The company had negative cash flows from operating activities for the period of $841,558 (30 June 2017: $440,732). The total net cash decrease during the financial year amounted to $233,015 (30 June 2017: $292,250 increase) due to lower research and development tax incentive cash receipts, increase in corporate and research and development costs.

Significant changes in the state of affairs

On 9 October 2017, the company issued a total of 28,950,805 fully paid ordinary shares at a deemed issue price of $0.01 (1 cent) per share, raising a total of $289,508. The company also issued 28,950,805 free attaching unlisted options exercisable at $0.02 (2 cents) per option on or before 30 June 2020.

On 9 October 2017, the company issued a total of 157,000 fully paid ordinary shares at a deemed issue price of $0.02 (2 cents) per share for conversion of options to shares.

On 31 October 2017, the company issued a total of 2,233,601 fully paid ordinary shares at a deemed issue price of $0.01 (1 cent) per share, raising $22,336. The company also issued 2,233,601 free attaching unlisted options exercisable at $0.02 (2 cents) per option on or before 30 June 2020.

On 31 October 2017, the company issued a total of 666,665 fully paid ordinary shares at a deemed issue price of $0.01 (1 cent) per share in order to settle outstanding liabilities.

On 27 November 2017, the company granted 30,000,000 unlisted options to directors with an exercise price of $0.04 (4 cents) per option on or before 29 December 2021.

On 1 March 2018, the company issued a total of 1,755,912 fully paid ordinary shares at a deemed issue price of $0.03 (3 cents) per share raising a total of $52,677. Also on this day the company issued 333,333 fully paid ordinary shares at a deemed issue price of $0.03 (3 cents) per share in order to settle outstanding liabilities.

On 20 April 2018, the company issued a total of 4,625,000 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share raising a total of $185,000.

On 29 June 2018, the company issued a total of 1,398,248 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share raising a total of $55,930. Also on this day the company issued 200,000 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share in order to settle outstanding liabilities. The company also issued a total of 200,000 fully paid ordinary shares at a deemed issue price of $0.02 (2 cents) per share for conversion of options to shares.

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

Matters subsequent to the end of the financial year

On 24 September 2018, the company's participation agreement currently in place with Clean TeQ Holdings Limited (''Clean TeQ'') had progressed towards development of a graphene-oxide based water filtration membrane. Clean TeQ advised the company that it would form an incorporated joint venture to further develop and commercialise this exciting opportunity.

On 1 October 2018, the company issued a total of 967,098 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share raising a total of $38,684. Also on this day the company issued 218,181 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share in order to settle outstanding liabilities.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

The company will continue to pursue its Graphene research and development through its ongoing relationship with Monash University, and through joint venture arrangements to commercialise the technologies with external industry partnerships.

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

Environmental regulation

The company 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:	Non-Executive Chairman
Qualifications:	FCA FAICD
Experience and expertise:	Peter began his professional career over 40 years ago with an international accounting firm, specialising in start-ups and work-outs. After qualification he was invited into partnership of a national firm that he maintained until he set up his own practice in 1978, of which he remains principal. Since the early 1980's he has been a Director of a number of listed exploration companies in both Australia and New Zealand concentrating on fiscal aspects of project modelling and procurement of capital. Recently he has been responsible for a number of successful IPOs supervising Due Diligence and Corporate Governance matters as well as attending to all compliance matters. Mr Armitage has also been involved in various consulting assignments in Peoples Republic of China, Canada, USA, Hong Kong, and UK for Fortune 500 companies. Mr Armitage also holds directorships in ASX listed and non-listed entities Peako Limited (ASX: PKO) and Enegex Limited (appointed 11 April 2017) and was director of Strategic Energy Resources (ASX: SER) until 10 October 2017.

Name:	Mr Christopher Gilbey
Title:	Non-Executive Director (appointed 25 July 2018)
Experience and expertise:	Chris currently serves as the CEO and founder of Imagine Intelligent Materials. Imagine built the first commercial graphene manufacturing plant in Australia and has pioneered the development of conductive coatings using graphene. It was the first to make leak detection geotextiles using graphene. Imagine's approach is to develop solutions and materials that can be deployed into existing manufacturing processes and supply chains with a QA certification process that allows users to trust the solution. Chris works extensively with leading researchers at universities in Australia and beyond, including Swinburne University, Deakin University, RMIT, CSIRO, the University of Wollongong and the University of Oklahoma. Imagine's graphene plant was the recipient of the Innovation, Research and Development Award from Engineers Australia for 2016.
Name:	Dr David DeTata
Title:	Non-Executive Director (appointed 1 October 2018)
Experience and expertise:	David is an experienced scientific professional and public company director with over 14 years' experience in scientific research and investigations. Dr DeTata holds a Doctor of Philosophy in energetic materials analysis and Master of Business Administration from the University of Western Australia. David is Non-Executive Director of Strategic Energy Resources Limited (ASX: SER).
Name:	Mr Merlin Allan
Title:	Non-Executive Director (resigned 25 July 2018)
Experience and expertise:	Merlin has long experience with technology start-ups, founding several himself and serving as executive and non-executive director in a number of listed and unlisted companies including SMS Management & Technology (ASX:SMX), YourCall Communications , UCMS and Zetta Group Pty Ltd. He has extensive experience commercialising early-stage technologies, working with universities, driving strategy and managing mergers and acquisitions.

Company secretary
Mr Justin Mouchacca CA
Mr Mouchacca holds a Bachelor of Business majoring in Accounting. Justin became a Chartered Accountant in 2011 and since July 2013 has been a principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd, specialising in outsourced company secretarial and financial duties. Justin has over 11 years' experience in the accounting profession including 5 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, 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 Merlin Allan	4	4

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

Shares under option
Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
26/06/2017	30/06/2020	$0.02	83,218,204
09/10/2017	30/06/2020	$0.02	28,750,805
31/10/2017	30/06/2020	$0.02	2,233,601
27/11/2017	29/12/2021	$0.04	30,000,000
			144,202,610

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of the company were issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report:

Date options exercised	Exercise price	Number of shares issued
9 October 2017	$0.02	157,000
29 June 2018	$0.02	200,000
		357,000

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

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

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

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

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

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

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of amounts
Ionic Industries Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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 Simon Savage
CEO & Executive Director

25 October 2018

Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Ionic Industries Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ionic Industries Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

T S Jackman
Partner – Audit & Assurance

Melbourne, 25 October 2018

Ionic Industries Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Other income			
Research & development tax concession		310,611	197,686
Other - Technology Licence Grant		-	20,000
Interest Received		-	24
		310,611	217,710
Expenses			
Corporate expenses		(165,727)	(246,306)
Employee benefits expense		(279,467)	(199,170)
Depreciation expense		(3,773)	(4,054)
Share based payments	20	(162,940)	-
Other expenses		(23,233)	(36,164)
Finance costs		(978)	(772)
Research and development costs		(392,720)	(288,677)
Loss before income tax expense		(718,227)	(557,433)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of Ionic Industries Limited		(718,227)	(557,433)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/ (loss) for the year attributable to the owners of Ionic Industries Limited		(718,227)	(557,433)

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 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	190,313	423,328
Trade and other receivables	6	329,863	227,387
Total current assets		520,176	650,715
Non-current assets			
Plant and equipment	7	17,857	21,630
Total non-current assets		17,857	21,630
Total assets		538,033	672,345
Liabilities			
Current liabilities			
Trade and other payables	8	126,305	334,318
Employee benefits		26,140	9,458
Total current liabilities		152,445	343,776
Non-current liabilities			
Employee benefits		3,316	531
Total non-current liabilities		3,316	531
Total liabilities		155,761	344,307
Net assets		382,272	328,038
Equity			
Issued capital	9	2,350,880	1,716,692
Reserves	10	138,273	-
Accumulated losses		(2,106,881)	(1,388,654)
Total equity		382,272	328,038

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 2018

	Issued capital $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	684,308	-	(831,221)	(146,913)
Loss after income tax expense for the year	-	-	(557,433)	(557,433)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income/ (loss) for the year	-	-	(557,433)	(557,433)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 9)	1,032,384	-	-	1,032,384
Balance at 30 June 2017	1,716,692	-	(1,388,654)	328,038

	Issued capital $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	1,716,692	-	(1,388,654)	328,038
Loss after income tax expense for the year	-	-	(718,227)	(718,227)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income/ (loss) for the year	-	-	(718,227)	(718,227)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 9)	609,521	-	-	609,521
Share-based payments (note 20)	24,667	138,273	-	162,940
Balance at 30 June 2018	2,350,880	138,273	(2,106,881)	382,272

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 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from research and development tax concession		196,026	254,668
Receipts from licence grant		-	20,000
Payments to suppliers and employees (inclusive of GST)		(1,037,584)	(715,400)
Net cash used in operating activities	19	(841,558)	(440,732)
Cash flows from investing activities			
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	9	612,591	733,752
Share issue transaction costs		(3,070)	-
Financing expenses		(978)	(770)
Net cash from financing activities		608,543	732,982
Net increase/(decrease) in cash and cash equivalents		(233,015)	292,250
Cash and cash equivalents at the beginning of the financial year		423,328	131,078
Cash and cash equivalents at the end of the financial year	5	190,313	423,328

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

Note 1. General information

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

Level 4, 100 Albert Road
South Melbourne
VIC 3205

A description of the nature of the company'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 25 October 2018. 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 company 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 financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the financial year ended 30 June 2018, the company incurred a loss after tax of $718,227 (2017: $557,433) and had net cash outflows from operating activities of $841,558 (2017: $440,732). At 30 June 2018 the company had net assets of $382,272 (30 June 2017: $328,038). The cash balance as at 30 June 2018 was $190,313 (30 June 2017: $423,328).

These conditions indicate that a material uncertainty exists as 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;
- Completing an Initial Price Offering (IPO);
- Receiving a Research & development tax concession refund for the 2018 financial year; and
- Commercialization of proprietary of technology.

Subsequent to the end of the financial year the company lodged its Research & development tax concession return and received a refund amounting to $312,271 which will be used to fund ongoing working capital requirements.

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) and also in conjunction with the directors agreeing not to request payment of the amounts owing to them for directors fees. 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.

Note 2. Significant accounting policies (continued)

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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, 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 company'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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

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

Note 2. Significant accounting policies (continued)

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

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 company for the annual reporting period ended 30 June 2018. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The company has assessed the impact of the standard and expects that there will be a nil impact on the carrying values of financial instruments.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company will adopt this standard from 1 January 2018 but it is expected to have no material impact as there are no contracts with customers

Note 2. Significant accounting policies (continued)

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

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.

Income tax
The company 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 company recognises liabilities for anticipated tax audit issues based on the company'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 company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Note 4. Income tax

	2018 $	2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(718,227)	(557,433)
Tax at the statutory tax rate of 27.5%	(197,512)	(153,294)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Current year temporary differences not recognised	72,089	134,763
Net tax impact from non-deductible R&D expenses and non-assessable R&D rebate	85,418	25,023
Change in brought forward tax losses and temporary differences due to change in Australian tax rate	-	(4,371)
	(40,005)	2,121
Current year tax losses not recognised	40,005	-
Prior year tax losses not recognised now recouped	-	(2,121)
Income tax expense	-	-

	2018 $	2017 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,168,578	1,023,107
Potential tax benefit @ 27.5%	321,359	281,354

The company has elected to apply the small business concessional income tax rate of 27.5% in determining the amount of deferred tax assets not recognised.

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

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

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

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

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

	2018 $	2017 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	321,359	281,354
Temporary differences	22,926	95,015
Total deferred tax assets not recognised	344,285	376,369

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

Note 4. Income tax (continued)

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

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

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

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

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

Note 5. Current assets - cash and cash equivalents

	2018 $	2017 $
Cash at bank	190,313	423,328

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 6. Current assets - trade and other receivables

	2018 $	2017 $
Prepayments	4,449	10,240
R&D tax incentive receivable	312,271	197,686
GST receivable	13,143	19,461
	329,863	227,387

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
Other receivables are recognised at amortised cost, less any provision for impairment.

Note 6. 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 7. Non-current assets - plant and equipment

	2018 **$**	**2017** **$**
Plant and equipment - at cost	25,000	25,000
Less: Accumulated depreciation	(7,143)	(3,571)
	17,857	21,429
Computer equipment - at cost	1,207	1,207
Less: Accumulated depreciation	(1,207)	(1,006)
	-	201
	17,857	21,630

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

	Plant & equipment $	Computer equipment $	Total $
Balance at 1 July 2016	25,000	684	25,684
Depreciation expense	(3,571)	(483)	(4,054)
Balance at 30 June 2017	21,429	201	21,630
Depreciation expense	(3,572)	(201)	(3,773)
Balance at 30 June 2018	17,857	-	17,857

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.

Note 7. Non-current assets - plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 8. Current liabilities - trade and other payables

	2018 $	2017 $
Trade payables	15,773	155,451
Other payables	110,532	178,867
	126,305	334,318

Refer to note 12 for further information on financial instruments.

Included in other payables is $77,796 owing to a previous Director of the company for accrued Directors fees to July 2016. The company will not pay these fees until such time where sufficient funds become available or if agreed and approved the company may issue shares in consideration for accrued fees.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company 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 9. Equity - issued capital

	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	590,673,952	550,153,388	2,350,880	1,716,692

Note 9. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	459,952,355		684,308
Fully paid ordinary shares	21 February 2017	63,001	$0.0291	1,833
Fully paid ordinary shares	21 February 2017	343,643	$0.0291	10,000
Fully paid ordinary shares	28 February 2017	6,419,187	$0.0291	186,799
Fully paid ordinary shares	30 June 2017	83,375,202	$0.01	833,752
Balance	30 June 2017	550,153,388		1,716,692
Fully paid ordinary shares	9 October 2017	28,950,805	$0.01	289,508
Options exercised	9 October 2017	157,000	$0.02	3,140
Fully paid ordinary shares	31 October 2017	2,233,601	$0.01	22,336
Consulting fees settled with shares	31 October 2017	666,665	$0.01	6,667
Fully paid ordinary shares	1 March 2018	1,755,912	$0.03	52,677
Consulting fees settled with shares	1 March 2018	333,333	$0.03	10,000
Fully paid ordinary shares	20 April 2018	4,625,000	$0.04	185,000
Fully paid ordinary shares	29 June 2018	1,398,248	$0.04	55,930
Consulting fees settled with shares	29 June 2018	200,000	$0.04	8,000
Options exercised	29 June 2018	200,000	$0.02	4,000
Capital raising costs		-	-	(3,070)
Balance	30 June 2018	590,673,952		2,350,880

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

The company 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 10. Equity - reserves

	2018 $	2017 $
Options reserve	138,273	-

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 reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Options reserve $	Total $
Balance at 1 July 2016	-	-
Balance at 30 June 2017	-	-
Share based payments (note 20)	138,273	138,273
Balance at 30 June 2018	138,273	138,273

Note 11. Equity - dividends

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

Note 12. 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 company is not exposed to any significant price risk.

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

Liquidity risk
Vigilant liquidity risk management requires the company 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.

Note 12. Financial instruments (continued)

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-	126,305	-	-	-	126,305
Total non-derivatives		126,305	-	-	-	126,305

2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables and other payables	-	334,318	-	-	-	334,318
Total non-derivatives		334,318	-	-	-	334,318

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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

Note 13. Key management personnel disclosures

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

Non-Executive Directors
Mr Merlin Allan
Mr Peter Armitage
Executive Directors
Mr Simon Savage

Note 13. 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:

	2018 $	2017 $
Short-term employee benefits	245,251	239,597
Post-employment benefits	14,749	6,507
Share-based payments	138,273	-
	398,273	246,104

Note 14. Remuneration of auditors

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

	2018 $	2017 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	24,000	32,500
Other services - Grant Thornton Audit Pty Ltd		
Tax services	2,850	-
	26,850	32,500

Note 15. Contingent liabilities

There were no contingent liabilities at 30 June 2018 or 30 June 2017.

Note 16. Commitments

As at 30 June 2018 the company had a commitment to pay Clean TeQ Holdings Limited $90,000 under a partnership agreement previously entered into in relation to developing, manufacturing and the application of graphene oxide membranes for water filtration applications.

Note 17. Related party transactions

Parent entity
Ionic Industries Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 13.

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 2018 a total of $77,796 (former director only) (2017:$157,796) of accrued fees for current and former directors has been included in other payables.

Note 17. Related party transactions (continued)

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

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

Note 18. Events after the reporting period

On 24 September 2018, the company's participation agreement currently in place with Clean TeQ Holdings Limited (''Clean TeQ'') had progressed towards development of a graphene-oxide based water filtration membrane. Clean TeQ advised the company that it would form an incorporated joint venture to further develop and commercialise this exciting opportunity.

On 1 October 2018, the company issued a total of 967,098 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share raising a total of $38,684. Also on this day the company issued 218,181 fully paid ordinary shares at a deemed issue price of $0.04 (4 cents) per share in order to settle outstanding liabilities.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 19. Reconciliation of loss after income tax to net cash used in operating activities

	2018 $	2017 $
Loss after income tax expense for the year	(718,227)	(557,433)
Adjustments for:		
Depreciation and amortisation	3,773	4,054
Share-based payments	162,940	298,632
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(102,476)	47,285
Decrease in trade and other payables	(208,013)	(220,414)
Increase/(decrease) in employee benefits	20,445	(12,856)
Net cash used in operating activities	(841,558)	(440,732)

Note 20. Share-based payments

During the year a total of 1,199,998 fully paid ordinary shares were issued to a third party consultant for services provided amounting to $24,667.

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

2018

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	-	30,000,000	-	-	30,000,000
			-	30,000,000	-	-	30,000,000
Weighted average exercise price			$0.00	$0.04	$0.00	$0.00	$0.04

* Options noted above were issued to directors as approved by shareholders at the 2017 Annual General Meeting.

Note 20. Share-based payments (continued)

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

Grant date	Expiry date	2018 Number	2017 Number
26/06/2017	30/06/2020	83,218,204	83,375,204
09/10/2017	30/06/2020	28,750,805	-
31/10/2017	30/06/2020	2,233,601	-
27/11/2017	29/12/2021	30,000,000	-
		144,202,610	83,375,204

* The options listed above excluding the 30,000,000 options granted to directors do not relate to share based payments. These options were issued as free attaching options to shareholders who subscribed to share issues as an incentive offer.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/11/2017	29/12/2021	$0.01	$0.04	100.00%	-	2.02%	$0.0046

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 company 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.

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.

Note 20. Share-based payments (continued)

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 company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company 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 2018

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 company's financial position as at 30 June 2018 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 Simon Savage
CEO & Executive Director

25 October 2018

Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Ionic Industries Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Ionic Industries Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of $718,227 and had net cash outflows from operating activities of $841,558 during the year ended 30 June 2018. As stated in Note 2, these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Grant Thornton

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

T S Jackman
Partner – Audit & Assurance

Melbourne, 25 October 2018