ALEXIUM

ALEXIUM INTERNATIONAL GROUP LIMITED

HALF-YEAR REPORT
For the Six Months Ended 31 December 2020
PRESENTED IN US DOLLARS

ABN 91 064 820 408

TABLE OF CONTENTS

Results for the announcement to the market-Appendix 4D	1
Directors' Report	2
Declaration of Independence	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes on the Consolidated Statements	9
Directors' Declaration	15
Independent Auditor's Report	16

ALEXIUM INTERNATIONAL GROUP LIMITED
ABN 91 064 820 408

This information is provided to the Australian Securities Exchange under ASX Listing Rule 4.2A (3). This information should be read in conjunction with the most recent annual financial report.

Current reporting period:	01 July 2020 to 31 December 2020
Previous reporting period:	01 July 2019 to 31 December 2019

Revenue from ordinary activities	Up	13.7%	to	US$ 3,610,887
Loss from ordinary activities after tax attributable to members	Down	59.0%	to	US$ (1,794,477)
Net loss for the period attributable to members	Down	59.0%	to	US$ (1,794,477)

Dividends	**Amount per security**	**Franked amount per security**
Interim dividend declared this period	Nil	Nil
Interim dividend declared and paid in previous corresponding period	Nil	Nil
Final dividend in 2020	Nil	Nil

Revenue from ordinary activities

Revenue from ordinary activities increased over the prior year by 13.7% from increased sales in the PCM product line. We experienced a seven-percentage point decline in margin due to customer-product mix. The loss before finance costs of $1.6M was up 8.2% versus the comparative period primarily as a result of increased cost of sales. Operating expenses have remained within 1.0% of the prior period with continued monitoring of costs. Total loss for the period of $1.8M was a 59.0% improvement over the comparative period as total finance costs were down 92.8% with the extinguishment of the previous convertible note after a successful equity offering.

Net Tangible Assets	**31-Dec-20**	**30-Jun-20**
Net Tangible Asset backing per ordinary shares	US 0.08 cents	US 0.43 cents

Controlled entities acquired or disposed of:
There were no entities acquired or disposed of during the current reporting period.

Additional dividend/distributions information
Not applicable

Dividend/distribution reinvestment plans
None

Associates and Joint Venture entities
None

Your Directors submit their report for the half-year ended 31 December 2020.

The names of the Group's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Ms Rosheen Garnon
Brigadier General Stephen Cheney
Mr Simon Moore
Dr Paul Stenson
Dr Bob Brookins

RESULTS AND REVIEW OF OPERATIONS

Principal activities

The Group's revenue is generated from the development and sale of innovative and proprietary chemistry solutions to various partners in the textile industry. The Group's proprietary technologies, Alexicool® and Alexiflam®, serve the phase change material (PCM) and flame retardant (FR) market opportunities where Alexium's product differentiation is clearly established.

Revenues were up 13.7% with increased sales of the Alexicool® product line. Gross margin year over year is down due a change in product mix versus the comparative period.

Operating expenses were consistent with the comparative period at $2.8M which represent a 1.0% increase. The loss before financing costs was up 8.2% at $1.6M versus $1.5M in the comparative period due to increase in cost of sales as a result of customer-product mix changes.

Interest expense for the period was down 80.0% or $1.3M after the retirement of the previous convertible note in December 2019. At retirement, the Group realized a $1.5M loss on the extinguishment of the debt facility along with a $0.2M gain on the fair value of the embedded derivative, both of which were non-cash accounting items. During the same period the Group entered into a 6% coupon convertible note for $A5.15M with a four-year-term as well as a capital raise with funds being used to fully retire the higher interest debt facility with the balance of the funds employed for working capital to support the growth of the Group.

The net loss attributable to members of the Group for the period was $1.8M, which represents a $2.6M improvement over the comparative period largely a result in the extinguishment of the debt facility.

As at 31 December 2020, the cash position was $3,842,219 (30 June 2020: $4,741,251) and the Group had 639,599,248 ordinary shares on issue (30 June 2019: 634,456,542).

COVID-19

The Company continued to manage the impact of the COVID-19 global pandemic during the period with the primary focus being on the safety and security of our employees and stakeholders. Established safety protocols provide a safe working environment while continuing to serve our customers and work with our contract manufacturers and suppliers.

The financial impact of COVID-19 was focused in the fourth quarter of FY 2020. As local governments enacted shelter in place orders for non-essential services in early April, manufacturing plants ceased operation and product orders slowed. Travel restrictions and cancellation of industry conferences continued to be reflected in reduced travel expenses and are expected to remain in place into the near future. Other fixed operating costs remained flat as management continues with strong cost controls. Management has continued to assess the balance sheet for COVID-19 related asset impairment. In estimating the recoverable amount of intangible assets as part of impairment testing there was no resulting impairment. Further, no credit losses were recognised for any customer receivables on balance on 31 December 2020 and these balances are considered fully collectable.

In response to the unprecedented risk of economic injury governments worldwide extended various stimulus packages to support business. In Australia, the "Boosting Cash Flow for Employers" program provided up to A$100,000 to eligible small and medium sized businesses in the form of a credit on BAS filings. The company was able to participate in this program and anticipates continued program credits for one more quarter. In the US, the "CARES Act II" was passed to continue support for small businesses by providing low interest loans. The Company was able to qualify and receive a second loan totalling $468,428. This is in addition to the "CARES Act" which was passed in the previous fiscal year and resulted in the Company being receiving a $460,352 loan. Both loans are designed to be up to 100% forgivable when the funds are used for program qualifying costs. The Company anticipates full forgiveness of both loans.

As we monitor the industries served, the Company has not seen any major impacts after the initial downturn in revenue in the fourth quarter FY 2020. Manufacturing in the bedding industry shows continuous momentum with indications of a shift from brick-and-mortar sales channels to online. We do not expect changes in the US military's initiative for widening use of FR treated uniforms to service members.

SUBSEQUENT EVENTS

None

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on the following page Dated this 24th day of February 2021.

Signed in accordance with a resolution of the Directors.

Dr. Bob Brookins
Chief Executive Officer
Dated 24 February 2021

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Alexium International Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Alexium International Group Limited for the period ended 31 December 2020, 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 review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 24 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Note	31-Dec-20 US$	31-Dec-19 US$
Revenue	3	**3,610,887**	3,177,052
Cost of sales		**(2,437,315)**	(1,910,495)
Gross Profit		**1,173,572**	1,266,557
Administrative expenses		**(1,529,110)**	(1,630,925)
Sales and marketing expenses		**(598,173)**	(517,567)
Occupancy expenses		**(264,733)**	(298,000)
Research and development costs		**(351,188)**	(152,217)
Other expenses		**(13,695)**	(131,809)
Operating expenses		**(2,756,899)**	(2,730,518)
Loss before finance costs		**(1,583,327)**	(1,463,961)
Interest expense		**(319,982)**	(1,598,669)
Gain/ (Loss) on debt extinguishment	5	**-**	(1,522,003)
Gain/ (Loss) on embedded derivative	5	**106,267**	201,424
Interest received	3	**2,565**	4,064
Total finance costs		**(211,150)**	(2,915,184)
Loss before tax		**(1,794,477)**	(4,379,145)
Tax expense		**-**	-
Loss for the year after tax		**(1,794,477)**	(4,379,145)
Other comprehensive income - Exchange differences on translation of foreign operations which may subsequently be reclassified to profit or loss		**(311,950)**	45,848
Total comprehensive loss for the year		**(2,106,427)**	(4,333,297)
Loss for the year attributable to members of the group		**(1,794,477)**	(4,379,145)
Total comprehensive loss for the year attributable to members of the group		**(2,106,427)**	(4,333,297)
Basic and diluted loss per share (cents)		(0.28)	(1.23)

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements

	Note	31-Dec-20 US$	30-Jun-20 US$
Current Assets			
Cash and cash equivalents		**3,842,219**	4,741,251
Trade and other receivables		**898,947**	979,680
Inventories		**772,138**	921,554
Other current assets		**156,116**	41,500
Total Current Assets		**5,669,420**	6,683,985
Non-Current Assets			
Other financial assets		**17,683**	17,682
Property, plant and equipment		**1,037,501**	1,095,886
Intangible assets	4	**3,007,876**	2,678,615
Right of use asset		**1,091,574**	1,194,166
Total Non-Current Assets		**5,154,634**	4,986,349
Total Assets		**10,824,054**	11,670,334
Current Liabilities			
Trade and other payables		**1,524,887**	905,514
Lease liabilities		**101,953**	136,753
Current borrowings	5	**44,126**	-
Total Current Liabilities		**1,670,966**	1,042,267
Non-Current Liabilities			
Borrowings	5	**2,801,945**	2,440,230
Derivative liability	5	**1,920,547**	1,810,494
Lease liabilities		**912,437**	949,786
Total Non-Current Liabilities		**5,634,929**	5,200,510
Total Liabilities		**7,305,895**	6,242,777
Net Assets		**3,518,159**	5,427,557
Equity			
Contributed equity	6	**66,254,405**	65,943,807
Reserves		**(1,994,891)**	(927,236)
Accumulated losses		**(60,741,355)**	(59,589,014)
Total Equity		**3,518,159**	5,427,557

This consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements

	Contributed equity $	Options & Warrants Reserve $	Performance Rights Reserve $	Foreign Currency Translation Reserve $	Consolidated Accumulated Losses $	Total $
Balance at 1 July 2020	**65,943,807**	**726,070**	**113,569**	**(1,766,875)**	**(59,589,014)**	**5,427,557**
Loss for the period	**-**	**-**	**-**	**-**	**(1,794,477)**	**(1,794,477)**
Foreign currency translation	**-**	**-**	**-**	**(311,950)**	**-**	**(311,950)**
Total comprehensive income / (loss)	**-**	**-**	**-**	**(311,950)**	**(1,794,477)**	**(2,106,427)**
Transactions with owners in their capacity as owners:						
Expiration of outstanding options	**-**	**(642,136)**	**-**	**-**	**642,136**	**-**
Issued capital	**-**	**-**	**-**	**-**	**-**	**-**
Capital raising costs	**-**	**-**	**-**	**-**	**-**	**-**
Performance rights issued	**-**	**-**	**-**	**-**	**-**	**-**
Performance rights exercised	**113,569**	**-**	**(113,569)**	**-**	**-**	**-**
Share-based payment in lieu of salary	**49,500**	**-**	**-**	**-**	**-**	**49,500**
Share-based payment for services	**147,529**	**-**	**-**	**-**	**-**	**147,529**
Balance at 31 December 2020	**66,254,405**	**83,934**	**-**	**(2,078,825)**	**(60,741,355)**	**3,518,159**
Balance at 1 July 2019	54,367,832	5,634,968	1,021,204	(1,577,928)	(59,063,080)	382,996
Loss for the period	-	-	-	-	(4,379,145)	(4,379,145)
Foreign currency translation	-	-	-	45,848	-	45,848
Total comprehensive income / (loss)	-	-	-	45,848	(4,379,145)	(4,333,297)
Transactions with owners in their capacity as owners:						
Reclass to accumulated losses	-	(4,992,832)	(590,479)	-	5,583,311	-
Issued capital	7,819,040	-	-	-	-	7,819,040
Capital raising costs	(454,069)	-	-	-	-	(454,069)
Performance rights exercised	444,293	-	(444,293)	-	-	-
Share-based payment in lieu of salary	-	-	13,568	-	-	13,568
Warrants outstanding	-	83,934	-	-	-	83,934
Balance at 31 December 2019	62,177,096	726,070	-	(1,532,080)	(57,858,914)	3,512,172

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements

	Note	31-Dec-20 US$	31-Dec-19 US$
Cash flow from operating activities			
Receipts from customers and other income		**3,914,954**	3,819,989
Payments to suppliers and employees		**(4,169,737)**	(5,047,554)
Interest received		**1,497**	4,063
Interest and other costs of finance paid		**(163,786)**	(737,125)
Goods & services tax received from ATO		**22,634**	13,972
Net cash flows (used in) operating activities		**(394,438)**	(1,946,655)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(43,896)**	(10,653)
Payments for development costs	4	**(560,524)**	(498,989)
Net cash flows (used in) investing activities		**(604,420)**	(509,642)
Cash flows provided by financing activities			
Proceeds from issue of ordinary shares		**-**	7,819,040
Transaction costs related to issue of shares		**-**	(133,367)
Proceeds from borrowings		**-**	3,611,566
Transaction cost related to loans and borrowings		**-**	(118,402)
Repayment of borrowings		**(72,149)**	(9,510,460)
Net cash flows from/(used in) financing activities		**(72,149)**	1,668,377
Net increase / (decrease) in cash and cash equivalents		**(1,071,008)**	(787,920)
Cash and cash equivalents at beginning of year		**4,741,251**	3,843,343
Effect of exchange rate changes on cash and cash equivalents		**171,975**	71,000
Cash and cash equivalents at end of year		**3,842,219**	3,126,423

This consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements

1. CORPORATE INFORMATION

The consolidated financial statements of Alexium International Group Limited and its subsidiaries (collectively, the Group) for the six-months ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 24 February 2021. Alexium International Group Limited ('Company' or 'Parent') is incorporated and domiciled in Australia and is publicly traded on the Australian Securities Exchange under the trading symbol AJX. These financial statements include the consolidated financial statements and notes of Alexium International Group Limited and its controlled entities ('Group').

These financial statements are presented in US Dollars which align with the Company's financial reporting with the nature of the business operations which primarily occur in the United States as described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated half-year financial statements for the six-months ended 31 December 2020 are general-purpose financial reports, which have been prepared in accordance with the requirement of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The consolidated half-year financial statements have been prepared on a historical cost basis, except where stated. For the purpose of preparing the consolidated half-year financial statements, the half-year has been treated as a discrete reporting period.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The financial statements have been prepared on an accrual basis and are based on historical costs modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The presentation is United States Dollars to correspond with the primary currency that influences sales price of goods, labour, materials, costs of providing goods for sale, and interest expense paid on the Company's debt.

(b) New and amended standards adopted by the Group in this financial report

There are no new or revised accounting standards and amendments that are currently issued and adopted during the reporting periods that are relevant to the Group.

(c) Significant accounting judgements, estimates and assumptions

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) and Black-Scholes option pricing models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. The assessed fair values of the embedded derivatives were determined using a Black-Scholes option pricing model which approximates the results that would have been achieved by using a binomial lattice. The model considers the expected price volatility of the underlying instrument, expected dividend yield and the risk-free interest rate. A collection of comparable companies has been used as a proxy for the volatility determined. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments.

Intangible Assets
The Group assesses at initial recognition whether an internally developed asset has met the recognition requirements established in AASB 138 and measures the direct and indirect costs of development using several estimates and assumptions. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results, the determination of a suitable discount rate, and the appropriate classification of cash generating units. See Note 4 for further disclosures.

(d) Going Concern

These financial statements have been prepared on the basis of going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The director's assessment is based on forecasted growth in commercial sales, which the Company expects to continue over the next twelve months.

3. REVENUE & OTHER INCOME

	2020	2019
Sale of goods	**3,849,841**	3,377,376
Rebates	**(238,954)**	(200,324)
Total	**3,610,887**	3,177,052
Interest received	**2,565**	4,064

4. INTANGIBLE ASSETS

Cost	Patents and trademarks	Capitalised development costs	Software	Total
Balance at 30 June 2020	40,522	2,784,555	35,377	2,860,454
Additions	**-**	**560,524**	**-**	**560,524**
Disposals	**-**	**-**	**(35,377)**	**(35,377)**
Foreign exchange movements	-	-	-	-
Balance at 31 Dec 2020	**40,522**	**3,345,079**	**-**	**3,385,601**

Amortization and impairment				
Balance at 30 June 2020	36,333	110,129	35,377	181,839
Amortisation	**-**	**231,263**	**-**	**231,263**
Disposals	**-**	**-**	**(35,377)**	**(35,377)**
Foreign exchange movements		-	-	-
Balance at 31 Dec 2020	**36,333**	**341,392**	**-**	**377,725**
Net book value				
At 30 June 2020	4,189	2,674,426	-	2,678,615
Balance at 31 Dec 2020	**4,189**	**3,003,687**	**-**	**3,007,876**

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included as depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income. The ultimate recoupment of costs carried forward for intellectual property is dependent on the successful development and commercial exploitation of the Group's technology. In accordance with Note 2(c) on significant accounting policies, amortisation is calculated on a straight-line basis over the average useful life of the assets and begins once the asset is available for use.

Capitalized development
Costs that are directly attributable to a technology's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the asset
- the asset will generate probable future economic benefits.

Costs directly attributable to capitalized development include; employee expenses incurred on technology development, external testing fees, and product trial costs. Development costs not meeting these criteria for capitalisation are expensed as incurred. The ultimate recoupment of costs carried forward for capitalized development is dependent on the successful development and commercialization of the Group's technology. Any capitalised developed that is not yet complete is not amortised but is subject to impairment testing.

Impairment testing for intangible assets
An impairment loss is recognised for the amount by which the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

Cash flow forecasting inputs are based on the Board approved budget for FY2021 along with forecasts from management for an additional four years. Management forecasts include an assessment of market size and the ability of the Group to penetrate the market. The forecasting methods also include identifiable and addressable markets for the Group along with consideration for customer adoption rates. These forecasts are also based on management's knowledge of the business and assessment of the likely current economic environment impacts, adjusted to account for an expected arm's length market participant's view of cash flow risks.

In particular, the discounted cash flow forecast for Alexiflam® technologies in relation to military uniforms is based on current supply chain information which has been accumulated during the development process including current production scale trials and evaluations taking place with the military. The directors note that whilst there is an exclusivity agreement in place regarding the development of this technology, no supply agreement has been entered as at the reporting date.

With the assistance of an independent third-party valuation firm, the Group estimated the recoverable amount of the Alexiflam® and Alexicool® CGUs as of 30 June 2020. This firm has significant experience in the US speciality chemical industry. The valuer used a combination of management provided cash flow projections and observable external market information to determine the key assumptions for their determination. The fair value measurement is categorized in its entirety as Level 3 in the fair value hierarchy designated in AASB 13. This categorization has several market observable factors including public companies deemed comparable to the Group, market royalty rates for comparable transactions and discount rate market factors for such items as risk free rate, beta, equity risk premium and size premium.

No impairment loss has been recognised for Alexiflam® and Alexicool® technologies CGUs as of 31 December 2020 (2019: $nil).

5. BORROWINGS

Convertible note

On 24 December 2019 the Company entered a convertible note, secured by the Group's assets, with institutional lenders. The $3.5 million ($A5.15M) note carries a four-year term and 6.0% annual interest rate and is convertible into ordinary shares at the holder's discretion and with shareholder approval. The proceeds from the funding were used to pay down the loan facility originated on 30 September 2017, which carried a higher interest rate and was nearing expiration.

The Borrowings have been measured at amortised cost in accordance with AASB 9 and gain or loss is recognised in profit or loss through the amortisation process and when the borrowings are derecognised. The Company allocates interest payments over the term of the borrowings at a constant rate on the carrying value. The carrying balance over the remaining life of the facility will increase to the current principal balance of $4.0 million.

Other borrowings

On 6 May 2020 the Company was granted a loan in the amount of $460,352 funded by the US Small Business Administration and administered by Wells Fargo. Under Division A, Title I of the CARES Act enacted 27 March 2020. The program called Paycheck Protection Program was created with the goal to support small businesses during the COVID-19 pandemic.

The loan is in the form of a note that matures on 5 May 2022 and bears interest at a rate of 1% per annum, payable monthly principal and interest payments commencing on 6 September 2021. The note may be prepaid by the Borrower at any time prior to maturity without prepayment penalty. Funds from the loan are intended to support payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations which were impacted by the COVID-19 pandemic.

The loan is designed to be forgivable up to 100% of the loan value when used for expenses described above. Until that forgiveness is finalized, the balances represents a liability with $44,126 coming due in the next twelve months.

	31-Dec-20	30-Jun-20
Current borrowings	**44,126**	-
Other borrowings	**416,226**	460,352
Convertible note carrying value	**2,385,719**	1,979,878
Non-current borrowings	**2,801,945**	2,440,230

Convertible note carrying value	**2,385,719**	1,979,878
Remaining amortization of effective interest	**1,225,848**	1,631,688
Foreign currency exchange rate impact	**357,539**	(70,369)
Principal balance outstanding	**3,969,106**	3,541,197

Derivative liability

The current and previous borrowings are considered hybrid instruments with host and derivative liability components. When initially recorded the derivative is measured at fair value and separated from the host liability. Subsequently changes in value are recorded in profit or loss upon revaluation. This has been valued using a Black-Scholes option pricing model which approximates a Monte Carlo binomial lattice simulation. Pricing model inputs of the current derivative include exercise price (A$0.075), risk-free rate (0.19%), remaining term (3 years) and volatility (112.48%).

	31-Dec-20	30-Jun-20
Derivative liability	**1,920,547**	1,810,494

	2020	2019
Gain/ (Loss) on embedded derivative	**106,267**	201,424

Loss on debt extinguishment

The previous loan of $9 million was paid in full on 31 December 2019 and was measured at the amortised cost using the effective interest method. The residual value was amortised to face value over the life of the note. On extinguishment, the liability was derecognised and the difference between the carrying amount of the extinguished liability and the consideration paid is recognised in profit or loss. The attached embedded derivative liability is also derecognised and netted against the residual value of the host liability and the consideration paid.

	2020	2019
Gain/ (Loss) on debt extinguishment	**-**	(1,522,003)

6. CONTRIBUTED EQUITY

	31-Dec-20 Shares	31-Dec-19 Shares	**31-Dec-20 $**	31-Dec-19 $
(a) Issued capital				
Ordinary shares fully paid	**639,599,248**	538,973,209	**66,254,405**	62,177,096
(b) Movement in share capital				
Balance at 1 July	**634,456,542**	345,443,598	**65,943,807**	54,367,832
Capital raising	-	190,244,277	-	7,819,040
Costs of capital raising	-	-	-	(454,069)
Conversion of performance rights	**1,286,181**	2,068,366	**113,569**	327,676
Shares issued in lieu of director's fees	**523,192**	1,061,968	**49,500**	101,999
Shares issued for professional services	**3,333,333**	-	**147,529**	-
Shares issued - severance	-	155,000	-	14,618
Balance at 31 December	**639,599,248**	538,973,209	**66,254,405**	62,177,096
(c) Movements in performance rights				
Balance at 1 July	**1,286,182**	4,960,938	**113,569**	1,021,204
Previously granted not yet vested at July 1	**1,705,978**	-	**127,654**	-
Granted in lieu of director's fees	-	140,554	-	13,568
Converted to shares	**(1,286,182)**	(3,285,334)	**(113,569)**	(444,293)
Forfeited	**(402,880)**	(1,816,158)	**(30,821)**	(590,479)
Granted	-	-	-	-
Granted not yet vested	**(1,303,098)**	-	**(96,833)**	-
Balance at 31 December	-	-	-	-

(d) Share options issued

At the 31 December 2020, there were Nil free attaching options outstanding (2019: Nil) and Nil share-based payment options outstanding (2019: 1,500,000). Warrants issued under the extinguished convertible note and previously recognized as a derivative liability were transferred to the option reserve account at the payoff date.

31-Dec-20	**Grant Date**	**Exercise Price**	**Expiry date**	**Balance at beginning of year** *Number*	**Granted during the year** *Number*	**Exercised during the year** *Number*	**Expired during the year** *Number*	**Balance at end of year** *Number*
Unlisted options	01-Oct-15	$0.75	30-Sep-20	**1,500,000**	-	-	**(1,500,000)**	-
Warrants	31-Dec-19	$0.06	29-Mar-23	**3,829,787**	-	-	-	**3,829,787**
				5,329,787	-	-	**(1,500,000)**	**3,829,787**
31-Dec-19								
Unlisted options	01-Oct-15	$0.75	30-Sep-20	1,500,000	-	-	-	1,500,000
Unlisted options	04-Nov-16	$0.75	04-Nov-19	300,000	-	-	(300,000)	-
Unlisted options	04-Nov-16	$1.25	04-Nov-19	300,000	-	-	(300,000)	-
Unlisted options	04-Nov-16	$1.75	04-Nov-19	300,000	-	-	(300,000)	-
Warrants	31-Dec-19	$0.06	29-Mar-23	-	3,829,787	-	-	3,829,787
				2,400,000	3,829,787	-	(900,000)	5,329,787

(e) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(f) Capital management

The Company's objectives in managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for the stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

7. COMMITMENTS AND CONTINGENCIES

(a) Commitments

There have been no material changes to the commitments as disclosed in the annual report to 30 June 2020

(b) Contingencies

There have been no material changes to the contingencies as disclosed in the annual report to 30 June 2020

8. SUBSEQUENT EVENTS

There has not arisen any item, transaction or event of a material and unusual nature; which in the opinion of the Directors of the Company, is likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTOR'S DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

    a. give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half- year ended on that date; and

    b. comply with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001;

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Rosheen Garnon
Chair
Dated 24 February 2021

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Sydney NSW 2000

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Independent Auditor's Report

To the Members of Alexium International Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Alexium International Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2020, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Alexium International Group Limited does not give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alexium International Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 24 February 2021